Enterprise Sustainability

UK Pay Gap Report

2023

MORNINGSTAR

Contents

A Message from Kunal Kapoor

I often say that transparency sparks progress, and when it comes to pay fairness, this refrain rings as true as ever. Pulling back the curtain on a company's current state provides a foundation for tangible change.

Morningstar began including global pay gap data in our corporate sustainability report in 2021. We are still one of the only US-based financial-services firms to do so, and our commitment to transparency on this front recently earned us certification as a Fair Pay Workplace.

Our biannual pay fairness studies examine our compensation structures across genders globally and ethnicities within the U.S. market. The results of these studies are important to our people: They want to know they're compensated fairly. They're important to our strategy: Human capital is among our most material ESG issues, and diverse teams help us fulfill our mission. And they're important to our clients and shareholders: They expect us to reflect the same ESG standards that we use to rate companies.

> ❝ I often say that transparency sparks progress, and when it comes to pay fairness, this refrain rings as true as ever. ❞

In this report, we narrow in on our UK operations, sharing mean and median gender pay gap data for our entire UK workforce. The data examined in this report reflects the historical "equality of opportunity" gap or an "unadjusted pay gap," which identifies where more men may be in leadership positions compared to women. This disclosure provides our teams with a view of our unified strategy for fostering diversity and inclusion at all organizational levels.

In line with Morningstar's focus on transparency, we've voluntarily disclosed our UK workforce data that goes beyond regulatory requirements. PitchBook UK has surpassed the employee threshold mandating pay gap reporting in the UK, but we've disclosed this data for our full Morningstar UK region, with PitchBook-specific data in the appendix. We believe this transparency provides shareholders and stakeholders with more complete information about our compensation strategy in the region.

As we look ahead, our focus is sharpening on setting concrete, actionable objectives to enhance diversity across our organization.

Sincerely yours,

Kunal Kapoor
Chief Executive Officer

Requirements & Approach

As a global firm, we acknowledge the growing regulatory demands that our business faces across different regions. This report reflects our commitment to report in line with the UK Gender Pay Gap regulations. All UK entities employing 250 employees or greater are required to report their gender pay and bonus pay gaps annually. In 2023, our PitchBook entity surpassed the 250-plus employee threshold, now requiring us to report gender pay gap findings for the PitchBook UK Data Limited entity. This data can be examined on page 9.

As part of our commitment to transparency, we've also disclosed gender pay gap data reflecting our full UK population. The gender and bonus pay gaps do not measure equal pay for equal work. Rather, they give an indication of the relative representation of men and women employees across different levels and roles throughout the organization.

In this report, you will find the following data:
- ▶ Mean and median gender pay gap for hourly pay[i]
- ▶ Mean and median gender pay gap for bonus pay[ii]
- ▶ Percentage of men and women receiving bonus pay
- ▶ Percentage of men and women in each hourly pay quarter

The mean and median hourly pay gap data is based on hourly rates of pay within the pay period that includes April 5, 2023. For some of our entities, this means the hourly pay figure includes monthly commission compensation paid in the April 2023 payroll but does not include any bonus pay for employees on our corporate bonus plan.

The mean and median bonus pay gap data is based on bonuses paid in the 12 months leading up to April 5, 2023.

Gender Diversity, Equity, & Inclusion Practices

Morningstar's diversity, equity, and inclusion practices are anchored in a commitment to build a culture of fairness that drives exceptional talent engagement and fuels business success. We believe the collective mixture of our different backgrounds, beliefs, and experiences makes us a stronger and more successful firm. We prioritize diversity throughout the organization because we believe it enhances decision-making and business resilience; it nurtures open dialogue, sparks creativity, and broadens opportunities for better business outcomes.

