

December 30, 2022

Joseph Mansueto
Executive Chairman

Kunal Kapoor
Chief Executive Officer Morningstar, Inc.
22 West Washington Street
Chicago, IL 60602

Dear Mr. Mansueto and Mr. Kapoor,

We are writing to you today because, after months of working with Morningstar in good faith, it appears that Sustainalytics is failing to do its part to implement the commitments that Morningstar made to eliminate the pervasive anti-Israel bias in Sustainalytics' ESG ratings.

On October 31, 2022, Morningstar made five commitments, including that it would remove anti-Israel assumptions from Sustainalytics' ESG ratings, hire reputable experts to assist in recognizing and correcting Sustainalytics' anti-Israel bias, and train Sustainalytics employees to recognize and eradicate anti-Israel bias and provide training on the attendant antisemitism. Two months later, we have grave concerns about the rate and direction of progress and have observed what we believe to be several alarming deviations from the October commitments. As described more fully below, recent steps taken by Sustainalytics run counter to both the letter and spirit of Morningstar's public commitments

The following are some of our core concerns:

1. **Controversy-Based Assumptions.** Morningstar's primary commitment was to ensure that pro-BDS assumptions would not drive Sustainalytics' ratings of Israel-related companies. This commitment is not being met, as demonstrated by the following representative examples:

- **Bezeq.** Even after removing certain biased sources justifying Bezeq's Category 3 Significant Controversy rating, the rating has not changed.

Sustainalytics continues to downgrade Bezeq based entirely on the view that providing telecommunications services in the West Bank is in and of itself a human rights violation, admitting in its description that Bezeq's products are not "customized to... violate human rights." As we have repeatedly explained,

providing services to persons in conflict areas is not a human rights violation under international law.

The updated Bezeq report further states that Sustainalytics “would consider an upgrade if Bezeq divests from its operations in the West Bank.” This is a naked call to boycott and divest.

- ***Africa-Israel Investments Ltd.*** In our meetings, your team conceded that Africa-Israel’s controversy score could not be based in its building “a hi-tech separation wall around the Gaza Strip . . . close to the border with Gaza,” *i.e.*, on Israeli land. Yet this notation remains in the report, and the controversy score remains unchanged.
- ***Motorola Solutions and Elbit Systems.*** Despite your assurance that “business activity . . . linked to the Israeli-Palestinian conflict or related to Israel’s defense against terrorism, do not give rise to a presumption that there is a human rights concern,” Motorola and Elbit continue to receive controversy ratings, watch-listing, and engagements related to their provision of materials connected to Israel’s defense against terrorism.

In short, you committed to unwind the assumptions inherent in your reports that doing business in Israel or with Israeli companies was itself a cause of heightened concern and to address the clear bias evidenced by the inordinately high percentage that these companies comprise of those with mid- or high-level controversy scores. Yet we have not found a ratings adjustment for even one Israel-related company even after you removed certain sources per your commitments.

2. **Experts.** