

# Leveraging Morningstar Sustainability Data

Many investors consider environmental, social, and governance (ESG) factors when deciding where to invest their money. Morningstar Direct<sup>SM</sup> Cloud Editions offers a multitude of resources you can use to surface and explore sustainability data to better understand how a portfolio is positioned relative to these factors.

## Overview

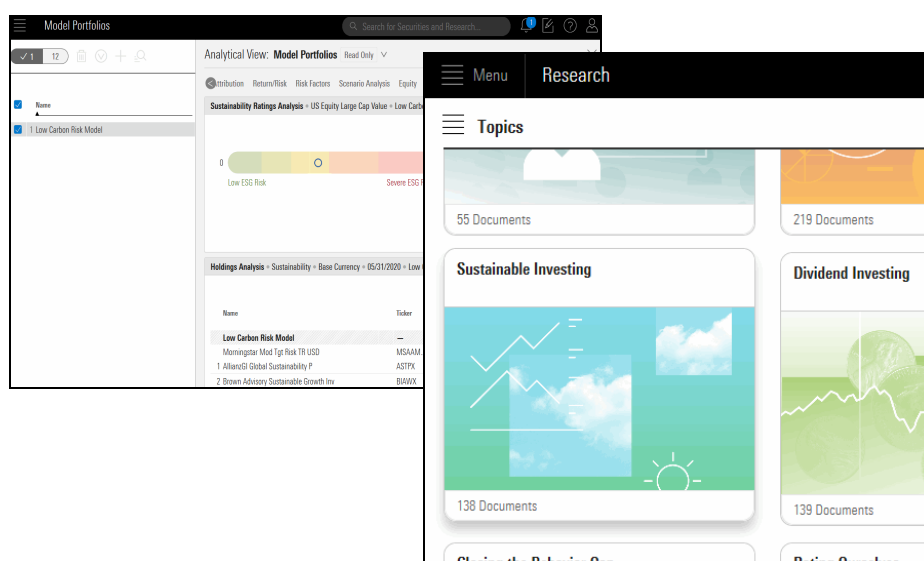
This workbook shows you how to take advantage of sustainability investing research and data points available in Morningstar Direct Cloud Editions.

This guide covers the following topics:

- ▶ [Finding Morningstar Research on Sustainable Investing \(page 5\)](#)
- ▶ [Finding Sustainability Data Points for Investments \(page 8\)](#)
- ▶ [Analyzing Product Involvement and Carbon Impact \(page 24\)](#)
- ▶ [Viewing ESG Statistics \(page 31\)](#)
- ▶ [Viewing Sustainability Data in Reports \(page 44\)](#)

To learn more about sustainability data, please read the following:

- ▶ [Morningstar Sustainability Rating for Funds Methodology](#), and
- ▶ [Morningstar Sustainability Rating FAQ](#).



## Finding Morningstar Research on Sustainable Investing

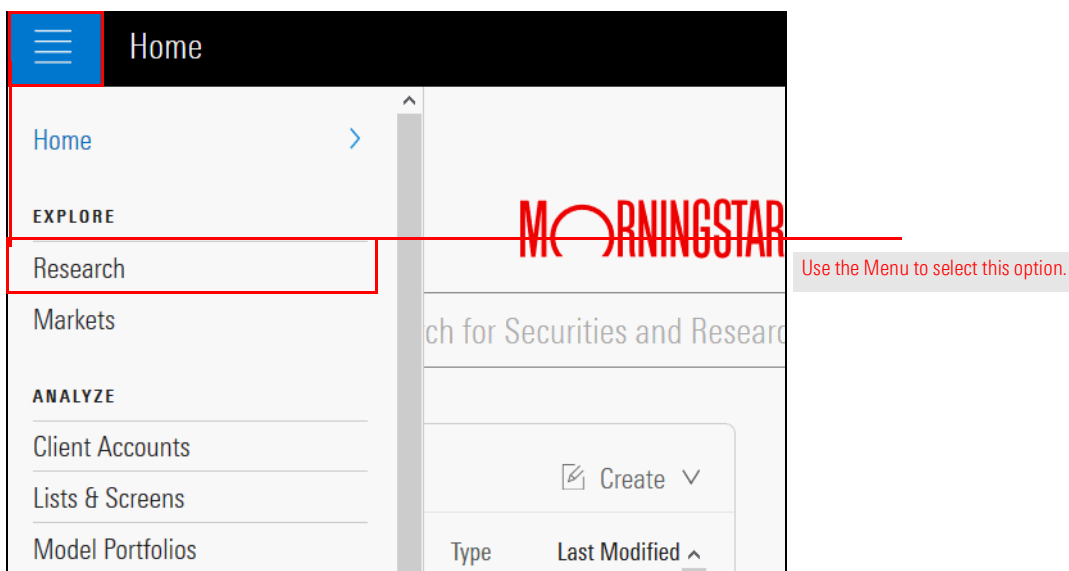
The Morningstar Research area provides informative content covering sustainability, and conveniently provides it in a curated topic. Following the Sustainable Investing topic ensures you are alerted whenever new content is added. The topic page is also where you can find methodology papers related to the sustainability metrics (such as the Morningstar® Sustainability Rating™ and Morningstar® Low Carbon Designation™) unique to Morningstar.

In this section, you will learn how to find research related to sustainable investing.

What are the latest stories on sustainable investing from Morningstar? How is the Morningstar Sustainability Rating calculated? The Sustainable Investing topic in the Morningstar Research area provides answers to these questions and access to all stories from Morningstar related to sustainable investing.

To find and follow the Sustainable Investing topic, do the following:

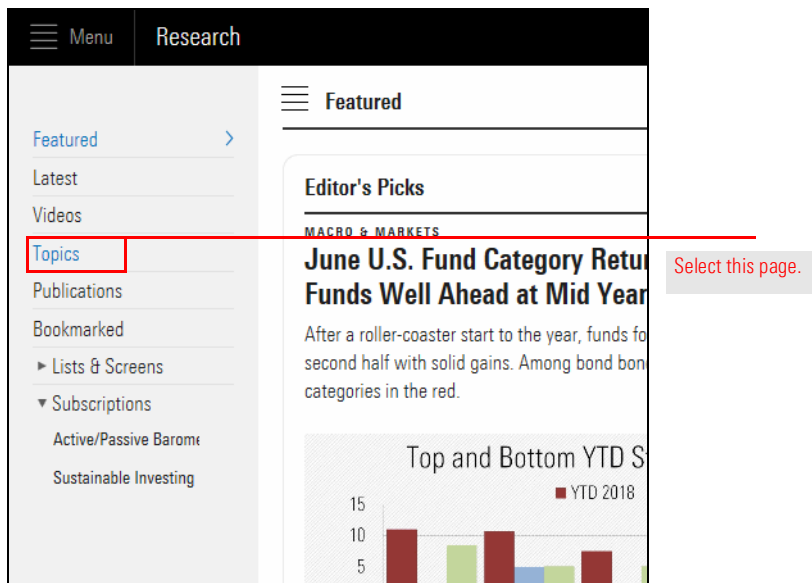
1. **Hover the cursor** over the **Menu** icon, then select **Research**. The Morningstar Research page opens.



### Overview

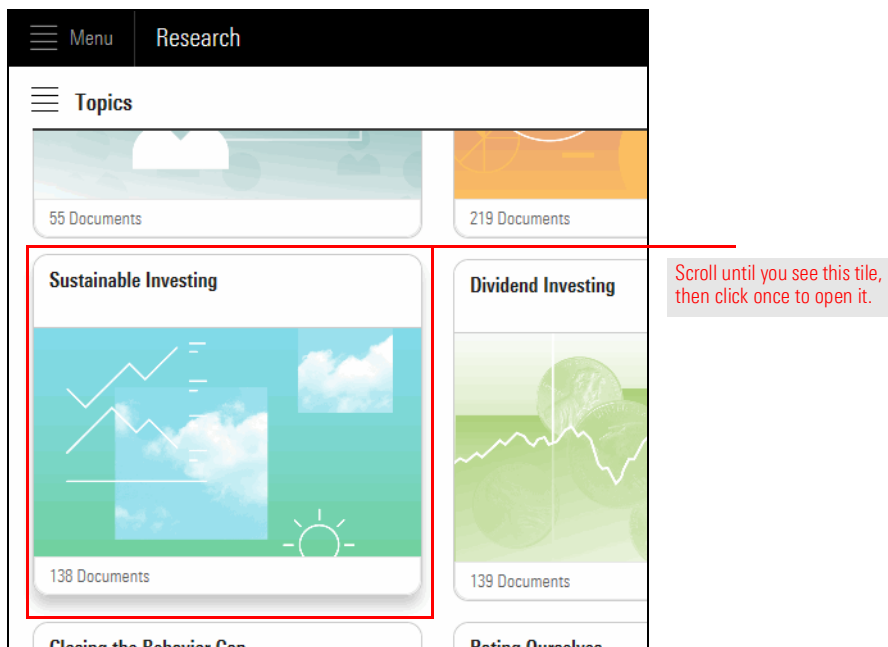
### Exercise 1: Find content related to sustainable investing in Morningstar Research

- From the Morningstar Research menu on the left side of the screen, select **Topics**.



- On the Topics page, scroll down until you see the **Sustainable Investing** tile, then click it. The Sustainable Investing content loads.

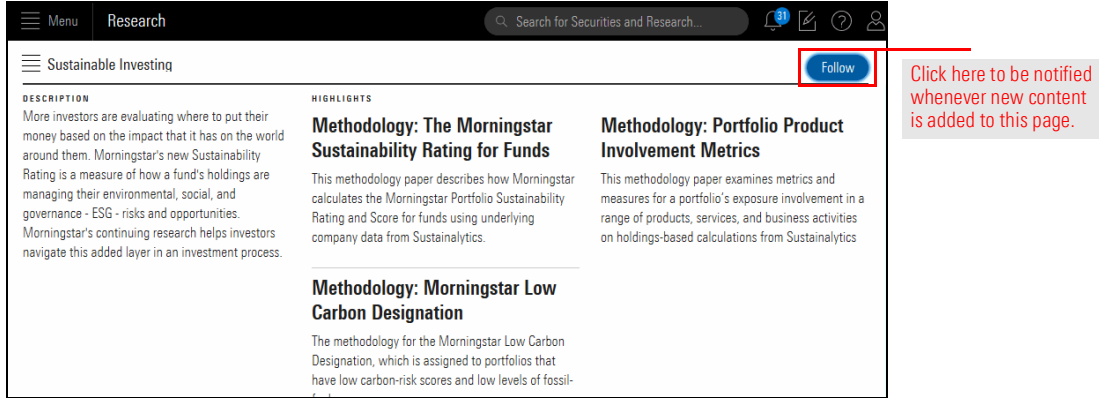
Note: Methodology papers are located at the top of the page.



- Click an **article's headline** to read it.

**Finding Morningstar Research on Sustainable Investing**

- To follow the Sustainable Investing topic and be notified (via the Notifications icon from the header at the top of the window) when new content is added to this page, click the **Follow** button in the top-right corner of the page. The button changes to "Following," and the name of the subscription appears under the Following area in the Morningstar Research navigation pane.



## Finding Sustainability Data Points for Investments

Imagine you have been assigned a list of funds to evaluate for use in client accounts with investors who are interested in sustainable investing. Before making recommendations from this list, you want to understand their suitability in terms of their sustainability focus. This section shows you how to find sustainability-related data points in a prebuilt data set, and how you can use the data to determine whether the funds will align with a client's investing values.

In this section, you will learn how to do the following:

- ▶ Identify prebuilt data sets for ESG data ([page 9](#))
- ▶ Learn about other sustainability related data points ([page 10](#))
- ▶ Screen for sustainable funds ([page 15](#))
- ▶ Open the Sustainability data set ([page 18](#))
- ▶ Exclude funds that don't align with a client's values ([page 19](#))
- ▶ Customize a data set for sustainability data ([page 21](#)), and
- ▶ View ESG data in the Sustainability Worksheet ([page 23](#)).
- ▶ Find company-level product involvement data ([page 24](#))

### Overview

Several data sets exist for ESG data. You can edit these data sets and save them with a new name to make them more useful. The following data sets are available by default:

**What prebuilt data sets exist for ESG data?**

- ▶ Sustainability: Carbon Risk (Fund)
- ▶ Sustainability: Carbon Risk Involvement (Fund)
- ▶ Sustainability: ESG Risk (Company)
- ▶ Sustainability: Product Involvement (Company)

☞ Note: The data points for these first two data sets apply to stocks, not managed investments, and might not be part of your subscription package. To learn how to see this information, please contact your Customer Success Manager.

- ▶ Sustainability: ESG Risk (Fund), and
- ▶ Sustainability: Product Involvement (Fund)

The screenshot shows the Morningstar interface for 'Low Carbon Designated Funds'. The main table lists four funds with their names, SEC IDs, and portfolio holdings dates. On the right, a 'Data Set' dropdown menu is open, showing a search bar and a list of prebuilt data sets. A red box highlights the first five data sets in the list: 'Sustainability: Carbon Risk (Fund)', 'Sustainability: Carbon Risk Involvement (...)', 'Sustainability: ESG Risk (Company)', 'Sustainability: ESG Risk (Fund)', and 'Sustainability: Product Involvement (Fund)'. A red callout box points to this list with the text: 'Several prebuilt data sets for ESG data are available from the Data Set menu.'

| Name                                     | SecId      | Portfolio Holdings Date (mo-end) | Po Invo |
|------------------------------------------|------------|----------------------------------|---------|
| 1 Morgan Stanley Inst Global Advtg A     | F00000JU11 | 03/31/2020                       |         |
| 2 Morgan Stanley Inst Global Franchise I | FOUSA02WZZ | 03/31/2020                       |         |
| 3 Morgan Stanley Inst Global Opp L       | FOUSA060F2 | 03/31/2020                       |         |
| 4 Morgan Stanley Inst International Eq I | FOUSA00DX2 | 03/31/2020                       |         |

Other than the data points listed in the prebuilt data sets, many others are also available. These data points reflect information from investments to detail either what sustainable practices the fund specifically employs, or which types of securities he or she intends to exclude. These data points can be included either in custom data sets, or when screening for sustainable investments.

**What other data points exist for sustainable investments?**

☞ Note: Funds may reflect multiple “Yes” values for both intention and exclusion.

The following table describes these data points:

| <b>This broad grouping...</b>     | <b>Contains these data points...</b> | <b>Which has this definition...</b>                                                                                                                                                                                                                                                                         |
|-----------------------------------|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sustainable Investment            | ESG Fund - Overall                   | An ESG Fund incorporates environmental, sustainable, and governance (ESG) principles into the investment process or engagement activities.                                                                                                                                                                  |
|                                   | Impact Fund - Overall                | An Impact Fund seeks to make a measurable impact with investments on specific issue areas like Gender Diversity or Community Development alongside financial return.                                                                                                                                        |
|                                   | Environmental Sector - Overall       | An Environmental Sector Fund is a non-diversified fund investing in environmentally oriented industries like renewable energy or water.                                                                                                                                                                     |
|                                   | Sustainable Investment - Overall     | Morningstar defines a Sustainable Investment fund as a fund explicitly indicating any kind of sustainability, impact, or ESG strategy in their prospectus or offering documents.                                                                                                                            |
| Sustainable Investment - ESG Fund | ESG Fund - Overall                   | Sustainable funds incorporate environmental, sustainable, and governance (ESG) principles into the investment process or through engagement activities.                                                                                                                                                     |
|                                   | ESG Incorporation                    | These funds indicate the use of any sort of environmental, social, or governance factors in their investment process. This could be the use of ESG screens, best-in-class selection, or selection criteria on specific activities or business practice falling within the broader definition of E, S, or G. |
|                                   | ESG Engagement                       | These funds use shareholder engagement, including raising resolutions, active proxy voting, and direct company engagement to pursue ESG goals with invested companies.                                                                                                                                      |

| This broad grouping...                        | Contains these data points...  | Which has this definition...                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------------------------|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sustainable Investment - Environmental Sector | Environmental Sector - Overall | These non-diversified funds invest in environmentally-oriented industries, such as Renewable Energy and Water.                                                                                                                                                                                                                                                                                                                               |
|                                               | Renewable Energy               | These funds specifically pursue companies in the renewable energy industry. They are frequently non-diversified funds and may or may not include other ESG and impact themes.                                                                                                                                                                                                                                                                |
|                                               | Water-Focused                  | These funds intend to invest in companies with clean water practices. They seek to invest in companies involved in the production, distribution, and sanitation of drinkable or non-drinkable water.                                                                                                                                                                                                                                         |
|                                               | General Environmental Sector   | <p>These funds invest in other environmental industries, excluding Renewable Energy or Water, or that invest disproportionately in any environmental-specific sector.</p> <p>These funds differ from Environmental Impact funds, which invest in diversified portfolios into more environmentally friendly companies. General Environmental Sector funds invest in companies whose business is derived from environmental industry work.</p> |



| This broad grouping...               | Contains these data points... | Which has this definition...                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|--------------------------------------|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sustainable Investment - Impact Fund | Impact Fund - Overall         | These funds seek to make a measurable impact in investments on specific issue areas alongside financial return.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|                                      | Gender and Diversity          | These funds seek to make a measurable impact alongside financial return by investing in companies with a record of focusing on measuring and improving gender and diversity.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|                                      | Low Carbon/Fossil-Fuel Free   | These funds seek to make a measurable impact alongside financial return by investing in companies with small carbon footprints either in general or relative to their sectors/industries/investment style, or in companies with low carbon risk.                                                                                                                                                                                                                                                                                                                                                                                                                      |
|                                      | Community Development         | <p>These funds seek to make a measurable impact alongside financial return by investing in companies pursuing any of a wide range of community development or quality-of-life initiatives, typically those companies that they see as having a positive impact. These may include the following areas:</p> <ul style="list-style-type: none"> <li>▶ access to food</li> <li>▶ affordable housing</li> <li>▶ education</li> <li>▶ health</li> <li>▶ improvement of incomes</li> <li>▶ infrastructure</li> <li>▶ neighborhood development, or</li> <li>▶ any other important community aspect like positive records in community development and engagement.</li> </ul> |
|                                      | Environmental                 | These funds seek a measurable impact alongside financial return by investing in companies with a positive environmental record, or those specifically involved in industries positively impacting the environment. These funds may exclude fossil fuels. In such cases, this may overlap with the Low Carbon/Fossil-Fuel Free impact data point, but not always.                                                                                                                                                                                                                                                                                                      |
|                                      | Other Impact Themes           | These funds seek a measurable impact alongside financial return by investing in companies with other specifically stated or general impact themes not covered by other impact data points.                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

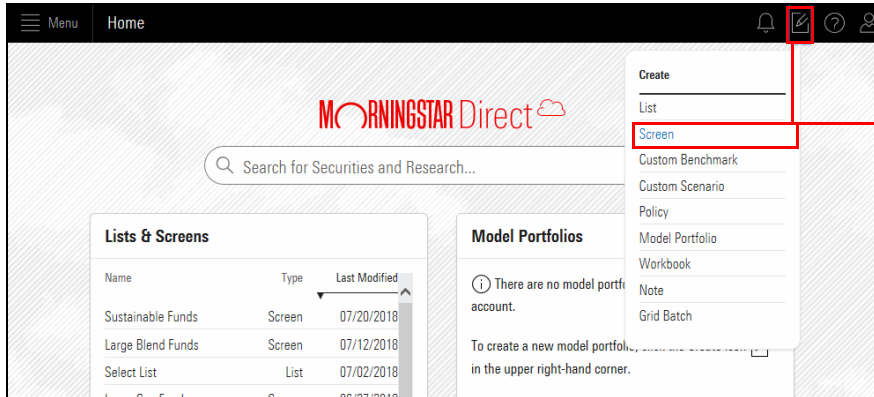
| This broad grouping... | Contains these data points... | Which has this definition...                                                                                                                                                                                                                                                                                                                                                                                |
|------------------------|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Employs Exclusions     | Overall                       | These funds intend to avoid a certain industries or groups of industries not aligning with the fund's values.                                                                                                                                                                                                                                                                                               |
|                        | Uses Norms-Based Screening    | <p>These funds cite national or international norms in their exclusionary screenings. These frequently come from non-governmental organizations such as the United Nations, and typically have to do with human rights, labor rights, child labor, and/or geopolitical conflict.</p> <p>Exclusion of a country or region for the purposes of its perceived rights abuses also fall under this category.</p> |
|                        | Abortion/Stem Cells           | These funds intend to avoid investing in companies deriving revenue from abortion services, abortifacients, and/or the use of embryonic stem cells.                                                                                                                                                                                                                                                         |
|                        | Adult Entertainment           | These funds intend to avoid investing in companies deriving a significant percentage of their revenue from adult entertainment, such as pornography.                                                                                                                                                                                                                                                        |
|                        | Alcohol                       | These funds intend to avoid investing in companies deriving a significant percentage of their revenue from the production, distribution, or sale of alcohol.                                                                                                                                                                                                                                                |
|                        | Animal Testing                | These funds intend to avoid investing in companies engaging in inhumane animal testing practices.                                                                                                                                                                                                                                                                                                           |
|                        | Controversial Weapons         | These funds intend to avoid investing in companies deriving a significant percentage of their revenue from weapons frequently considered controversial such as weapons of mass destruction, nuclear weapons, land mines, and more.                                                                                                                                                                          |
|                        | Fur & Specialty Leather       | These funds intend to avoid investing in companies deriving a significant percentage of their revenue from the production, distribution, or sale of fur and/or specialty leather.                                                                                                                                                                                                                           |
|                        | Gambling                      | These funds intend to avoid investing in companies deriving a significant percentage of their revenue from gambling or casinos.                                                                                                                                                                                                                                                                             |

| This broad grouping... | Contains these data points... | Which has this definition...                                                                                                                                                                                                                                                                                             |
|------------------------|-------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Employs Exclusions     | GMOs                          | These funds intend to avoid investing in companies significantly involved in the use of genetically modified organisms.                                                                                                                                                                                                  |
|                        | Military Contracting          | These funds intend to avoid investing in military contractors or companies deriving a significant percentage of their revenue from military contracting or operations. Sometimes funds will cite companies deriving a significant amount of revenue from working with military organizations, or defense more generally. |
|                        | Nuclear                       | These funds intend to avoid investing in companies significantly involved in the research or production of nuclear energy.                                                                                                                                                                                               |
|                        | Palm Oil                      | These funds intend to avoid investing in companies deriving a significant percentage of their revenue from the production, distribution, or sale of unsustainable palm oil and its products due to sustainability concerns.                                                                                              |
|                        | Pesticides                    | These funds intend to avoid investing in companies deriving a significant percentage of their revenue from the production, distribution, or sale of pesticides for environmental or biological concerns.                                                                                                                 |
|                        | Small Arms                    | These funds intend to avoid investing in companies deriving a significant percentage of their revenue from the production, distribution, or sale of personal weapons and small arms.                                                                                                                                     |
|                        | Thermal Coal                  | These funds intend to avoid investing in companies deriving a significant percentage of their revenue from the extraction, distribution, sale, or use of thermal coal.                                                                                                                                                   |
|                        | Tobacco                       | These funds intend to avoid investing in companies deriving a significant percentage of their revenue from the production, distribution, or sale of tobacco and tobacco-related products.                                                                                                                                |
|                        | Other                         | These funds intend to avoid investing in companies significantly involved in other products or practices deemed to be contradictory to the fund's values but that use less common exclusions of controversial industries or regions not listed in the existing data points.                                              |

You have been asked to find a set of sustainable funds. In this exercise, you will create a screen for these funds, taking into account future performance by including the Morningstar Analyst Rating. Do the following:

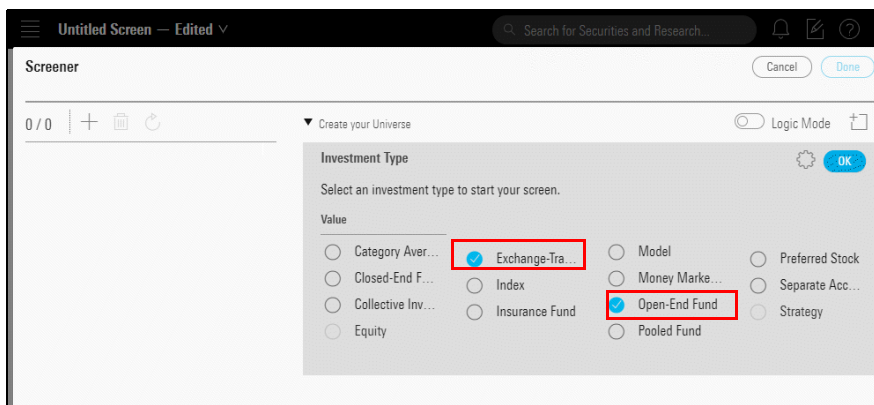
**Exercise 2: Screen for funds according to ESG focus**

1. From the header, click **Create > Screen**. The Screener window opens.



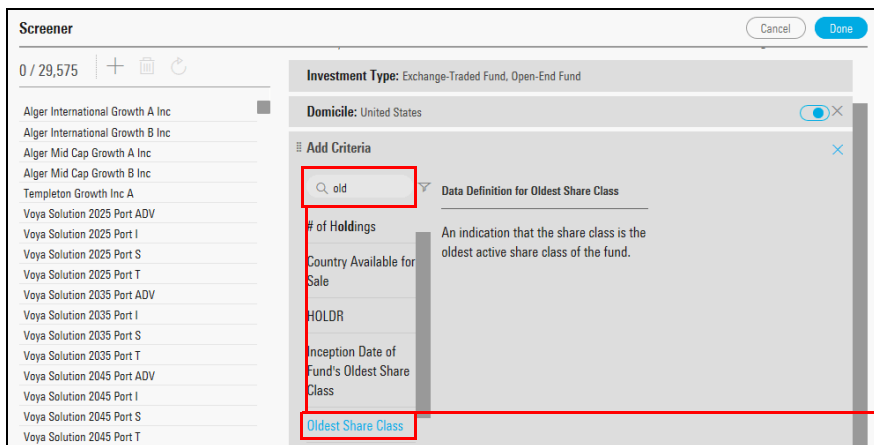
Use the Create icon to select this option.

2. For Investment Type, select **Exchange-Traded Fund** and **Open-End Fund**, then click **OK**.



Note the two options selected.

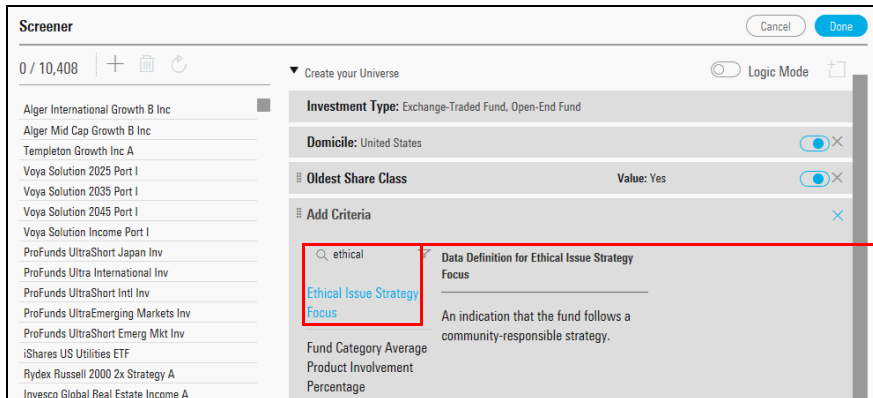
3. In the Add Criteria area, in the **Search** field, type **old**, then select **Oldest Share Class**.



Note the term to search for, and the data point to select.

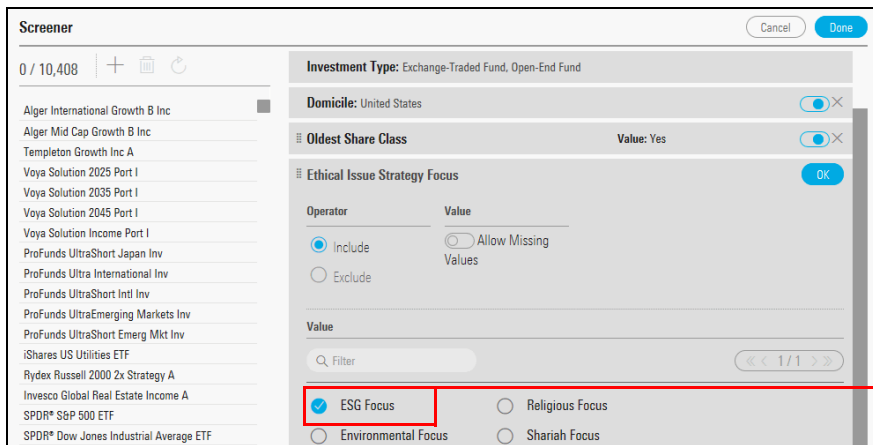
4. The option for Yes should be selected. Click **OK**.

- In the Add Criteria area, in the **Search** field, type **ethical**, then select **Ethical Issue Strategy Focus**.



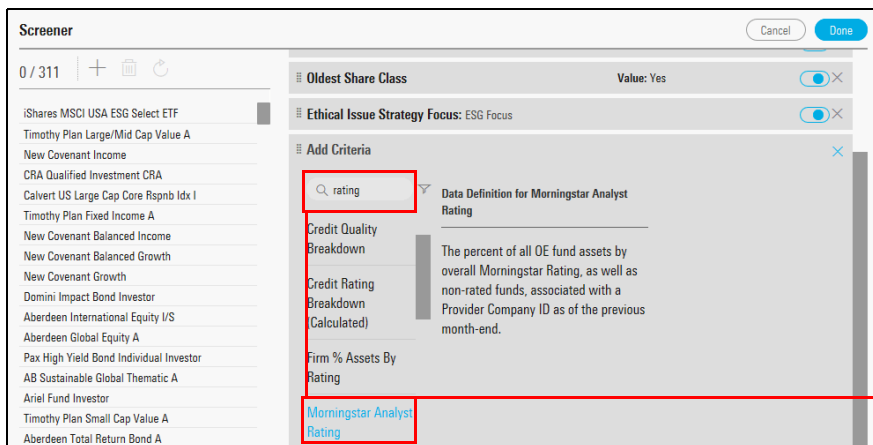
Note the term to search for, and the data point to select.

- The option for Include should be selected. In the Value area, select **ESG Focus**, then click **OK**.



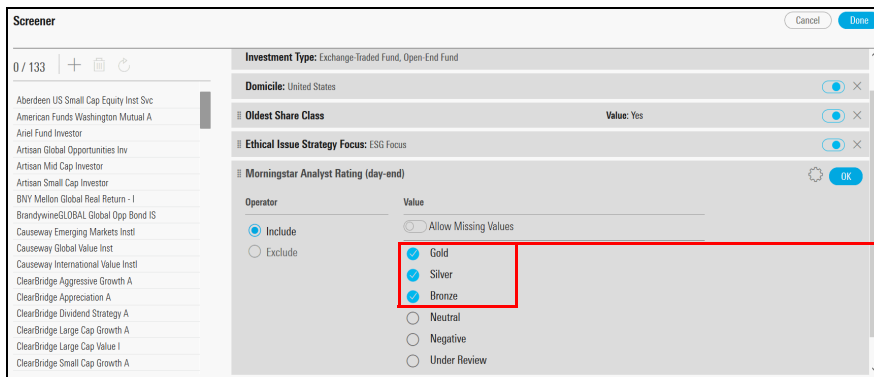
Select only this option for this screen.

- In the Add Criteria area, in the **Search** field, type **rating**, then select **Morningstar Analyst Rating**.



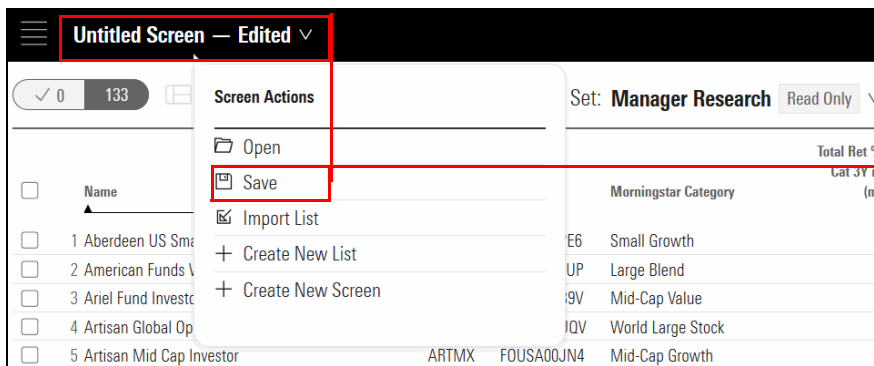
Note the term to search for, and the data point to select.

- The option for Include should be selected. In the Value field, select **Bronze**, **Gold**, and **Silver**, then click **OK**.



Note the three options selected.

- To close the Screener window, click **Done**.
- To save the screen, from the **Lists & Screens menu**, select **Save**.



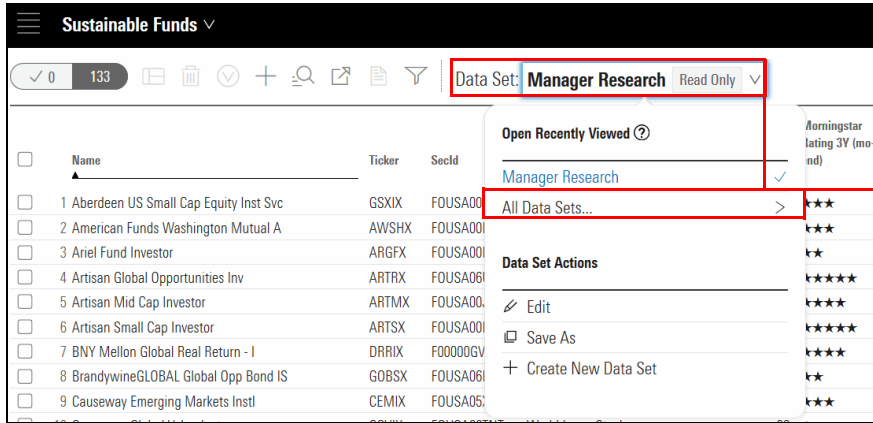
Use this menu and option to save the screen.

- Name the screen **Sustainable Funds**, then click **Save**.

To view the Sustainability: ESG Risk (Fund) data set, do the following:

**Exercise 3: Open the Sustainability data set**

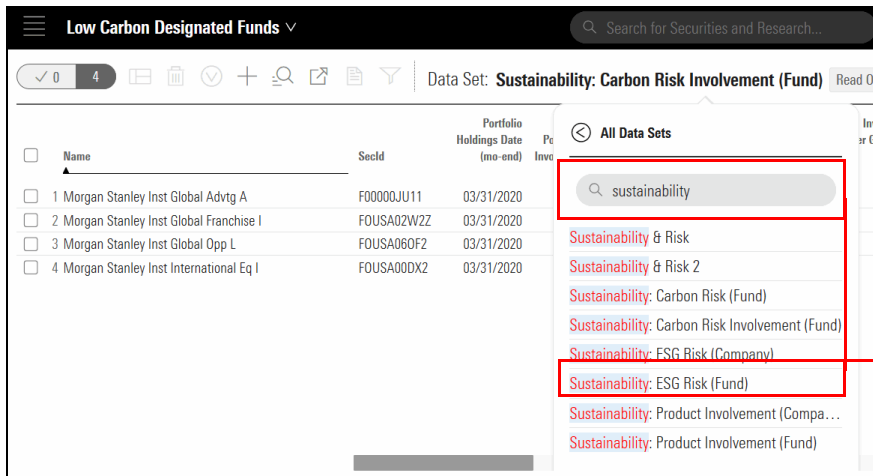
1. If the Sustainable Funds screen created in the previous exercise is not open, open it now, or open another list or screen of funds.
2. Click the **Data Set** menu, then select **Open**.



Use this command to open an existing data set

3. In the **Search** field, type **sustain**, then select **Sustainability: ESG Risk (Fund)**. The data set opens.

Note: Rather than typing to search for a data set's name, you can also scroll down to find it.



Search for this term, then select this data set.

4. Click the **column headers** to sort by various data points. Which funds have higher ratings and scores? Consider also using the **Peer Analytics** panel to group funds by category and use the **Conditional Formatting** tool to help interpret the data.

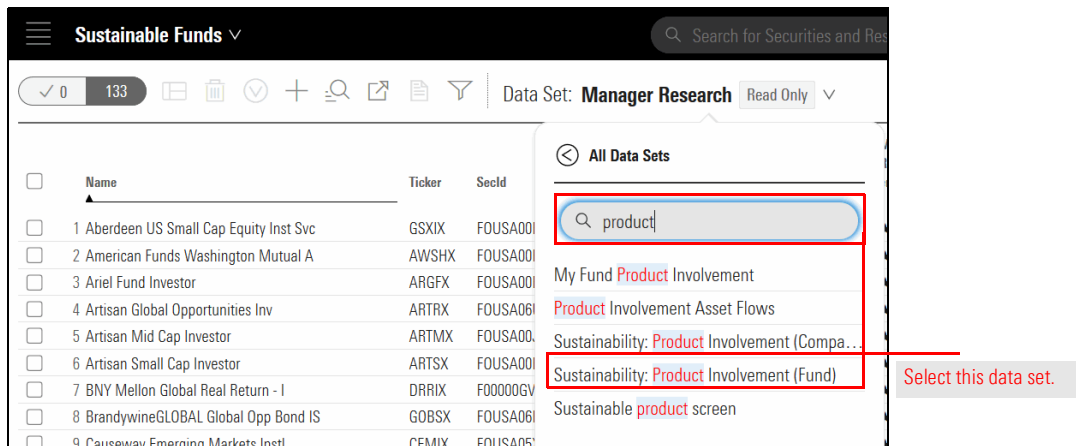
Note: To save the data set you have selected and any peer analytics capabilities you have enabled, you must save the analytical view

The Morningstar Sustainability Rating and other data points in the Sustainability data set provide insights into how funds are performing overall in terms of sustainability efforts. In this exercise, you will use the Fund Product Involvement data point to view the extent to which funds are involved in a certain product area. For this example, small arms is used, but you can isolate any product involvement area.

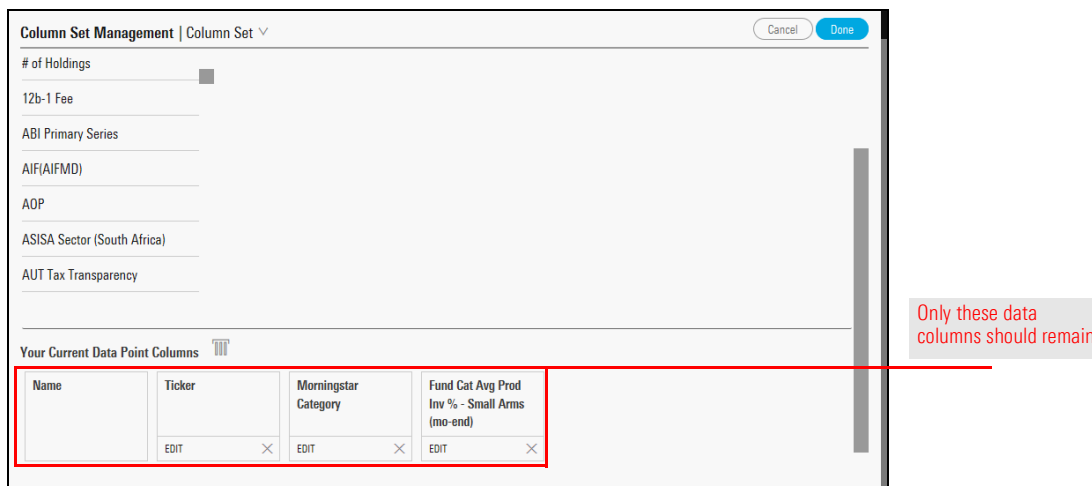
**Exercise 4: Exclude funds that are not in alignment with a client's values**

Do the following:

1. Be sure the list or screen you want to work with is open in an investment analytical view.
2. From the toolbar above the grid, click the **Data Set** menu, then select **Open**.
3. In the search field, type **product**, then select **Fund Product Involvement**. The Fund Product Involvement data points are added to the Grid View.



4. Deleting irrelevant data points makes it easier to analyze the data you are investigating. To focus on a specific product involvement area, click the **Data Set** menu again, then select **Edit**. The Data Set Management window opens.
5. In the Your Current Data Point Columns section, click the **X** in the lower-right corner to remove each data point box except the following:
  - ▶ Name
  - ▶ Ticker
  - ▶ Morningstar Category, and
  - ▶ Fund Prod Inv % - Small Arms (mo-end).





6. Click **Done**.
7. Click the **Fund Prod Inv % - Small Arms (mo-end)** column header twice to sort in descending order by that data point.
8. From the **Data Set** menu, select **Save As Data Set**.

The screenshot shows the 'Sustainable Funds' interface. At the top, there is a header 'Sustainable Funds' with a dropdown arrow. Below the header is a toolbar with various icons. A 'Data Set' dropdown menu is open, showing 'Manager Research' as the selected data set, with 'Read Only' and a dropdown arrow next to it. The menu includes sections for 'Open Recently Viewed' (with a help icon), 'Data Set Actions', and '+ Create New Data Set'. The 'Data Set Actions' section is expanded, showing 'Edit' and 'Save As' options. A red box highlights the 'Save As' option. A red arrow points from the 'Save As' option to a grey callout box on the right that says 'Select this command from the Data Set menu.' Below the menu is a table of funds with columns for Name, Ticker, and SecId. The table lists 9 funds, including 'Aberdeen US Small Cap Equity Inst Svc', 'American Funds Washington Mutual A', 'Ariel Fund Investor', 'Artisan Global Opportunities Inv', 'Artisan Mid Cap Investor', 'Artisan Small Cap Investor', 'BNY Mellon Global Real Return - I', 'BrandywineGLOBAL Global Opp Bond IS', and 'Causeway Emerging Markets Instl'. To the right of the table is a 'Morningstar Rating 3Y (mo-end)' column with star ratings for each fund.

| Name                                    | Ticker | SecId    | Morningstar Rating 3Y (mo-end) |
|-----------------------------------------|--------|----------|--------------------------------|
| 1 Aberdeen US Small Cap Equity Inst Svc | GSXIX  | FOUSA001 | ★★★                            |
| 2 American Funds Washington Mutual A    | AWSHX  | FOUSA001 | ★★★                            |
| 3 Ariel Fund Investor                   | ARGFX  | FOUSA001 | ★★                             |
| 4 Artisan Global Opportunities Inv      | ARTRX  | FOUSA061 | ★★★★★                          |
| 5 Artisan Mid Cap Investor              | ARTMX  | FOUSA001 | ★★★★                           |
| 6 Artisan Small Cap Investor            | ARTSX  | FOUSA001 | ★★★★                           |
| 7 BNY Mellon Global Real Return - I     | DRRIX  | F00000GV | ★★★★                           |
| 8 BrandywineGLOBAL Global Opp Bond IS   | GOBSX  | FOUSA061 | ★★                             |
| 9 Causeway Emerging Markets Instl       | CEMIX  | FOUSA051 | ★★★                            |

9. Name the data set **My Fund Product Involvement**, then click **Save**.

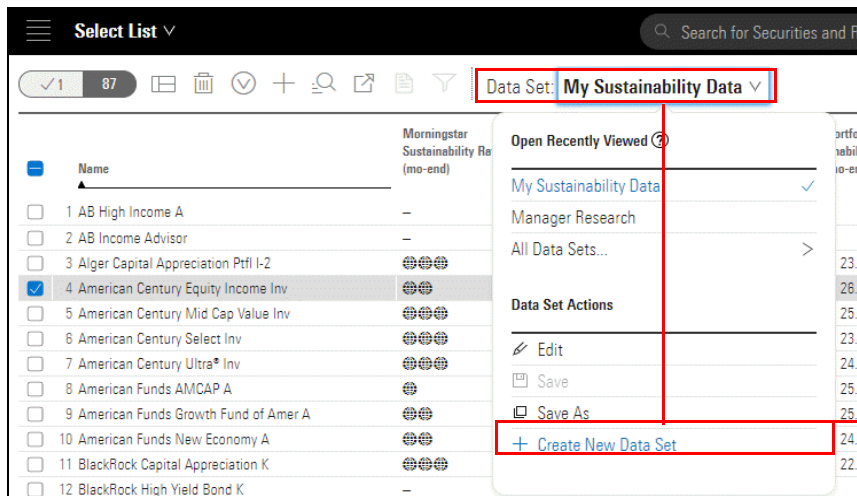
The prebuilt data sets for Sustainability, Fund Product Involvement, and Fund Carbon Metrics are useful, but they also have the following elements to consider:

- ▶ Each data set has dozens of data points, which can be a bit unwieldy to scroll through to find what you are looking for, and
- ▶ The data points are spread across multiple separate data sets.

The custom data set you create in this exercise allows you to find featured data points for sustainability from all three prebuilt data sets at once, rather than requiring you to constantly switch from one data set to another. Do the following:

1. A list or screen of funds you want to work with should be open in an investment workbook, and the Grid View worksheet should be selected. From the **Data Set** menu, select **Create New**.

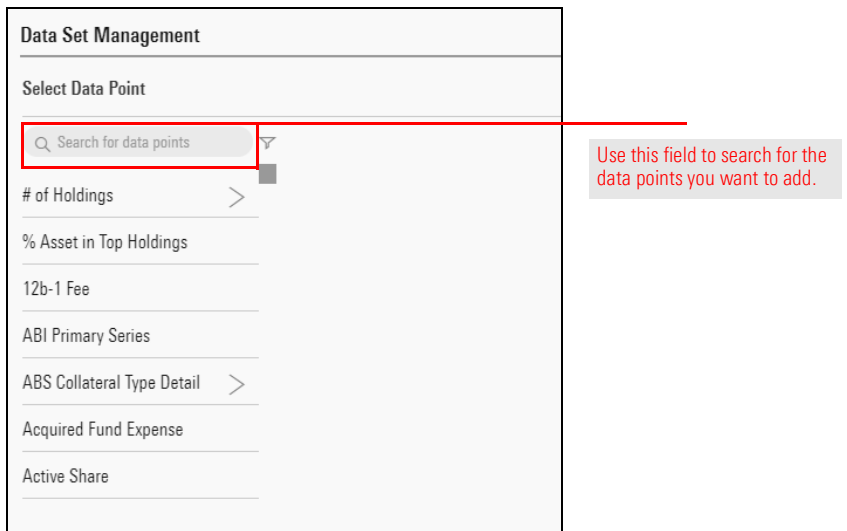
**Exercise 5: Customize a data set for Sustainability data**



Select this option to make a new data set.

2. In the **Search for data points** field, search for and add the following data points:

- ▶ Morningstar Sustainability Rating
- ▶ Portfolio ESG Score (from the list of options, select ESG Score)
- ▶ Portfolio Controversy Score
- ▶ Portfolio Sustainability Score
- ▶ Portfolio ESG Score
- ▶ ESG Category Rank (from the list of options, select Environmental Score)
- ▶ ESG - Portfolio Coverage
- ▶ Number of Funds Analyzed in Category - ESG
- ▶ Low Carbon Designation
- ▶ Carbon Risk Score
- ▶ Fossil Fuel Involvement
- ▶ Product Involvement (from the list of options, select Small Arms)



The screenshot shows the 'Data Set Management' interface. At the top, there is a section titled 'Select Data Point'. Below this, there is a search field with a magnifying glass icon and the placeholder text 'Search for data points'. This search field is highlighted with a red border. To the right of the search field, there is a callout box with a red border and the text: 'Use this field to search for the data points you want to add.' Below the search field, there is a list of data points with right-pointing chevrons next to them, including: '# of Holdings', '% Asset in Top Holdings', '12b-1 Fee', 'ABI Primary Series', 'ABS Collateral Type Detail', 'Acquired Fund Expense', and 'Active Share'.

3. Click **Done**.
4. From the **Data Set** menu, select **Save As Data Set**.
5. Name the data set **My Sustainability Data**.

The Model Portfolios, Client Accounts, and Custom Benchmarks analytical views include a Sustainability tab. Its default components support ESG analysis as described in the following table:

**Exercise 6: View ESG data on the Sustainability worksheet**

| Component                       | ESG Analysis                                                                                                                                                                                                            |
|---------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sustainability Ratings Analysis | Displays the following ESG data points in Table view: <ul style="list-style-type: none"> <li>▶ ESG Rating</li> <li>▶ ESG Score, and</li> <li>▶ ESG-Percent of AUM Covered %.</li> </ul>                                 |
| Holdings Analysis               | Displays numerous ESG data points, including the following: <ul style="list-style-type: none"> <li>▶ Portfolio ESG Score</li> <li>▶ Percent of AUM Covered ESG, and</li> <li>▶ Company Normalized ESG Score.</li> </ul> |

**Sustainability Ratings Analysis: US E...**

High

Above Average

Average

Below Average

Low

**Scott Tucker**

Portfolio ESG 54.26

Controversy 8.00

**Portfolio ESG 46.25**

Sample Custom Benc...

**Holdings Plot: Morningstar Category**

Morningstar Category ● Large Blend ● Large Growth

Portfolio ESG Score

Market Value(USD)

**Holdings Analysis: Sustainability USD 12/31/2018**

| Name                                | Ticker | Weight        | Market Value(USD) | Portfolio Sustainabi... Score |
|-------------------------------------|--------|---------------|-------------------|-------------------------------|
| <b>Scott Tucker</b>                 | —      | <b>100.00</b> | <b>10,261.17</b>  | <b>46.25</b>                  |
| Sample Custom Benchmark             | —      | —             | —                 | 45.04                         |
| 1 iShares Morningstar Large-Cap ETF | JKD    | 28.76         | 2,950.85          | 46.52                         |
| 2 Fidelity* Contrafund*             | FCNTX  | 25.87         | 2,654.90          | 45.13                         |
| 3 Income ETFs Portfolio             | —      | 19.72         | 2,023.96          | 47.44                         |
| 4 Vanguard S&P 500 ETF              | VVO    | 15.28         | 1,567.44          | 46.12                         |

Note the highlighted selections.

## Analyzing Product Involvement and Carbon Impact

Many investors are concerned about the impact of their investment on the world around them and want to know more about environmental, social, and governance (ESG) factors. If you are licensed to access Sustainalytic's company-level ESG data, the data points Company Normalized ESG Score and Company Highest Controversy Level are available as follows:

- ▶ when editing holdings for an existing model portfolio, and
- ▶ In the Holdings Analysis component.


In this section, you will learn how to do the following:

- ▶ Identify the product involvement areas ([page 24](#))
- ▶ Find company-level product involvement data ([page 24](#))
- ▶ Find holding-level product involvement data ([page 27](#)), and
- ▶ Understand a fund's carbon impact ([page 28](#)).

In [Exercise 4](#) and [Exercise 7](#), you used product involvement data to identify a fund and holdings in that fund that are involved with small arms. You can do the same thing for any of the product involvement areas, which are as follows:

- |                                           |                           |                |
|-------------------------------------------|---------------------------|----------------|
| ▶ Adult Entertainment                     | ▶ Fur & Specialty Leather | ▶ Palm Oil     |
| ▶ Alcohol                                 | ▶ Gambling                | ▶ Pesticides   |
| ▶ Animal Testing                          | ▶ GMO                     | ▶ Small Arms   |
| ▶ Contraceptives/<br>Abortives/Stem cells | ▶ Military Contracting    | ▶ Thermal Coal |
| ▶ Controversial<br>Weapons                | ▶ Nuclear                 | ▶ Tobacco      |

In [Exercise 4 on page 19](#), you identified the percentage of assets in a fund involved with Small Arms. But which holdings in a fund are responsible for this involvement? This section shows you how to see which companies in a fund are involved with Controversial Weapons.

 Note: The data found in this exercise might not be part of your subscription package. To learn more about subscribing to company-level product involvement data, please contact your Customer Success Manager.

Do the following:

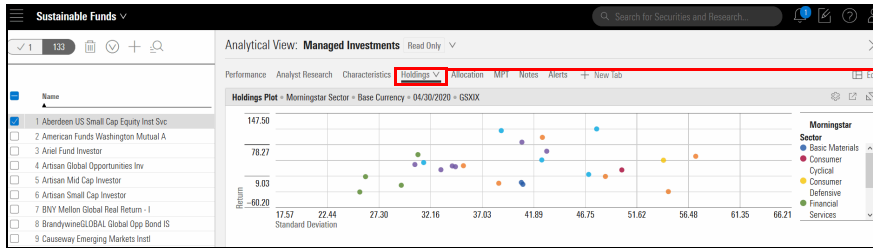
1. Open a list or screen of funds.
2. Open the **Equity Fund** analytical view.

### Overview

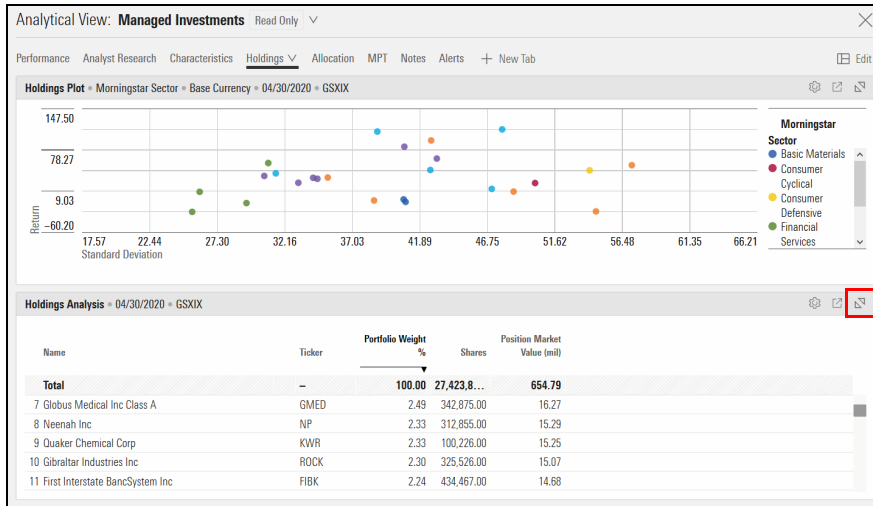
### What are the product involvement areas?

### Exercise 7: Find company-level product involvement data

- Select the **Holdings** tab.



- In the list of funds, click the **name** of the fund whose holdings you want to see.
- In the Holdings Analysis component, click the **Expand** icon.



6. Click the **Component Settings** icon and change the Data Set selection to **My Data Set**.
7. Search for **Small Arms**, then **select each option** available.
8. Click **Done**.

**Holdings Analysis** • 04/30/2020 • GSXIX

| Name                               | Ticker | Portfolio Weight % | Shares             | Position Market Value (mil) |
|------------------------------------|--------|--------------------|--------------------|-----------------------------|
| <b>Total</b>                       | —      | <b>100.00</b>      | <b>27,423,8...</b> | <b>654.79</b>               |
| 7 Globus Medical Inc Class A       | GMED   | 2.49               | 342,875.00         | 16.27                       |
| 8 Neenah Inc                       | NP     | 2.33               | 312,855.00         | 15.29                       |
| 9 Quaker Chemical Corp             | KWR    | 2.33               | 100,226.00         | 15.25                       |
| 10 Gibraltar Industries Inc        | ROCK   | 2.30               | 325,526.00         | 15.07                       |
| 11 First Interstate BancSystem Inc | FIBK   | 2.24               | 434,467.00         | 14.68                       |

**Component Settings**

Portfolio Date  
04/30/2020

Data Set  
**Holdings Overview**

**Data Set**

- Holdings Overview
- Equity Holdings Details ✓
- Sustainability
- Company Product Involvement
- My Data Set**

**My Data Set** Done

Small Arms

- Company Product Involvement - Small
- Company Product Involvement - Small
- Company Product Involvement - Small
- Company Product Involvement % - Sm
- Company Product Involvement % - Sm
- Company Product Involvement % - Sm
- Company Product Involvement % - Sm
- Company Product Involvement % - Sm

Select All

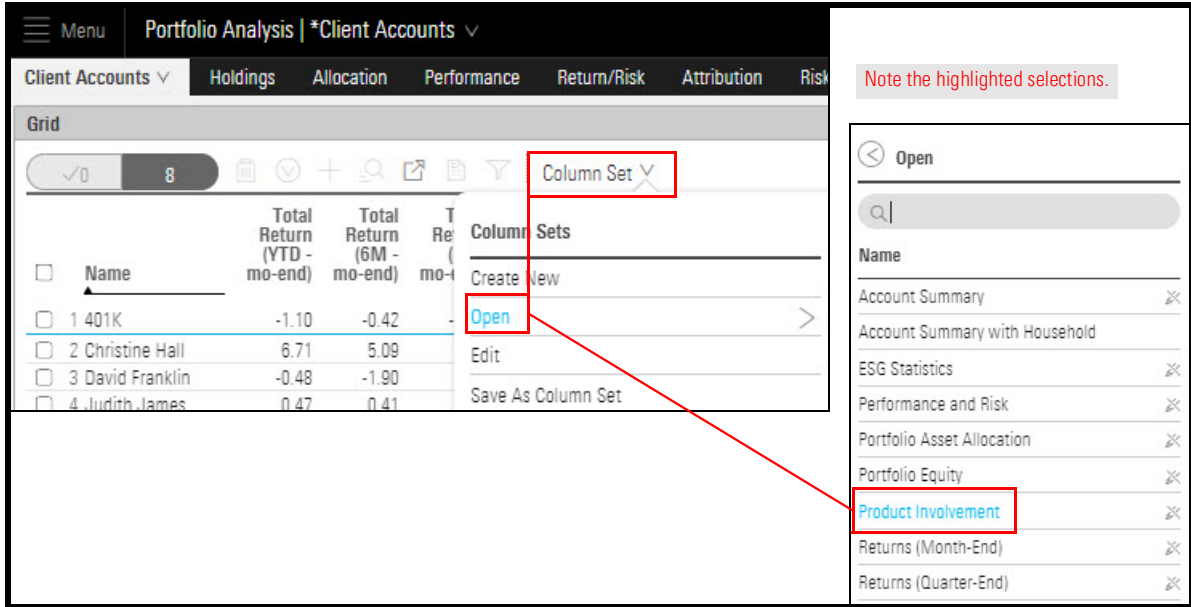
Select all of these data points.

9. Click the **Component Settings** icon to close the Component Settings menu.
10. Click on a **column header** to sort by a data point. You can now see which companies have the largest and smallest product involvement in this area for this fund.

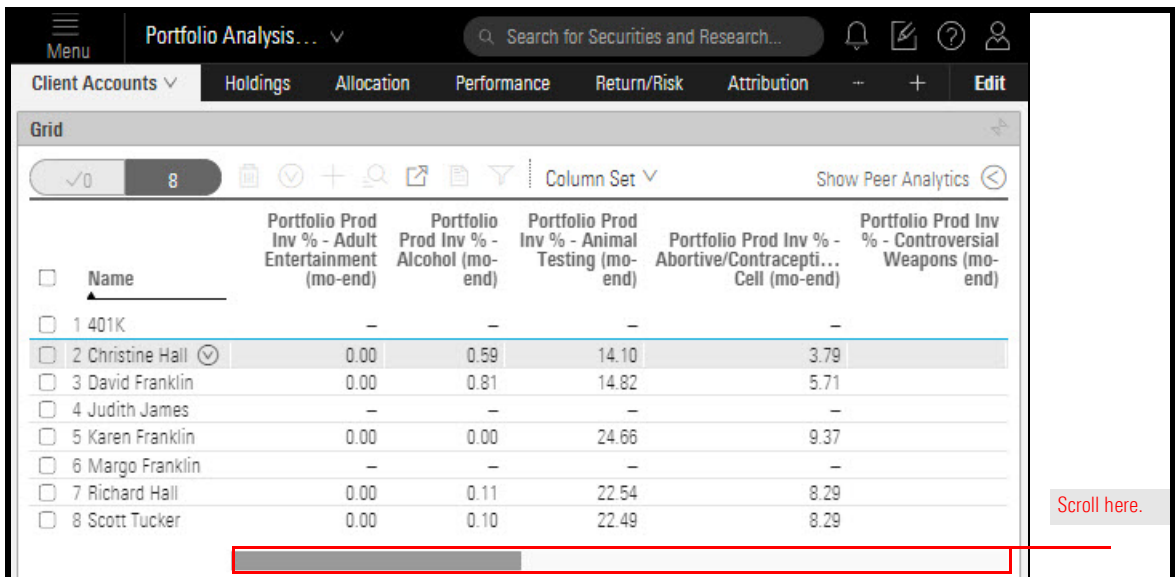
In a Client Accounts analytical view, you can view the exposures to product involvement areas for a model portfolio/client account/fund's holdings. Use this feature to appropriately align investments with a client's ethics and values.

**Exercise 8: View holdings' exposures to product involvement areas**

1. In the Grid of a Client Accounts workbook, from the **Data Set** menu, select **Open > Product Involvement**.



2. **Scroll right** to see more production involvement data points.



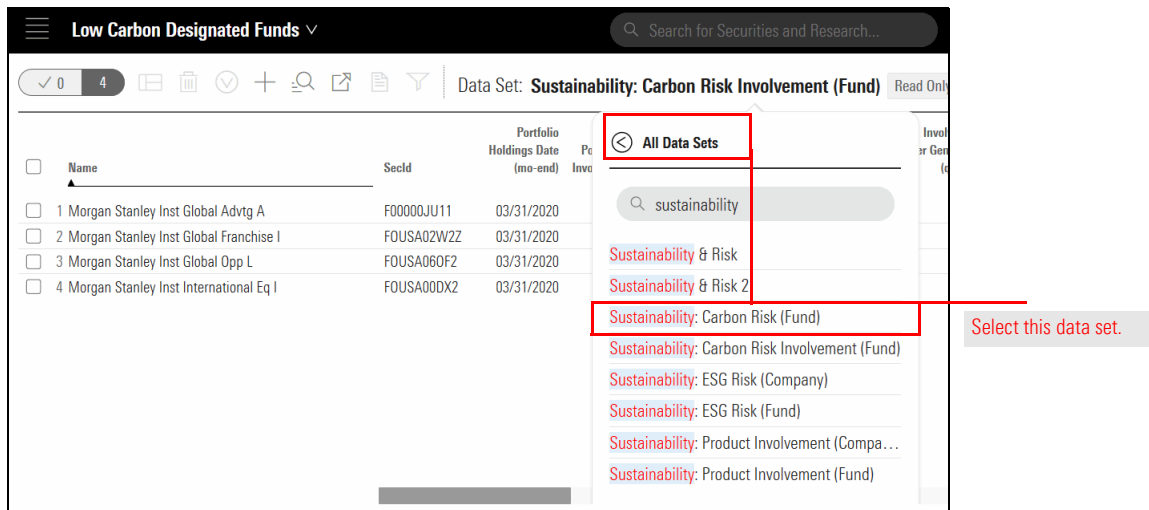


What about other data points such as Carbon Metrics? As the world changes to a low-carbon economy, it is important to understand how the company's management is prepared for this shift towards greener solutions. Morningstar Direct Cloud for Wealth Management provides portfolio carbon metrics to offer unique insight into a fund's exposure to a changing world economy, and the impact of portfolio holdings on the environment. This section shows you how to utilize the Fund Carbon Metrics data set.

**Exercise 9: Analyze a fund's carbon impact**

Recently, a client contacted you about the [Royal Bank of Scotland deciding to not finance new coal power or arctic oil projects](#). The client wants to know what investments from your select list of funds are involved in these types of project. The following steps help you customize the available data points to address this question. Do the following:

1. **Open** a list or screen of funds.
2. From the **Data Set** menu, select **All Data Sets**.
3. From the drop-down menu select **Sustainability: Carbon Risk (Fund)**.



4. From the **Data Set** menu, select **Edit**.

5. Deleting irrelevant data points makes it easier to analyze the data you care about most. In Your Current Data Point Columns section, click the **X** in the lower-right corner of each data point box, except the following:
  - ▶ Name
  - ▶ SecId
  - ▶ Morningstar Category
  - ▶ Low Carbon Designation (qtr-end)
  - ▶ Carbon Risk Score 12 Month Avg (qtr-end)
  - ▶ Carbon Risk Score Cat Avg 12 Month Avg (qtr-end)
  - ▶ Portfolio Fossil Fuel Involvement 12 Month Avg (qtr-end)
  - ▶ Portfolio Fossil Fuel Involvement Cat Avg - 12 Month Avg (qtr-end)

The screenshot shows the 'Data Set Management' window. On the left, there is a list of data points with expand/collapse icons. On the right, under 'Your Current Data Point Columns', there is a table with columns and 'EDIT' buttons with 'X' icons.

| Name | SecId  | Morningstar Category | Low Carbon Designation As of Date (qtr-end) | Low Carbon Designation (qtr-end) | Carbon Risk Score 12 Month Avg (qtr-end) | Carbon Risk Score Cat Avg 12 Month Avg (qtr-end) | Portfolio Fossil Fuel Involvement 12 Month Avg (qtr-end) |
|------|--------|----------------------|---------------------------------------------|----------------------------------|------------------------------------------|--------------------------------------------------|----------------------------------------------------------|
|      | EDIT X | EDIT X               | EDIT X                                      | EDIT X                           | EDIT X                                   | EDIT X                                           | EDIT X                                                   |

Note the data points to be included in this data set.

6. Click **Done**.
7. Click the **Portfolio Fossil Fuel Involvement 12 Month Avg (qtr-end)** column header twice to sort by that data point in descending order. Which funds are more involved in Portfolio Fossil Fuel? Which funds are less involved? How does each fund's involvement here compare to the category average?
  - 🔗 Note: The Carbon Risk Score data point was included in this data set to help you evaluate a fund's exposure to carbon risk. To learn more about Morningstar's Carbon Risk Score and how it is calculated, see [Exercise 1 on page 5](#).

- To save the data set, from the **Data Set** menu, select **Save As Data Set**.

The screenshot shows the 'Sustainable Funds' interface. At the top, there is a header 'Sustainable Funds' with a dropdown arrow. Below it is a toolbar with various icons. A dropdown menu is open, showing 'Data Set: Manager Research' with a 'Read Only' status and a dropdown arrow. The menu is divided into sections: 'Open Recently Viewed' (containing 'Manager Research' with a checkmark and 'All Data Sets...'), and 'Data Set Actions' (containing 'Edit' and 'Save As'). The 'Save As' option is highlighted with a red box. To the right of the menu, there is a table of funds with columns for Name, Ticker, and SecId. A red callout box points to the 'Save As' option with the text 'Select this command from the Data Set menu.'


| Name                                    | Ticker | SecId    | Morningstar Rating 3Y (month) |
|-----------------------------------------|--------|----------|-------------------------------|
| 1 Aberdeen US Small Cap Equity Inst Svc | GSXIX  | FOUSA001 | ★★★                           |
| 2 American Funds Washington Mutual A    | AWSHX  | FOUSA001 | ★★★                           |
| 3 Ariel Fund Investor                   | ARGFX  | FOUSA001 | ★★                            |
| 4 Artisan Global Opportunities Inv      | ARTRX  | FOUSA061 | ★★★★★                         |
| 5 Artisan Mid Cap Investor              | ARTMX  | FOUSA001 | ★★★★                          |
| 6 Artisan Small Cap Investor            | ARTSX  | FOUSA001 | ★★★★★                         |
| 7 BNY Mellon Global Real Return - I     | DRRIX  | F00000GV | ★★★★                          |
| 8 BrandywineGLOBAL Global Opp Bond IS   | GOBSX  | FOUSA061 | ★★                            |
| 9 Causeway Emerging Markets Instl       | CEMIX  | FOUSA051 | ★★★                           |

- Name the data set **Portfolio Fossil Fuel Involvement**, then click **Save**.

## Viewing ESG Statistics

In addition to sustainability research, data, and reports for investments, you can also examine ESG statistics for model portfolios. In this section, you will create a model portfolio of funds and learn how to see ESG data for both the portfolio, and its holdings from a Portfolio Workbook, or the Portfolio Editor window.

Your clients might express an interest in environmentally and/or socially responsible investing. By examining a client account in the Sustainability Ratings Analysis component, you can calculate the ESG statistics at both the account and the holding levels.

 Note: In this section, the phrase “portfolio object” means a model portfolio, client account, custom benchmark, or proposal.

In this section, you will learn how to do the following:

- ▶ Understand when ESG statistics are updated and displayed ([page 31](#))
- ▶ View ESG data for a client account and its holdings ([page 32](#))
- ▶ View company-level ESG data in a client account’s holdings ([page 35](#)), and
- ▶ View a fund’s historical ESG scores ([page 38](#)).

Although you can see ESG statistics in the Creating editor window, a prebuilt view for ESG statistics is also available for model portfolios and custom benchmarks. The ESG statistics calculations take place every day at 1:00 AM Chicago time. The following table explains the effect on the ESG data displayed for a portfolio:

| When you view the ESG Statistics data set or any ESG Statistics data points...                                   | The ESG Statistics data...                    |
|------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| In a newly created model portfolio                                                                               | Does not display until the next calculation   |
| The first time you display the ESG Statistics data set or data points in an existing model portfolio             | Does not display until the next calculation   |
| In an existing model portfolio in which you have previously displayed the ESG Statistics data set or data points | Displays based on the most recent calculation |

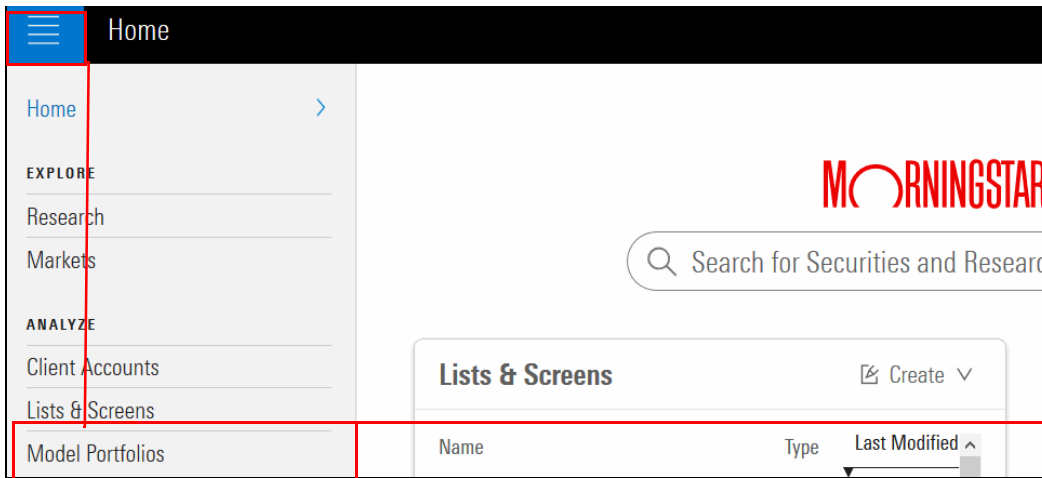
### Overview

### When are ESG statistics updated and displayed?

To view ESG Statistics for a client account, do the following:

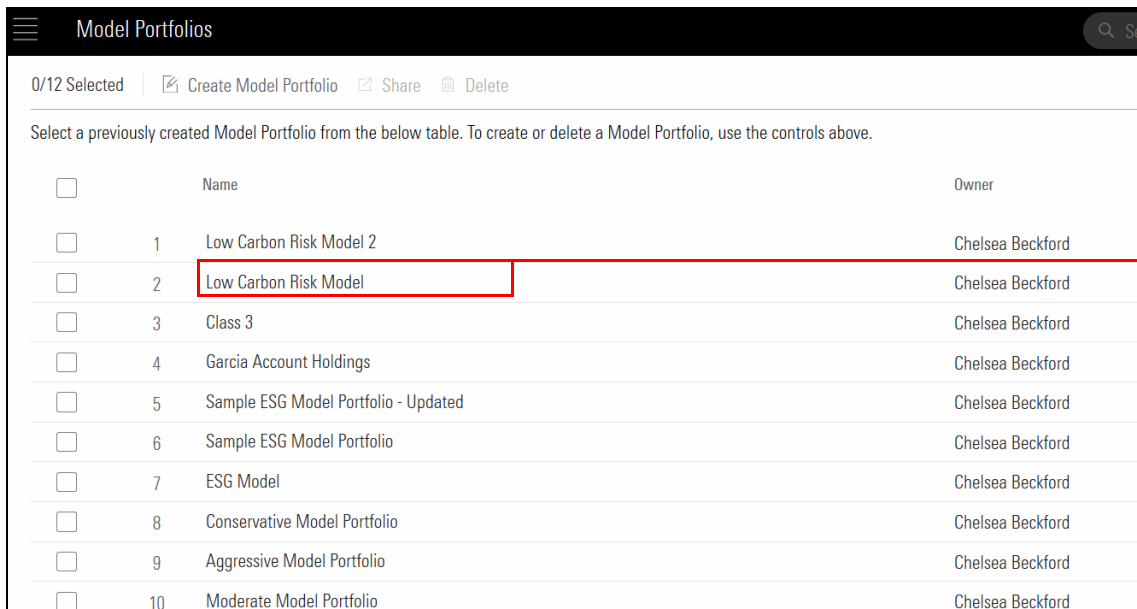
**Exercise 10: View ESG data for a client account and its holdings**

1. To see all of your client accounts, **hover the cursor** over **Menu**, then select **Model Portfolios**.



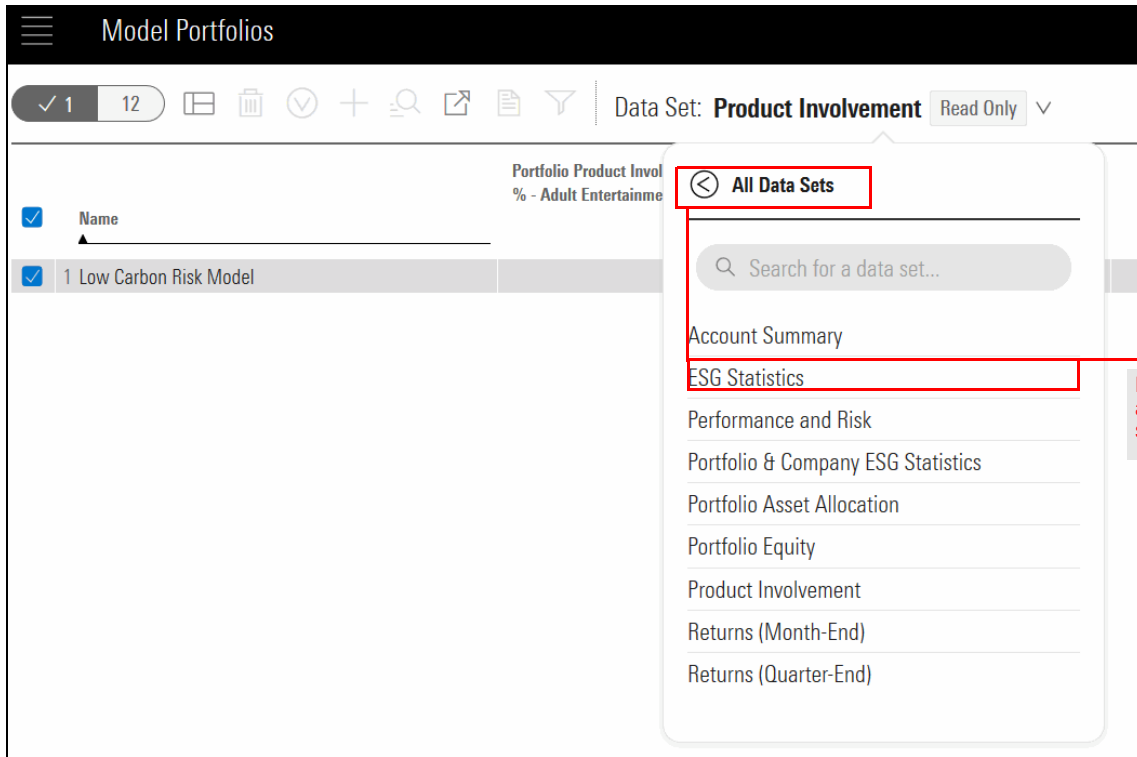
Use the menu to select this page

2. Select a **Client Accounts**.



Select any model.

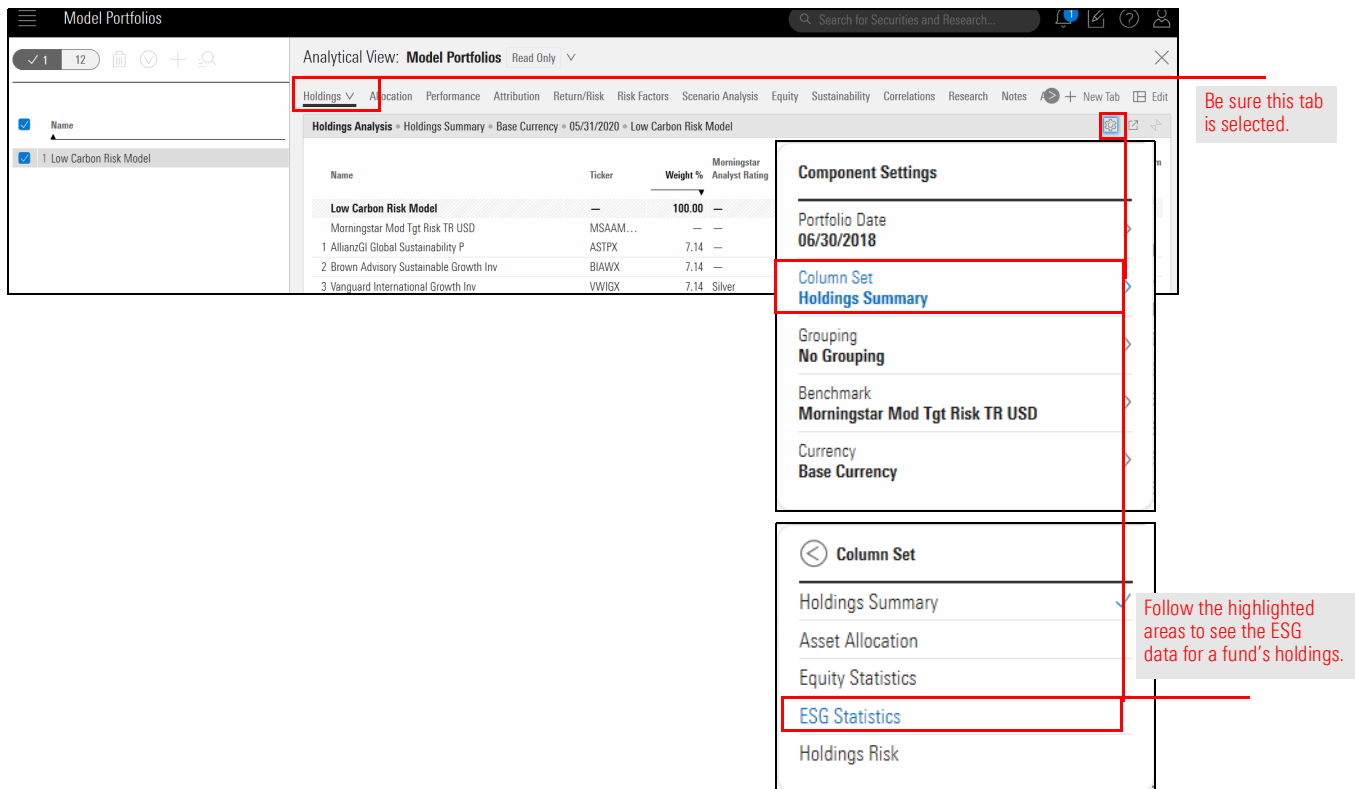
- 3. From the **Data Set** menu, select **All Data Sets**.
- 4. Select **ESG Statistics**.



Follow the highlighted areas to open the ESG data set for model portfolios.

- 5. **Scroll right** to see the data points available here.

6. To see the ESG data for the holdings, select the **Holdings** tab.
7. In the Holdings Analysis component, click the **Component Settings** icon.
8. Select **Data Set > ESG Statistics**.



The screenshot shows the Morningstar Model Portfolios interface. The 'Holdings' tab is selected in the top navigation bar. The 'Component Settings' menu is open, showing options like 'Holdings Summary', 'Asset Allocation', 'Equity Statistics', and 'ESG Statistics'. The 'ESG Statistics' option is highlighted in blue. A table of holdings is visible in the background.

| Name                                    | Ticker   | Weight %      | Morningstar Analyst Rating |
|-----------------------------------------|----------|---------------|----------------------------|
| <b>Low Carbon Risk Model</b>            | —        | <b>100.00</b> | —                          |
| Morningstar Mod Tgt Risk TR USD         | MSAAM... | —             | —                          |
| 1 AllianzGI Global Sustainability P     | ASTPX    | 7.14          | —                          |
| 2 Brown Advisory Sustainable Growth Inv | BIANX    | 7.14          | —                          |
| 3 Vanguard International Growth Inv     | VWIGX    | 7.14          | Silver                     |

Be sure this tab is selected.

Follow the highlighted areas to see the ESG data for a fund's holdings.

9. **Click away** from the Component Settings menu to close it.

Many clients are concerned about the impact of their investment on the world around them and want to know more about environmental, social, and governance (ESG) factors. If you are licensed to access Sustainalytic's company-level ESG data, the data points Company Normalized ESG Score and Company Highest Controversy Level are available as follows:

- ▶ when creating a new model portfolio
- ▶ when editing holdings for an existing model portfolio, and
- ▶ In the Holdings Analysis component.

To learn more about ESG data and how a Morningstar ESG Score is computed, please read [Morningstar Sustainability Rating for Funds Methodology](#) and [Morningstar Sustainability Rating FAQ](#).

To display the company-level ESG data points while editing holdings for an existing client account, do the following:

1. Open the **Client Accounts Model Portfolios analytical view**
2. **Hover the cursor** over **the empty area** to the right of a client account's name.
3. Click the **Actions** icon and select **Edit Holdings**. The Settings window opens.

The screenshot shows the 'Portfolio Analysis' interface for '\*Client Accounts'. The 'Holdings' tab is active. A table lists client accounts with columns for Name, Total Return (YTD - mo-end), and Total Return (6M mo-en). The row for '6 Karen Franklin' is highlighted. A context menu is open over the 'Actions' column for this row, showing options: Account, Edit Holdings, Settings, Delete, and Actions. The 'Edit Holdings' option is highlighted with a red box. A red arrow points from the 'Edit Holdings' option to the 'Actions' column header. A red box highlights the 'Actions' column header.

| Name             | Total Return (YTD - mo-end) | Total Return (6M mo-en) |
|------------------|-----------------------------|-------------------------|
| 1 401K           | -0.23                       | 0.0                     |
| 2 Christine Hall | -0.45                       | -2.0                    |
| 3 David Franklin | -7.61                       | -9.0                    |
| 4 IRA            | -4.80                       | -6.0                    |
| 5 Judith James   | 0.95                        | 0.0                     |
| 6 Karen Franklin | -4.21                       | -3.0                    |
| 7 Margo Franklin |                             |                         |
| 8 Richard Hall   |                             |                         |
| 9 Scott Tucker   |                             |                         |

Note the highlighted selections.



- In the Editing Holdings window, click the **Component Settings** icon, then select **Data Set < Sustainability**.

Note: For display clarity, the main component of the Editing Holdings window has been expanded.

**Component Settings**

Portfolio Date: 09/30/2015

Benchmark: Morningstar Mod Tgt Risk TR USD

Column Set: Asset Allocation

**Column Set**

- Asset Allocation ✓
- Equity Statistics
- Equity Style
- Equity Sectors
- Sustainability**
- Product Involvement
- Return Month End
- Return Quarter End

- Scroll right to see the Company Normalized ESG Score and Company Highest Controversy Level columns.

| Name                                   | of AUM Average ESG Scores | Percent of AUM with Low ESG Scores | Company Normalized ESG Score | Company Highest Controversy Level |
|----------------------------------------|---------------------------|------------------------------------|------------------------------|-----------------------------------|
| <b>Edited</b>                          | —                         | —                                  | —                            | —                                 |
| Existing                               | 3.78                      | 3.38                               | —                            | —                                 |
| Morningstar Mod Tgt Risk TR USD        | —                         | —                                  | —                            | —                                 |
| <b>Unallocated Cash</b>                | —                         | —                                  | —                            | —                                 |
| 1 Real Estate Select Sector SPDR®      | 2.99                      | 4.78                               | —                            | —                                 |
| 2 JPMorgan Federal Money Market Agency | —                         | —                                  | —                            | —                                 |
| 3 Diamond Hill Large Cap A             | 3.83                      | 3.43                               | —                            | —                                 |

- Click **Save** and **Close**.

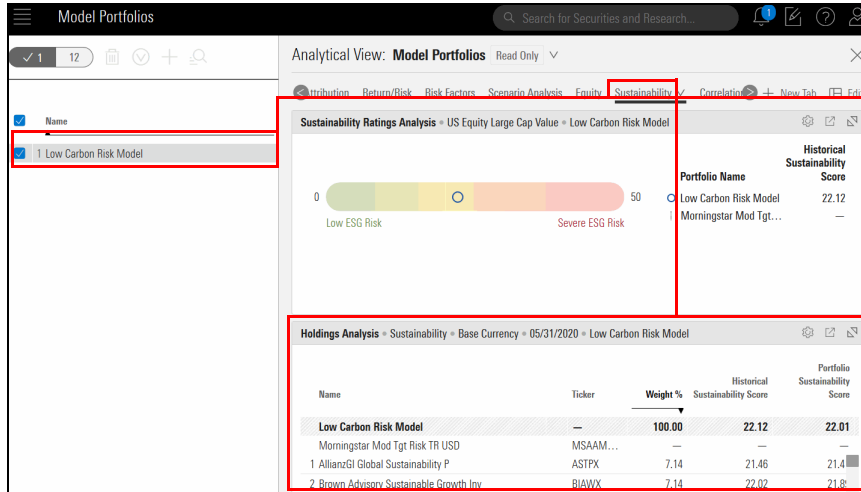
In the Sustainability tab, you can better understand how a client account's individual securities contribute to the Portfolio Historical Sustainability Score for a given date.

In the Holdings Analysis component, you can view the holding's level sustainability data points:

Do the following:

1. In a **Client Accounts** workbook, select **an account** from the Grid.
2. Select the **Sustainability** tab.
3. The Holdings Analysis component shows each holding's historical sustainability score.

**Exercise 12: Evaluate how a client account's individual securities impact the Portfolio Historical Sustainability Score**



Note the highlighted selections.

With the Historical ESG component, you can view the fund's Portfolio ESG score on a monthly or quarterly basis so you can understand trends and changes in companies that address risks and opportunities with environmental, social, and governance factors. This component is not part of a prebuilt tab.

### Exercise 13: View a fund's historical ESG scores

The Historical ESG component applies to equity funds, corporate bond funds, and fund of funds with the following:

- ▶ 67% of assets invested in stocks and corporate bonds, and
- ▶ company ESG scores.

Historical ESG data goes back to September 2015, which is also the default Start Date for the component. However, the monthly scores are not equally weighted; more recent portfolios are weighted more heavily than older portfolios.

In this exercise, you will use the Component Settings menu to change the time period and frequency of the data, but you can also do the following:

- ▶ Select a benchmark (By Relevancy, User Created, or No Benchmark)
- ▶ Comparisons (search securities)
- ▶ Select the data view (Line Chart, Bar Chart, or Table).

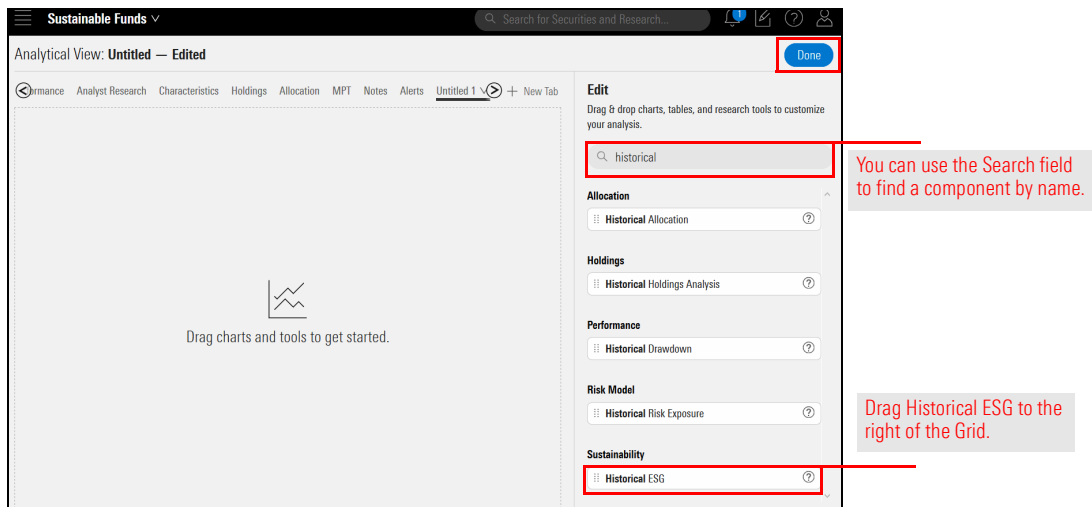
To view a fund's historical ESG scored in a component:

1. **Open** a list or screen of funds, the **Managed Investments analytical view** window will open.
2. Click the **New Tab** icon. An empty tab (Untitled 1) and the Component Library opens.

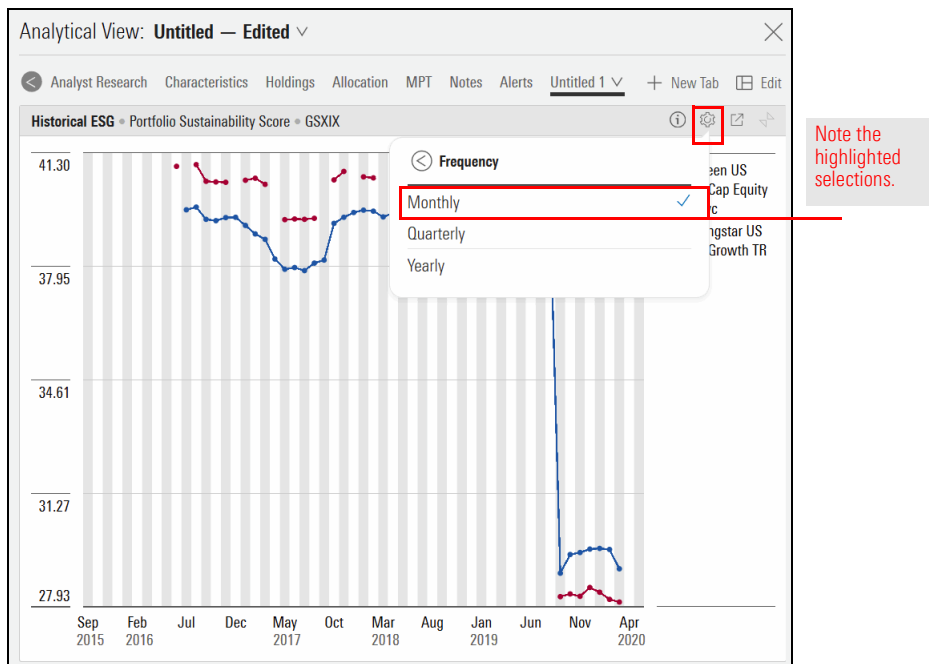


Click here to add a tab.

3. Drag **Historical ESG** from the Component Library into the empty tab.



4. In the upper-right corner of the window, click **Done** to close the Component Library.
5. In the Historical ESG component, click the **Component Settings** menu.
6. Select **Frequency > Monthly**.



7. Select **Time Period**. In the **Start Date** field, type **1 year**, then select **1 Year From Last Month End**.

Analytical View: Untitled — Edited

Historical ESG • Portfolio Sustainability Score • GSXIX

Component Settings

- Time Period: 09/01/2015 - 05/31/2020
- Data Point: Portfolio Sustainability Score
- Frequency: Monthly
- Benchmark: Morningstar US Small Growth TR USD
- Comparisons: 0 Selected
- Display Settings: Line Chart

Select Time Period

Start Date: 1 year

1 Year Ago

1 Year From Last Month End

1 Year From Last Year End

End Date: Month End

Note the highlighted selections.

8. Click **Done**.
9. Click the **Component Settings** icon to close the menu.
10. To save the new tab, do the following:
  - A. Click the **Edit Tab** icon, then select **Rename**.
  - B. In the Save dialog box, **name** the tab and click **Save**.

Alerts Untitled 1 + New Tab

Edit Tab

Rename

Delete

Please enter a name for this tab

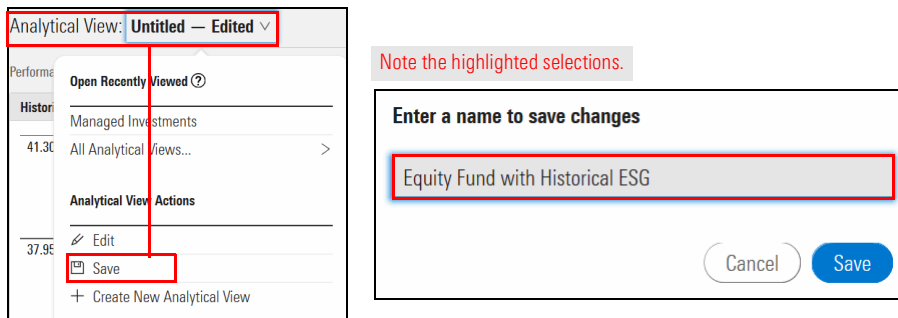
Historical ESG

Cancel Save

Note the highlighted selections.

- C. In the upper-left corner of the window, click the **analytical view name**, then select **Save As**.

D. In the Save dialog box, **name** the analytical view and click **Save**.



On the Sustainability worksheet, the Sustainability Ratings Analysis component can display the Morningstar Sustainability Rating and its underlying data for model portfolios, client accounts, custom benchmarks, or proposals. Use this component to understand ESG exposure and competitive strengths, and share the information with clients.

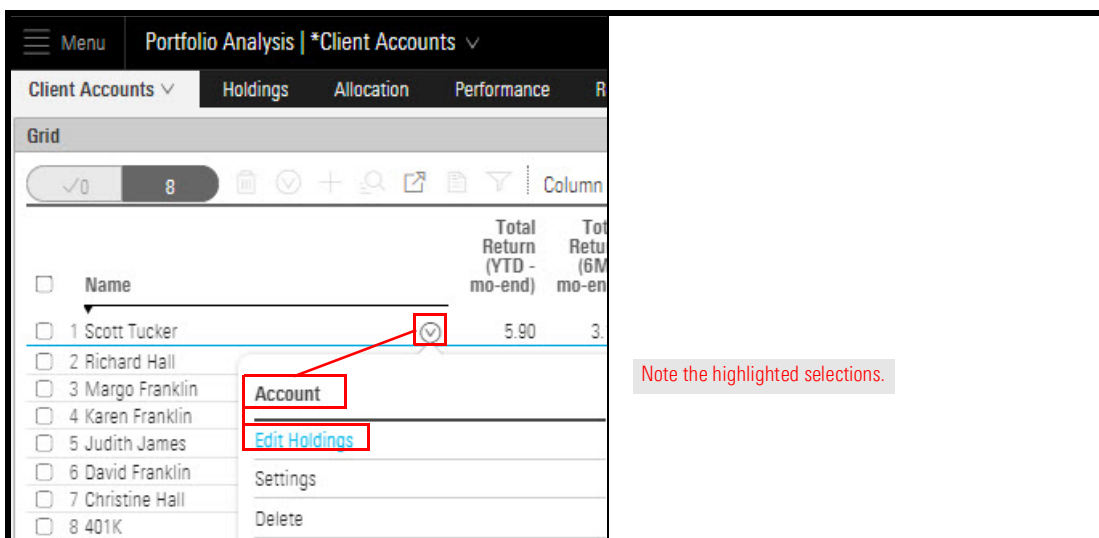
**Exercise 14: View the Morningstar Sustainability Rating for a client account**

With the Sustainability Ratings Analysis component, you can do the following:

- ▶ see how a change in a client account’s holdings, weights, or strategy affects the Sustainability Rating, and
- ▶ compare an existing portfolio to a proposed portfolio to evaluate their comparative Sustainability Rating metrics.

Do the following:

1. In a Client Accounts, **hover the cursor** over the **blank area** to the right of the account you want to analyze. The Actions icon appears.
2. Click the **Actions** icon and from the **Account** menu, select **Edit Holdings**. The Editing Holdings window opens.



- From the **Column Set** menu, select **Column Set > Product Involvement**.

Note the highlighted selections.

| Name                                   | Weight        | Market Value(USD) | Sha         |
|----------------------------------------|---------------|-------------------|-------------|
| <b>Edited</b>                          | <b>100.00</b> | <b>10,000.00</b>  |             |
| Existing                               | 100.00        | 10,000.00         |             |
| Sample Custom Benchmark                | —             | —                 |             |
| Sample Investment Policy               | —             | —                 |             |
| <b>Unallocated Cash</b>                | <b>0.00</b>   | <b>0.00</b>       | <b>0.00</b> |
| <b>Equity</b>                          | <b>100.00</b> | <b>10,000.00</b>  |             |
| <b>Large Blend United States</b>       | <b>75.00</b>  | <b>7,500.00</b>   |             |
| 1 Vanguard S&P 500 ETF                 | 35.00         | 3,500.00          | 15.00       |
| 2 VanEck Vectors Morningstar Wide M... | 30.00         | 3,000.00          | 75.00       |
| 3 iShares Morningstar Large-Cap ETF    | 10.00         | 1,000.00          | 6.00        |
| <b>United States Large Growth</b>      | <b>25.00</b>  | <b>2,500.00</b>   |             |
| 4 Fidelity® Contrafund®                | 25.00         | 2,500.00          | 20.00       |

Click here to expand the grid.

| Name                                   | Weight        | Market Value(USD) | Sha         |
|----------------------------------------|---------------|-------------------|-------------|
| <b>Edited</b>                          | <b>100.00</b> | <b>10,000.00</b>  |             |
| Existing                               | 100.00        | 10,000.00         |             |
| Sample Custom Benchmark                | —             | —                 |             |
| Sample Investment Policy               | —             | —                 |             |
| <b>Unallocated Cash</b>                | <b>0.00</b>   | <b>0.00</b>       | <b>0.00</b> |
| <b>Equity</b>                          | <b>100.00</b> | <b>10,000.00</b>  |             |
| <b>Large Blend United States</b>       | <b>75.00</b>  | <b>7,500.00</b>   |             |
| 1 Vanguard S&P 500 ETF                 | 35.00         | 3,500.00          | 15.00       |
| 2 VanEck Vectors Morningstar Wide M... | 30.00         | 3,000.00          | 75.00       |
| 3 iShares Morningstar Large-Cap ETF    | 10.00         | 1,000.00          | 6.00        |
| <b>United States Large Growth</b>      | <b>25.00</b>  | <b>2,500.00</b>   |             |
| 4 Fidelity® Contrafund®                | 25.00         | 2,500.00          | 20.00       |

Scroll right to view the holdings' exposure to each product involvement area.

| EDITING HOLDINGS FOR "SCOTT TUCKER" |                                                               |                                                     |                                         |                                                | Save        | Save As | Rename | Close |
|-------------------------------------|---------------------------------------------------------------|-----------------------------------------------------|-----------------------------------------|------------------------------------------------|-------------|---------|--------|-------|
| Scott Tucker 09/10/2017             |                                                               |                                                     |                                         |                                                | Recalculate |         |        |       |
| Name                                | Portfolio Prod Inv % - Abortive/Contraceptiv... Cell (mo-end) | Portfolio Prod Inv % - Adult Entertainment (mo-end) | Portfolio Prod Inv % - Alcohol (mo-end) | Portfolio Prod Inv % - Animal Testing (mo-end) |             |         |        |       |
| <b>Edited</b>                       | <b>8.79</b>                                                   | <b>0.00</b>                                         | <b>0.12</b>                             | <b>20.79</b>                                   |             |         |        |       |
| Existing                            | 8.29                                                          | 0.00                                                | 0.10                                    | 22.49                                          |             |         |        |       |
| Sample Custom Benchmark             | 7.11                                                          | 0.00                                                | 0.21                                    | 18.01                                          |             |         |        |       |
| Sample Investment Policy            | 7.06                                                          | 0.00                                                | 0.22                                    | 18.08                                          |             |         |        |       |
| <b>Unallocated Cash</b>             | —                                                             | —                                                   | —                                       | —                                              |             |         |        |       |
| <b>Equity</b>                       | —                                                             | —                                                   | —                                       | —                                              |             |         |        |       |
| <b>Large Blend United States</b>    | —                                                             | —                                                   | —                                       | —                                              |             |         |        |       |
| 1 Vanguard S&P 500 ETF              | 8.34                                                          | 0.00                                                | 0.23                                    | 19.15                                          |             |         |        |       |
| 2 VanEck Vectors Morningstar Wi...  | 9.90                                                          | 0.00                                                | 0.00                                    | 35.94                                          |             |         |        |       |
| 3 iShares Morningstar Large-Cap ETF | 11.62                                                         | 0.00                                                | 0.00                                    | 27.46                                          |             |         |        |       |
| <b>United States Large Growth</b>   | —                                                             | —                                                   | —                                       | —                                              |             |         |        |       |
| 4 Fidelity® Contrafund®             | 5.68                                                          | 0.00                                                | 0.03                                    | 8.50                                           |             |         |        |       |

Use the scroll bar to view more columns.

4. Click **Close**.



## Viewing Sustainability Data in Reports

Besides seeing data points for ESG statistics, you can also find this information in certain reports. Both the Morningstar Report and the Fund Sustainability Report provide this data.

In this section, you will learn how to do the following:

- ▶ Understand how the Morningstar Historical Sustainability Score is calculated ([page 44](#))
- ▶ Find sustainability data in a Morningstar Report ([page 46](#))
- ▶ Identify data that can be found on the Fund Sustainability Report ([page 48](#))
- ▶ Identify funds with a Fund Sustainability Report ([page 49](#)), and
- ▶ View the Fund Sustainability Report ([page 49](#)).

The Morningstar Historical Sustainability Score is a weighted average of the trailing 12 months of Morningstar Portfolio Sustainability Scores. However, the monthly scores are not equally weighted; more recent portfolios are weighted more heavily than older portfolios. This enables the Historical Sustainability Score to reflect portfolio managers' more recent decisions.

The most recent month's score is multiplied by 12, the score of the month before that by 11, two months ago 10, all the way to 12 months ago, which is multiplied by 1. An example of these calculations is shown in the following table:

| Portfolio Date | Portfolio Sustainability Score | Weight | Weighted Sum |
|----------------|--------------------------------|--------|--------------|
| 7/31/2018      | 48.84                          | 12     | 586.08       |
| 6/30/2018      | 48.01                          | 11     | 528.11       |
| 5/31/2018      | 48.66                          | 10     | 486.60       |
| 4/30/2018      | 48.07                          | 9      | 432.63       |
| 3/31/2018      | 47.65                          | 8      | 381.20       |
| 2/28/2018      | 47.86                          | 7      | 335.02       |
| 1/31/2018      | 48.77                          | 6      | 292.62       |
| 12/31/2017     | 48.29                          | 5      | 241.45       |
| 11/30/2017     | 47.83                          | 4      | 191.32       |
| 10/31/2017     | 47.20                          | 3      | 141.60       |
| 9/30/2017      | 47.42                          | 2      | 94.84        |
| 8/31/2017      | 47.62                          | 1      | 47.62        |
| Totals         |                                | 78     | 3759.09      |

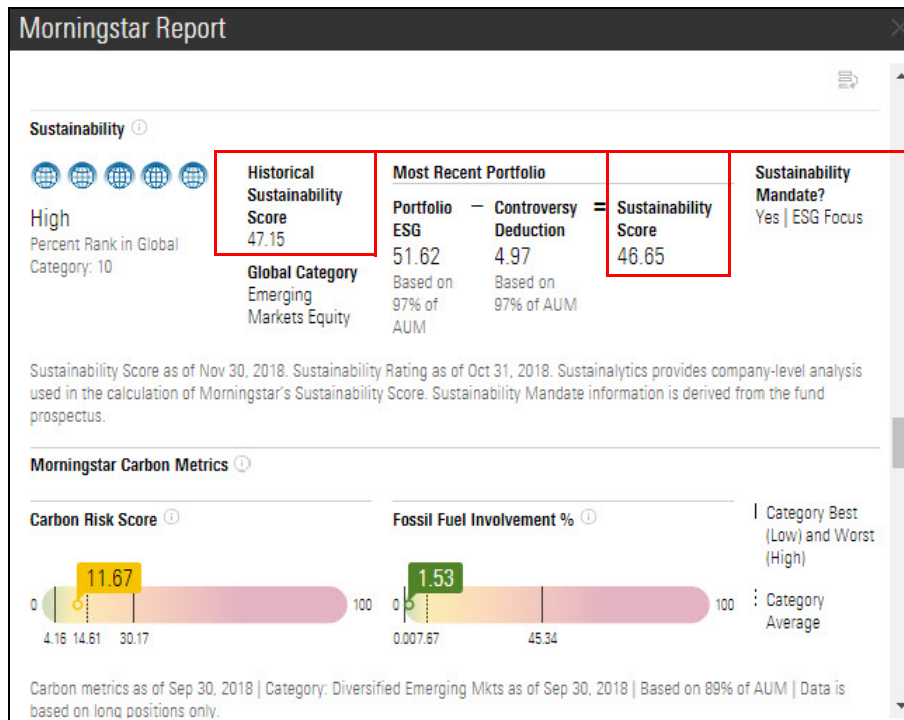
### Overview

### How is the Morningstar Historical Sustainability Score calculated?

Using the figures in the table, the Historical Score is computed by dividing the Total Weighted Sum by the Total Weight, as follows:

$$\frac{3759.08}{78} = 48.19$$

Based on their Morningstar Historical Sustainability Score, funds are assigned absolute category and percentage ranks within their Morningstar Global Categories. A fund's Morningstar Sustainability Rating (Globe Rating) is its normally distributed ordinal score and descriptive rank relative to the fund's global category.



