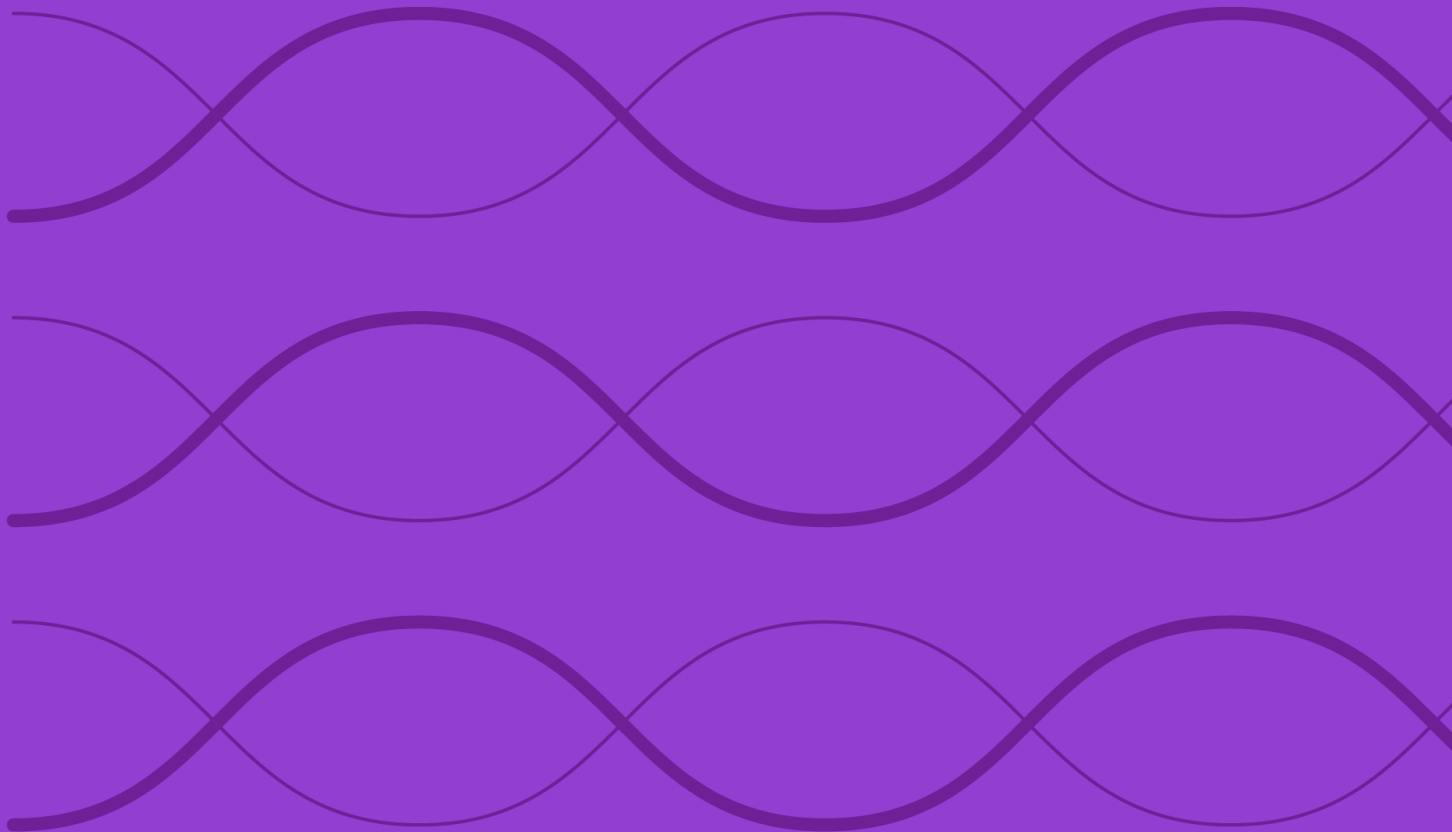


Construction Rules for the V-Square Sustainability Global Equity Infrastructure Index



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Overview

The V-Square Sustainability Global Equity Infrastructure Index aims to provide global, diversified exposure to infrastructure-related equities, as defined by the Morningstar Infrastructure Taxonomy, while also mitigating environmental, social, and governance (ESG) risk. The index facilitates responsible investment practices by selecting companies assessed to be ESG leaders based on a SASB-aligned¹ composite score, as well as Sustainalytics' ESG Risk Rating. Baseline screens are applied to exclude companies involved in certain product types, companies with severe business controversies, and companies out of compliance with the United Nations Global Compact. The index also filters out the companies in the bottom decile based on quality factor scores, as computed by the Morningstar Risk Model.

ESG data is provided by Morningstar Sustainalytics. For more information on the Sustainalytics ESG Risk Rating and controversy scores, please refer to the [Morningstar Sustainability Rating Methodology](#).

Index Inception Date and Performance Inception Date

The inception date of the index is September 5, 2023, and the performance inception date of the index is June 22, 2015, when the first back-tested index value was calculated.

¹ See Appendix 3 and 4 for details.

Governance

General

The index is designed to be compliant with both the IOSCO Principles for Financial Benchmarks (the “Principles”)² and the UK & EU Benchmarks Regulations³.

V-Square

V-Square Quantitative Management LLC (“V-Square”) is the index sponsor and owner of the V-Square Sustainability Global Equity Infrastructure Index.

Morningstar Indexes Limited

Morningstar Indexes Limited (“Morningstar Indexes”) is the administrator, calculator and distributor of the index. Morningstar Indexes is regulated by the Financial Conduct Authority as a registered benchmark administrator under the UK Benchmarks Regulation and its subsidiary Morningstar Indexes GmbH by BaFin as a registered benchmark administrator under the EU Benchmarks Regulation.

Morningstar Index Services Methodology & Administration Committee

The Morningstar Index Services Methodology & Administration Committee (hereinafter, in some cases, the “Index Services Methodology & Administration Committee” or “ISM”) supervises Morningstar Indexes Limited’s index services calculation activities.

The ISM is composed of at least six voting members (including the chair) each of whom must be employed in the index team and have significant experience in index governance, regulations, research, methodology or calculations.

Morningstar Index Operations Committee

The Morningstar Index Operations Committee (the “Index Operations Committee”) governs the processes, systems and exception handling of the day-to-day management of the index, including index rebalancing and reconstitution, restatements, market classification and contingency management. The Index Operations Committee oversees the annual review of index methodology.

The committee will consist of at least six voting members (including the chair) each of whom must be employed in the index team and have significant experience in index operations, methodology or calculations.

Index Methodology Changes

Members of the Index Services Methodology & Administration Committee and stakeholders may at any time recommend changes to these rules (including the Index construction criteria) by submitting any proposed changes for consideration and approval in advance of the Index Services Methodology & Administration Committee’s next meeting.

Proposed changes that the ISM deems material will be publicly consulted on, according to the policy detailed within the Morningstar Indexes Methodology Change Policy and Morningstar Indexes Cessation Process, available from <https://indexes.morningstar.com/>.

Following approval by the Index Services Methodology & Administration Committee, such changes shall be implemented by way of an update to these rules, which shall be published on <https://indexes.morningstar.com/>.

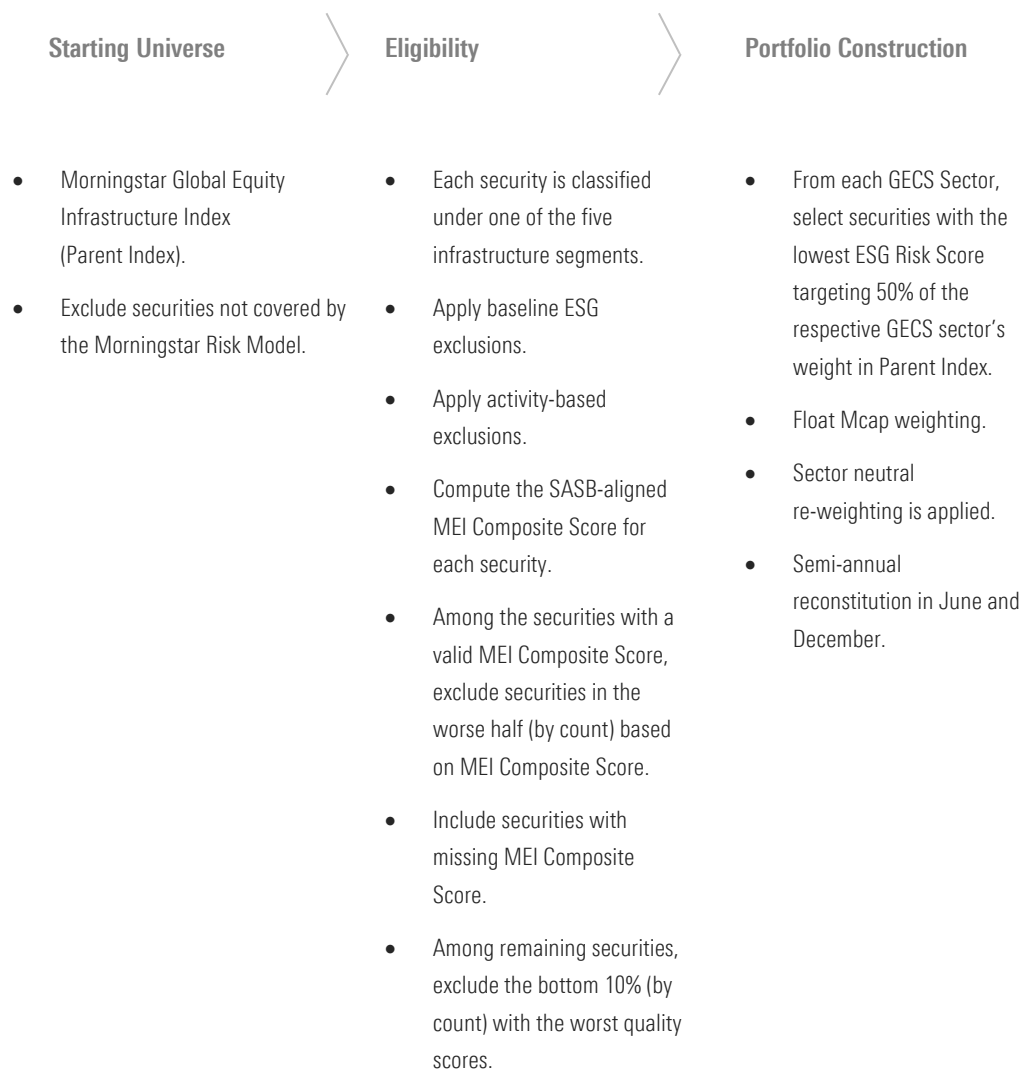
² A statement of compliance with the Principles can be found at <https://indexes.morningstar.com/>.

³ Information and documentation published in compliance with the benchmarks regulations can be found at <https://indexes.morningstar.com/>.

Except in exceptional circumstances, new rules and rules adjustments will become effective after the following review.

Index Construction

Exhibit 1: Construction Process



Assigning Stocks to the Index

Starting Universe

At each reconstitution, securities for the index are derived from the Morningstar Global Equity Infrastructure Index. For more details on benchmark construction, refer to the [Construction Rules for Morningstar Global Equity Infrastructure Index](#).

Security Selection

To be eligible for the index, all constituents of the V-Square Sustainability Global Equity Infrastructure Index must meet the following criteria:

- Each security must be classified under one of the five infrastructure segments detailed in Appendix 1.
- Risk Model Coverage Exclusions:
 - Exclude securities from the universe which are not covered by the Morningstar Risk Model. For more information on the risk model, refer to the [Morningstar Risk Model Methodology](#).
- Baseline ESG Exclusions:
 - Securities must not have a null ESG Risk Rating or Controversy Score
 - Securities must not belong to the Severe ESG risk Rating Category
 - Securities' Controversy Score must be 3 (out of 5) or lower
 - Securities must be compliant with the principles of the U.N. Global Compact
- Activity Based Exclusions
 - Security product involvement must be 0% for the following activities:
 - Controversial Weapons Non-tailor-made or non-essential
 - Controversial Weapons tailor-made and essential
 - Tobacco Products Production
 - Tobacco Production Retail
 - Thermal Coal Extraction
 - Shale Energy Extraction
 - Oil Sands extraction
 - Security product involvement must be less than 10% for the following activities:
 - Tobacco Products Related Products/Services
 - Thermal Coal Power Generation

Please refer to Appendix 2 for details on missing data treatment for above ESG-based screens.

- Material ESG Issues (MEI) Composite Score Screen:
 - Compute the MEI Composite Score for each security as detailed in Appendix 4.
 - Among securities with a valid MEI Composite Score, exclude securities in the worse half (by count) based on the MEI Composite Score.

- Include securities with missing⁴ MEI Composite Scores (to avoid penalizing companies for not having a MEI score due lack of coverage).
- Quality Screen:
 - Among the remaining securities, exclude the bottom 10% (by count) with the worst quality scores. For the calculation of the quality score, refer to the [Morningstar Risk Model Methodology](#)
 - The quality score for a primary share class security is applicable for the secondary share class security as well.

In case of an odd number of securities, the 10% of the count number is rounded down to the nearest integer.

- Security Selection and Weighting:
 - From each GECS sector, select securities with the lowest ESG Risk Score targeting 50% of the respective GECS sector weight in the parent index. The security weights used for this step are same as that in the parent index.
 - If there are not enough securities in the eligible pool to reach the 50% target weight for a particular GECS sector, then all the securities in that sector are selected.
 - If the eligible pool has enough securities for 50% target weight in a particular GECS sector to be met, then the last security is picked such that the cumulative weight is less than or equal to 50% of sector's weight in the parent. (For e.g., If the cumulative sum up to stock n is 48% of parent sector's weight, and the weight of stock $n+1$ would represent an additional 4% of the parent sector's weight, causing the cumulative sum to rise to 52%, in that case stock $n+1$ would be excluded and the cumulative sum would be 48% of the parent sector's weight).
 - Apply sector neutrality to adjust weights in order to ensure sector weights in the index are the same as those in the parent (Morningstar Global Equity Infrastructure Index).
 - Once the above weighting process is implemented, the index operates as a float market capitalization weighted index. For more details, refer to the [Morningstar Indexes Calculation Methodology rulebook](#).

Number of Stocks

The number of stocks in the index is subject to the selection and eligibility criteria at the time of reconstitution.

⁴ The MEI Composite Score will be considered missing if every relevant MEI Risk Score is null.

Index Maintenance and Calculation

Scheduled Maintenance

Semi-annual Reconstitution (June and December)

The index is reconstituted (where the membership is reset) semi-annually. Adjustments are made on the Monday following the third Friday of June and December. If the Monday is a holiday, reconstitution occurs on the immediately following business day. The market data used for reconstitution is as of the close on the last trading day of May and November.

Quarterly Rebalance

The index is rebalanced quarterly (existing constituents are reweighted in accordance with the weighting scheme), and implemented after the close of business on the third Friday of March, June, September, and December and is effective the following Monday. On each rebalance, parent index membership and controversy screens are checked. If Monday is a holiday, rebalance is effective on the immediately following business day. The market data used for rebalancing is as of the last trading day of February, May, August, and November

Index files are published according to the Global calendar schedule. For more information, please refer to the [Morningstar Indexes Holiday Calendar](#).

Corporate Actions

The treatment of corporate actions will be as per the float market capitalization weighted indexes. For more details, please refer to the [Morningstar Indexes Corporate Actions Methodology rulebook](#).

Index Calculation and Price Data

Details about index calculations and price data can be found in their respective rulebooks: [Morningstar Indexes Calculation Methodology](#) and [Equity Closing Prices Used for Index Calculation](#).

Methodology Review and Index Cessation Policy

The index methodology is continually reviewed to ensure it achieves all stated objectives. These reviews consider corporate action treatment, selection, and maintenance procedures. Subscribers to the index will be notified before any methodology changes are made. For more details, refer to the [Morningstar Index Methodology Change Policy](#).

Morningstar also notifies all subscribers and stakeholders of the index that circumstances might arise that require a material change to the index or a possible cessation of the index. Circumstances that could lead to an index cessation include, but are not limited to, market structure change, product definition change, inadequate supply of data, insufficient revenue associated with the index, insufficient number of clients using the index, and/or other external factors beyond the control of the [Morningstar Index Services Methodology & Administration Committee](#).

Because the cessation of the index or benchmark index could disrupt subscriber products that reference this index, all subscribers are encouraged to have robust fallback procedures if an index is terminated. For more details, refer to the [Morningstar Index Cessation Process](#).

Data Correction and Precision

Intraday Index Data Corrections

Commercially reasonable efforts are made to ensure the accuracy of data used in real-time index calculations. If incorrect price or corporate action data affects index daily highs or lows, it is corrected retroactively as soon as is feasible.

Index-Related Data and Divisor Corrections

Incorrect pricing and corporate action data for individual issues in the database will generally be corrected upon detection. In addition, an incorrect divisor of an index, if discovered within five days of its occurrence, will be fixed retroactively on the day it is discovered to prevent an error from being carried forward. Commercially reasonable efforts are made to correct an older error subject to its significance and feasibility.

For more details, refer to the [Recalculation Guidelines](#).

Computational and Reporting Precision

For reporting purposes, index values are rounded to two decimal places and divisors are rounded to appropriate decimal places.

Exceptions

While Morningstar will seek to apply the method described above, the market environment, supervisory, legal, financial, or tax reasons may require an alternative approach to be adopted. A decision to take an alternative approach will be made by the relevant [Morningstar Index Services Methodology & Administration Committee](#), and in all instances, the application of a nonstandard process will be reported to the Morningstar Index Oversight Committee.

Appendix 1: Infrastructure Taxonomy Overview

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The Infrastructure taxonomy consists of 18 industries across five infrastructure segments. For more information, refer to the appendix 2 of Construction rules for [Morningstar Global Equity Infrastructure Index](#).

⁵ Note that these industry classifications are distinct from and do not align with GECS.

Appendix 2: Product Involvement-Based Exclusions

Detailed Criteria	Revenue Threshold for Eligibility	Backfill Date	Missing Data Treatment
Controversial Weapons Non-tailor-made or non-essential	CW3 (i.e. >0%)	Dec'19	Include if < Backfill Date Exclude if >= Backfill Date
Controversial Weapons Tailor-made and essential	CW1 (i.e. >0%)		
Tobacco Products Production	>0%		
Tobacco Production Retail	>0%		
Tobacco Products Related Products/Services	>10%		
Thermal Coal Extraction	>0%		
Thermal Coal Power Generation	>10%		
Shale Energy Extraction	>0%		
Oil Sands Extraction	>0%		

The null values prior to the backfill date for activity-based exclusions have been backfilled based on the latest available data.

Securities with null values prior to backfill date for product involvement screens have been included for the activity-based exclusions.

Securities with null values prior to backfill date for United Nations Global Compact data have been included for the baseline exclusions.

Missing data treatment is applied after the data backfill process is completed.

Appendix 3: SASB Mapping

In order to construct the MEI-Composite score detailed in Appendix 4, the following mapping between Morningstar's Infrastructure Taxonomy and SASB Industries was conducted. This mapping then informed a secondary mapping between SASB's General Issue categories and Sustainalytics' MEIs, the results of which are outlined in Appendix 4.

Infrastructure Taxonomy Segment	Relevant SASB Industry/Subindustry
Social	Education
	Health Care Delivery
	Medical Equipment & Supplies
Energy	Oil & Gas - Midstream
Utilities	Waste Management
	Electric Utilities & Power Generators
	Gas Utilities & Distributors
	Water Utilities & Services
Transportation & Infrastructure	Air Freight & Logistics
	Road Transportation
	Rail Transportation
	Marine Transportation
	Engineering & Construction Services
Communication & Telecom Assets	Telecommunication Services

Appendix 4: MEI Composite Score Calculation

The following table outlines which Sustainalytics' MEIs are incorporated into the MEI Composite Score calculation, contingent on which Infrastructure segment a company is categorized under.

Social	Energy	Utilities	Transportation & Infrastructure	Communication & Telecom Assets
Data Privacy and Security	Carbon - Own Operations	Carbon - Own Operations	Land Use and Biodiversity	Carbon - Own Operations
E&S Impact of Products and Services	Emissions, Effluents and Waste	Emissions, Effluents and Waste	Product Governance	Data Privacy and Security
Product Governance	Land Use and Biodiversity	Land Use and Biodiversity	Occupational Health and Safety	Resource Use
Carbon - Own Operations	Bribery and Corruption	Human Rights	E&S Impact of Products and Services	Resource Use - Supply Chain
Emissions, Effluents and Waste	Business Ethics	Human Capital	Bribery and Corruption	Bribery and Corruption
Land Use and Biodiversity	Occupational Health and Safety	Occupational Health and Safety	Business Ethics	Business Ethics
Access to Basic Services	Product Governance	E&S Impact of Products and Services	Carbon - Own Operations	Corporate Governance
Human Rights - Supply Chain		Carbon – Products and Services	Emissions, Effluents and Waste	
Land Use and Biodiversity - Supply Chain		Resource Use	Human Rights	

		Access to Basic Services	Human Capital	
		Product Governance	Human Rights - Supply Chain	
		Corporate Governance	Land Use and Biodiversity - Supply Chain	

December 2018 MEI and Corporate Governance data is used to backfill any missing data prior to December 2018 for the 20 MEI Risk Scores and Corporate Governance Risk Scores, respectively.

A NULL MEI Risk Score or null Corporate Governance Risk Score will be treated as 0 (same treatment before and after backfill date).

A security is said to have an invalid/missing MEI Composite score when every relevant MEI Risk Score is NULL.

The MEI Composite Score is calculated as the sum of all the relevant MEI's risk scores, where relevance is determined by the infrastructure segment that the security is classified under.

The sum is normalized within each infrastructure segment to compute the MEI Composite Score.

Note that the MEI Composite Score will range between 0 to 1 within each infrastructure segment due to normalization step.

If there is only a single security in an infrastructure segment, the normalization of MEI composite score is computed as:

*(Sum of relevant MEI Risk Scores/(Number of relevant MEIs*10))*. Otherwise, the normalization is computed as:

(MEI Risk Score-min(MEI Risk Scores))/(max(MEI Risk Scores)-min(MEI Risk Scores)).

The multiplication factor of 10 is used because the range of MEI Risk Scores is 0 to 10. So, the denominator denotes the maximum score possible in that infrastructure segment.

In case of an odd number of securities with a valid MEI composite score, the 50% of the count number is rounded down to the nearest integer.

For more details on Corporate Governance and the 20 MEIs, refer to the [Sustainalytics-ESG Risk Ratings](#).

About Morningstar Indexes

Morningstar Indexes was built to keep up with the evolving needs of investors—and to be a leading-edge advocate for them. Our rich heritage as a transparent, investor-focused leader in data and research uniquely equips us to support individuals, institutions, wealth managers, and advisors in navigating investment opportunities across major asset classes, styles, and strategies. From traditional benchmarks and unique IP-driven indexes to index design, calculation, and distribution services, our solutions span an investment landscape as diverse as investors themselves.

Morningstar Index Services Methodology & Administration Committee

The Morningstar Index Methodology Committee oversees all new index development, index methodology changes, and cessation of indexes for any indexes where Morningstar provides index calculation and/or administration services to clients. The group comprises members of the index team with index research, product development, product management, client service, index implementation, and operation expertise who provide the first layer of governance over index design and methodology.

Morningstar Indexes Operations Committee

The Morningstar Index Operations Committee governs the processes, systems, and exception handling of the day-to-day management of all live indexes, including index rebalancing and reconstitution, restatements, market classification, and contingency management. The committee oversees the annual review of index methodology (as required by U.K. and EU benchmark regulations, or BMR), ensuring that methodologies remain fit for purpose and continue to achieve their stated investment objectives. The group comprises members of the index team with data, operations, corporate actions, product development, index launch, client service, and index management experience who provide the first layer of governance over index operations.

Morningstar Index Oversight Committee

The Morningstar Index Oversight Committee is responsible for the index oversight function as per the requirements of the U.K. and European BMR, providing independent oversight of all aspects of the governance of benchmark administration as required by the relevant BMR. Its remit extends to all calculation and administration-related business activities of Morningstar Indexes, including administration of Morningstar-owned benchmarks as well as client-owned benchmarks and index calculation. The oversight function is part of the organizational structure of Morningstar but is separate and independent from the index business, index management, and the other index committees.

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