Last year in the UK, we focused on gathering feedback on employee sentiment about our existing DEI practices. We discovered that one of the most critical areas for attention is increasing women's representation in leadership positions and advancing women career growth opportunities. To gauge our work in these areas, we've begun actively monitoring and analyzing diversity data with a focus on women
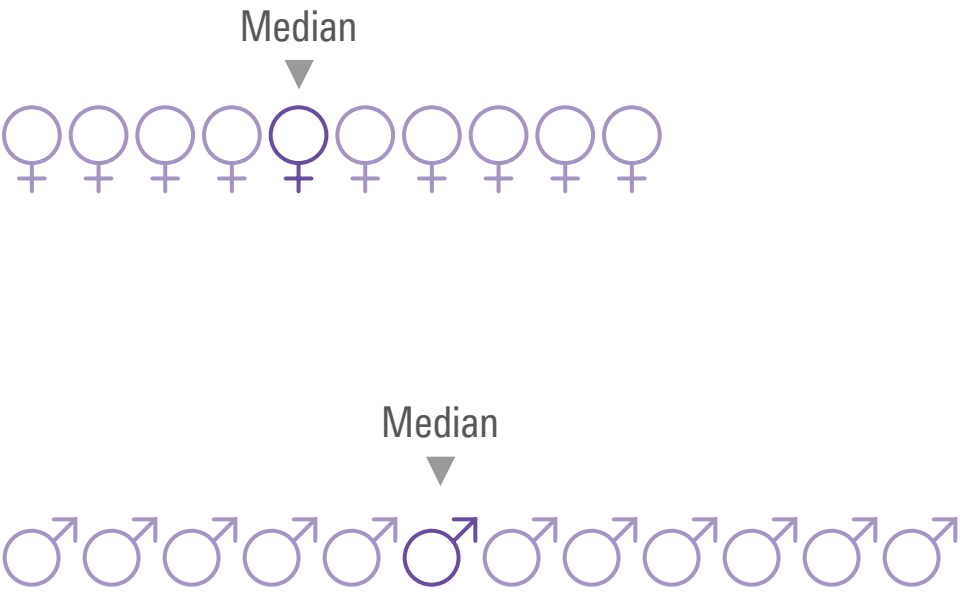
representation. We also conducted focus groups and surveys to receive both qualitative and quantitative feedback from our current women workforce in the UK. This valuable input will help shape our long-term strategy in 2024, where we plan to implement a more structured approach to monitoring the development and promotion of our internal talent.

Morningstar is a signatory to the Women in Finance Charter in the UK, which solidifies our commitment to gender diversity and inclusion. We also partner with Black Women in Asset Management to host events and partake in recruitment activities aimed at increasing diverse representation in our workforce. Along with training opportunities throughout the year, our European region hosts an annual mentorship program facilitated by our Women's Initiative employee resource group, which enables women employees to connect and learn from one another's experiences.

We understand that much of our current gender pay gap discussed in this report can be addressed by seeking a more balanced, representative, and equitable workforce at all levels of our organization. In the future, our focus will remain on elevating and retaining diverse talent, as we believe this approach leads to healthy culture and better business outcomes in the long term. For more details on our current global DEI strategy, see pages 38-40 of our 2023 corporate sustainability report.
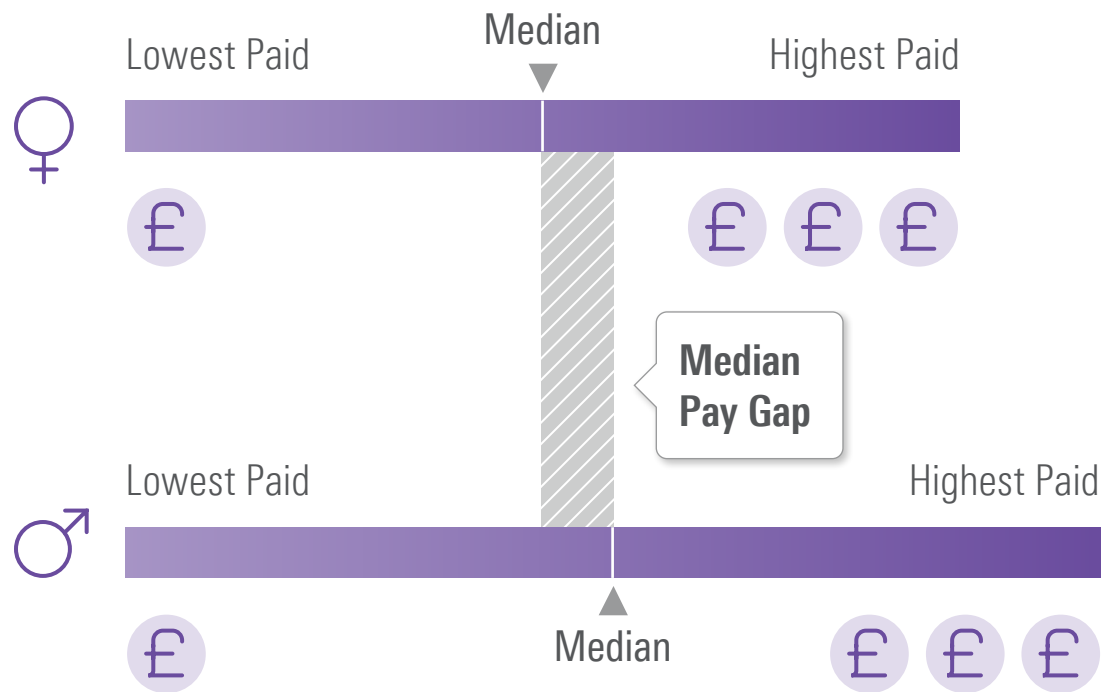
Median and Mean Pay Gap: Review & Calculations

Median

Median Pay Gap Calculation

Mean

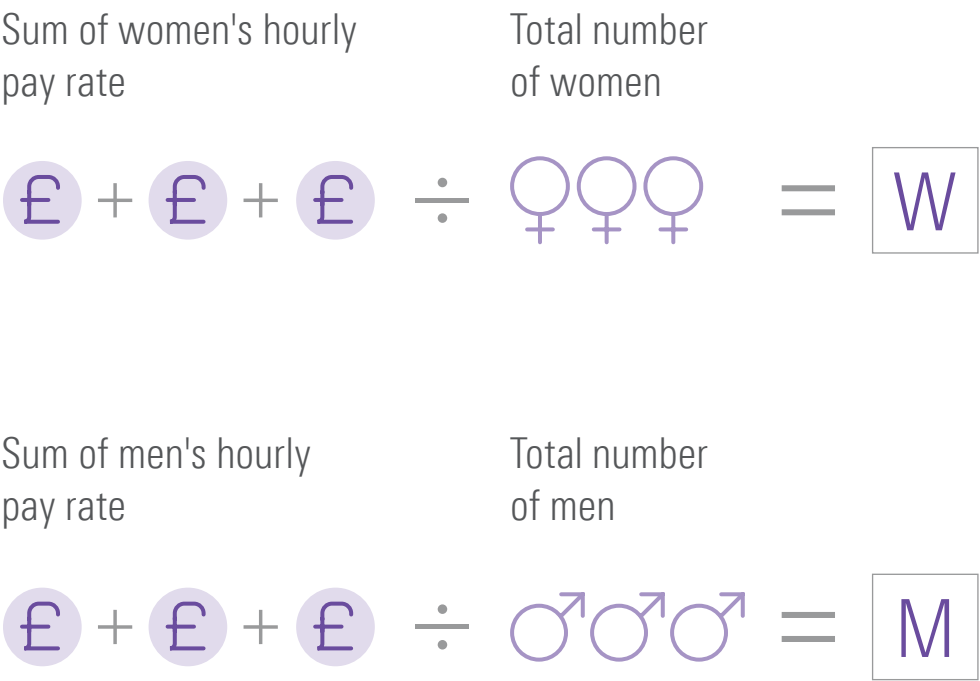## Mean Pay Gap Calculation

$$\frac{M - W}{M} \times 100$$

The median is measured by finding the middle value of a dataset, when data is arranged in ascending or descending order. Median values are not impacted by extreme values or outliers.

