

**PURPOSE**

Help advisors understand, interpret, and apply Morningstar Sustainability Globe Ratings as part of fund due diligence and client conversations.

WHAT THE RATING MEASURES**ESG Risk Exposure**

Evaluates the unmanaged ESG-related financial risks of a fund's underlying holdings.

**Relative Comparison**

Funds are compared against peers within the same Morningstar Category.

**Portfolio Holdings Based**

Ratings are derived from Sustainalytics ESG Risk Ratings of the fund's underlying holdings.

GLOBE RATING SCALE

GLOBES	ESG RISK LEVEL
	Negligible Risk
	Low Risk
	Medium Risk
	High Risk
	Severe Risk



More globes = Lower ESG Risk

HOW THE FRAMEWORK WORKS

Fund Holdings



Company ESG Risk Ratings



Country Risk Ratings



Portfolio ESG Risk Score



Peer Comparison



Morningstar Globe Rating

KEY INPUTS

Corporate ESG Risk



Country ESG Risk

HOW ADVISORS SHOULD USE IT

- ✓ Compare funds within the same Morningstar category;
- ✓ Use as an ESG risk screening tool

Combine with: Investment objectives

- ✓ Use alongside ESG fund classifications
- ✓ and manager sustainability disclosures

IMPORTANT LIMITATIONS

Measures ESG risk, not impact.



Does not measure values alignment.



Not comparable across different fund categories.



Should not be used as a stand-alone investment decision tool.

**KEY TAKEAWAYS**

- Compare funds within the same category.
- More globes indicate lower ESG risk.
- Globe Ratings measure risk, not impact.
- Use alongside performance and due diligence.
- Never rely on Globe Ratings alone.