This fund's Historical Sustainability Score is slightly higher than the Sustainability Score of its most recent portfolio.

To learn more about the Morningstar Historical Sustainability Score, please read [Morningstar Sustainability Rating for Funds Methodology](#) and [Morningstar Sustainability Rating FAQ](#).

Sustainability data is found in the Portfolio section of the Morningstar Report. The data is divided into two sections, displaying information as described in the following table:

**Exercise 15: Find sustainability data in the Morningstar Report**

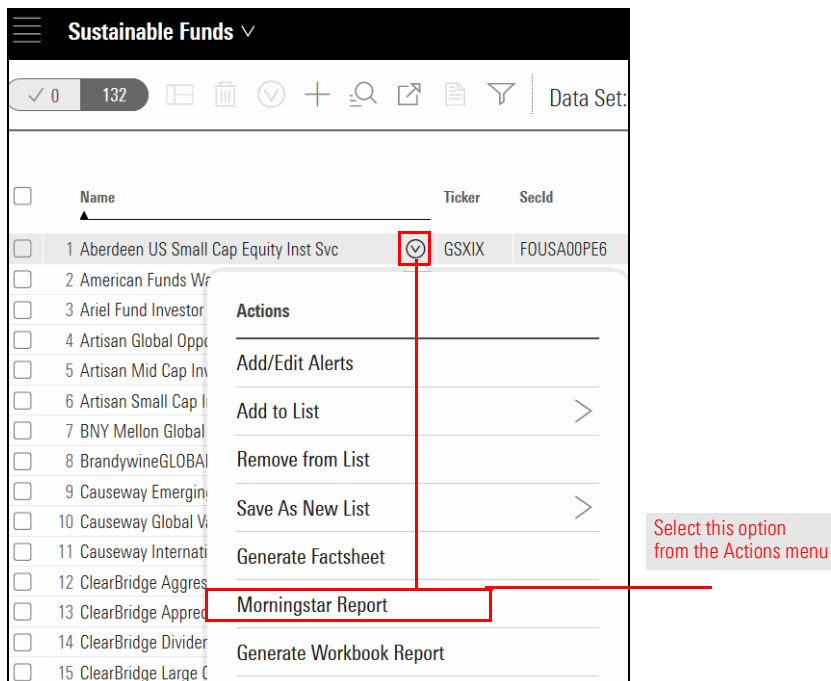
| Section                    | Data Displayed                                                                                                                                                                                                                                                                  |
|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sustainability             | <ul style="list-style-type: none"> <li>▶ Morningstar Sustainability Rating</li> <li>▶ Historical Sustainability Score</li> <li>▶ Sustainability Mandate, and</li> <li>▶ Portfolio ESG, Controversy Deduction, and Sustainability Score of the most recent portfolio.</li> </ul> |
| Morningstar Carbon Metrics | <ul style="list-style-type: none"> <li>▶ Carbon Risk Score, and</li> <li>▶ Fossil Fuel Involvement.</li> </ul>                                                                                                                                                                  |

In this exercise, you will access a fund’s Morningstar Report from the Grid, but you can also view it from the following:

- ▶ Search
- ▶ an Alert
- ▶ Morningstar Research > Latest Page, or
- ▶ Morningstar Research > Securities drawer.

To open the Morningstar Report for a fund, do the following:

1. Open a list or screen in an investment analytical view
2. **Hover the cursor** over a fund’s name, then click the **Action** icon and select **Morningstar Report**. The report opens in a flyover panel from the right side of the window.



- Click the **Jump To** icon, then select **Portfolio**. The report moves to the Portfolio area.

**Morningstar Report**

**Aberdeen U.S. Small Cap Equity Fund Institutional Service Class** GSXIX ★★

**Jump To**

- Quote
- Analysis
- Performance
- Risk
- Price
- Portfolio**
- People
- Strategy
- Parent

NAV / 1-Day Return: 34.47 / 0.00%  
 Total Assets: 727.4 Mil  
 Adj. Expense Ratio: 1.110%  
 Expense Ratio: 1.110%  
 Fee Level: Above Av

Category: US Fund Small Growth  
 Investment Style: Small Growth  
 Minimum Initial Investment: 1,000,000  
 Status: Open  
 TTM Yield: 0.00%

USD | NAV as of Jun 04, 2020 | 1-Day Return as of Jun 04, 2020, 7:26 PM CDT | Analyst Rating as of Mar 05, 2020, 6:00 AM

**Morningstar's Analysis**

Process Mar 5, 2020: Above Average  
 People Mar 5, 2020: Average  
 Parent Mar 13, 2019: Average

Use the Jump To icon to select this option.

- Scroll down until you see the Sustainability data. Note the following data:

- ▶ Morningstar Sustainability Rating
- ▶ Historical Sustainability Score
- ▶ Sustainability Mandate, and
- ▶ Portfolio ESG, Controversy Deduction, and Sustainability Score of the most recent portfolio.

**Sustainability Rating**

Historical Sustainability Score Percent Rank: 46

Number of Funds in Global Category: 1607

Sustainable Fund by Prospectus: Yes

Sustainability Score: 29.24 (Current), 29.05 (Historical)

ESG Breakdown (lower scores = lower risk): Environmental, Social, Governance

Current Sustainability Score based on 100% of AUM | Global Category: US Equity Small Cap | Sustainability Score as of Mar 31, 2020. Sustainability Rating as of Mar 31, 2020. Sustainalytics provides company-level ESG Risk analysis used in the calculation of Morningstar's Sustainability Score. Sustainability Mandate information is derived from the fund prospectus.

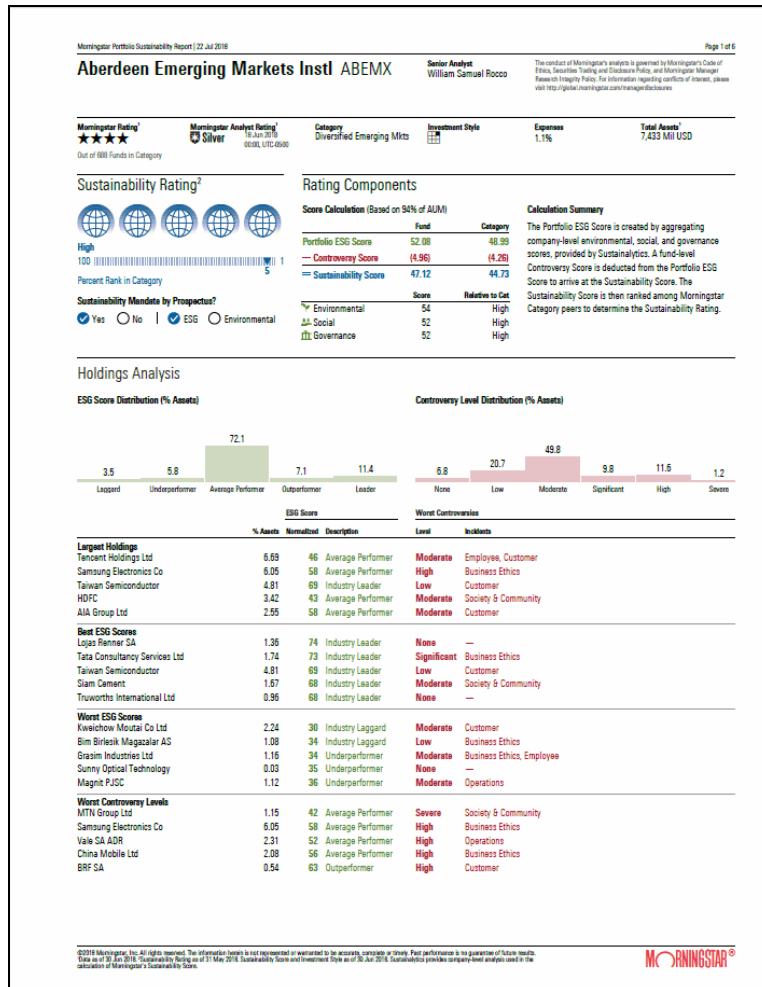
The Morningstar Report includes the fund's Sustainability data.

When finished with the report, click the **X** in the upper-right corner to close the flyover panel.

The Morningstar Report provides information on both sustainability data and a fund’s carbon impact. The Fund Sustainability Report is also available in the Morningstar Direct Cloud Editions and offers a detailed one-page report (plus accompanying disclosure pages) showing the following information for a fund:

- ▶ Morningstar Sustainability Rating
- ▶ Morningstar Sustainability Rating components (Portfolio ESG Score, Controversy Score, Sustainability Score)
- ▶ Distribution levels of assets for ESG and Controversy scores, and
- ▶ ESG Score breakdowns for the fund’s largest holdings, best-scoring investments, worst-scoring investments, and worst controversy levels.

**What can I find on the Fund Sustainability Report?**



A sample of the Fund Sustainability Report

The Fund Sustainability report is available for the following investments:

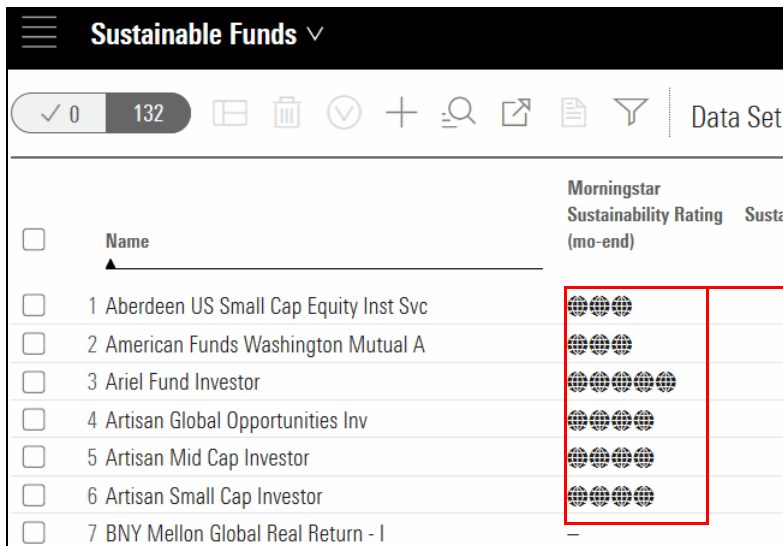
- ▶ any fund with a Morningstar Sustainability Rating
- ▶ Morningstar Indexes, and
- ▶ any index serving as the primary or secondary benchmark for a Morningstar Category.

**Which investments offer a Fund Sustainability Report?**

To see the Fund Sustainability Report for an investment, do the following:

1. **Open** a list or screen of funds, at least some of which have a Morningstar Sustainability Rating.
  - ☞ Note: If you completed [Exercise 2 on page 15](#), you can use the Sustainable Funds screen you saved from that exercise.
2. If the default selected fund in the Grid View does not have a Morningstar Sustainability Rating assigned to it, click the **name** of a fund that does.

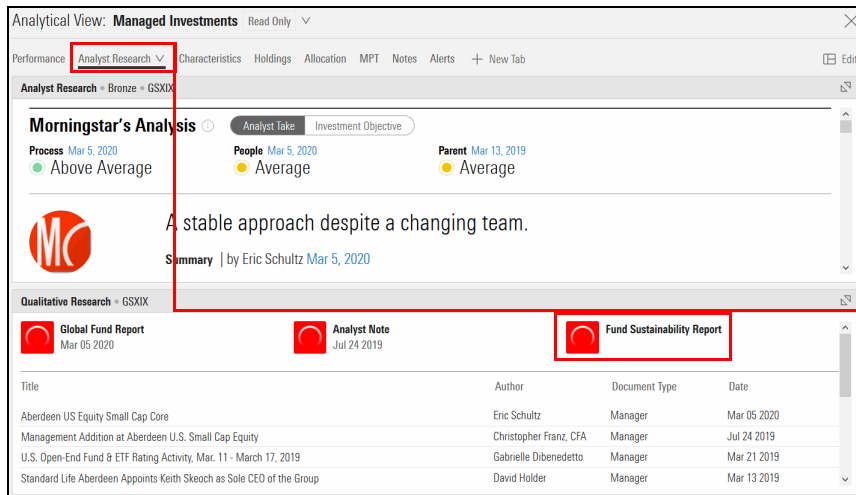
**Exercise 16: View the Fund Sustainability report**



Be sure the fund in focus (with the blue underline) has a Morningstar Sustainability Rating.

3. Select the **Analyst Research** worksheet.

- From the Morningstar Research component, click **Fund Sustainability Report**.



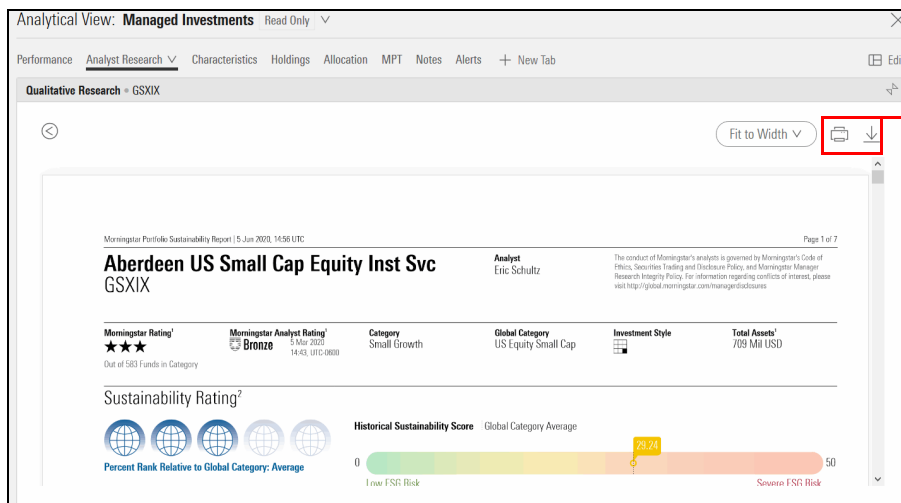
Be sure this tab is selected, then click the name of the report.

- In the Morningstar Research component, click the **Expand** icon.



Click this icon to expand this component.

- Use the **Print** or **Download** icons to see the report as a PDF.



These icons allow you to print or download the report.