The median gender pay gap for hourly pay is calculated by taking the median hourly pay for women-identifying colleagues and comparing it with the median hourly pay for men-identifying colleagues. The median gender pay gap for bonus pay is calculated by taking the median bonus pay for the women population and comparing it with the median bonus pay for the men population.

The mean, or average, is calculated by adding up all data points in a set and dividing by the total number of data points. This calculation can be impacted by data outliers, where one or a few extremely high or low data points may skew the average.

The mean gender pay gap for hourly pay is calculated by finding the average hourly pay of all women employees and comparing it with the average hourly pay of all men employees. The mean gender pay gap for bonus pay is calculated by taking the average bonus pay of all women employees and comparing it with the average bonus pay of all men employees.
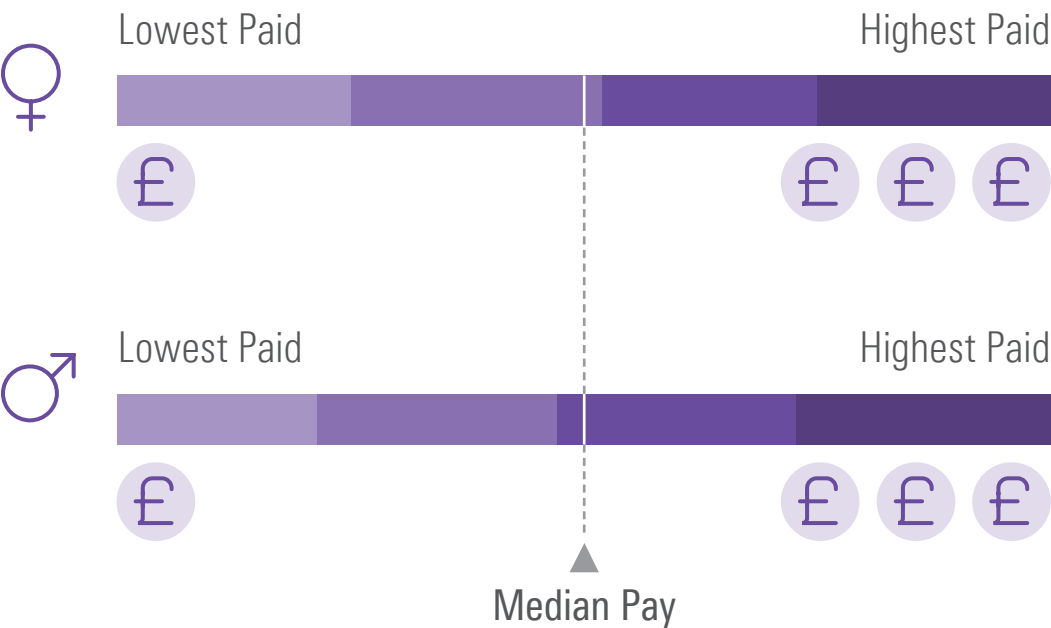
Pay Quarters & Hourly Pay Gap Data

Pay Quarters Data (Men vs Women)

Upper Pay Quarter
Men: 70.2%   Women: 29.8%

Upper Middle Pay Quarter
Men: 63.9%   Women: 36.1%

Lower Middle Pay Quarter
Men: 59.7%   Women: 40.3%

Lower Pay Quarter
Men: 55.2%   Women: 44.8%

Total Population
Men: 62.2%   Women: 37.8%

Median Pay Gap Examination

Lowest Paid   Highest Paid

£   £ £ £

Lowest Paid   Highest Paid

£   £ £ £

Median Pay

Median Gender Pay Gap for Hourly Pay

Men
Women

Pay Gap: 11.1%

Mean Gender Pay Gap for Hourly Pay

Men
Women

Pay Gap: 17.7%

Pay quarters show the percentage of men and women employees in four equal-sized groups based on their hourly pay. Examining the distribution of men and women employees within each pay quarter can provide insight into any disparities in gender representation within the population. When examining pay quarter data, we find that the division of each pay quarter by gender is broadly representative of the UK employee population of 37.8% women and 62.2% men. Nevertheless, there is a gradual reduction in the representation of women employees as we move into the upper pay half relative to our men employees and overall workforce composition. As a result, we find the median hourly pay for men employees falls in the upper middle pay quarter, while the median hourly pay rate for women employees falls in the lower middle pay quarter.

The median gender pay gap for hourly pay is 11.1%, meaning that the median woman employee earns 89 pence for every GBP 1 earned by the median man employee.

The mean gender pay gap for hourly pay is 17.7%. This means, on average, women employees across Morningstar UK earn 82 pence for every GBP 1 men employees earn.

Bonus Pay Gap Data

Men & Women Receiving a Bonus

Men ████████████████████████████ 89.3%
Women ███████████████████████████ 86.9%

Median Gender Pay Gap for Bonus Pay

Men ████████████████████████████
Women ██████████████████

Pay Gap: 32.3%

Mean Gender Pay Gap for Bonus Pay

Men ████████████████████████████
Women ████████████████

Pay Gap: 38.9%

Our incentive programs are designed to reward members of our teams based on a combination of overall company and business unit performance and individual performance. Employees at Morningstar are typically assigned to either the corporate bonus plan or a commission plan, depending on their role. Employees on the corporate bonus plan have both a company/business unit performance component and an individual performance component factored into their bonus payout calculation. Commission-based roles have their own metrics and key performance indicators to determine commission payouts and are also typically more highly leveraged, meaning that their incentive target makes up a larger percentage of their overall pay compared with noncommission roles. Therefore, the type of role an employee holds and the business unit in which they sit has an impact on their overall bonus payout.

The median gender pay gap for bonus pay is 32.3%, meaning that the median woman employee earns 68 pence for every GBP 1 the median man employee earns in bonus payout.

The mean gender pay gap for bonus pay is 38.9%. This means, on average, women employees across Morningstar UK earn 61 pence for every GBP 1 men employees earn in bonus payout.

Pay Gap Data

Entity	Metric		2023			
			Men	**Women**	**Median**	**Mean**
Morningstar UK[iii]	Mean Gender Pay Gap for Hourly Pay		–	–	–	17.7%
	Median Gender Pay Gap for Hourly Pay		–	–	11.1%	–
	Percentage of Men and Women Receiving Bonus		89.3%	86.9%	–	–
	Mean Gender Pay Gap for Bonus Pay		–	–	–	38.9%
	Median Gender Pay Gap for Bonus Pay		–	–	32.3%	–
	Pay Quartiles	Lower Quarter:	55.2%	44.8%	–	–
		Lower Middle Quarter:	59.7%	40.3%		
		Upper Middle Quarter:	63.9%	36.1%		
		Upper Quarter:	70.2%	29.8%		
PitchBook UK	Mean Gender Pay Gap for Hourly Pay		–	–	–	25.9%
	Median Gender Pay Gap for Hourly Pay		–	–	10.5%	–
	Percentage of Men and Women Receiving Bonus		93.3%	89.9%	–	–
	Mean Gender Pay Gap for Bonus Pay		–	–	–	38.5%
	Median Gender Pay Gap for Bonus Pay		–	–	3.8%	–
	Pay Quartiles	Lower Quarter:	50.0%	50.0%	–	–
		Lower Middle Quarter:	61.9%	38.1%		
		Upper Middle Quarter:	61.9%	38.1%		
		Upper Quarter:	73.0%	27.0%		

Endnotes

i. Hourly pay is calculated as the sum of all
    ordinary pay and prorated bonus pay earned
    in the pay period calculated on an hourly
    basis. Ordinary pay is basic pay, allowances,
    pay for piecework, pay for leave, or shift
    premium pay, after any reduction for a salary
    sacrifice scheme and before deductions
    such as tax, National Insurance, or employee
    pension contributions.

ii. Bonus pay includes bonuses, commissions,
    and long-term incentives (for example,
    restricted stock units) paid or vested during
    the measurement period.

iii. Morningstar UK data includes the total
     employee population working within our UK-
     based legal entities.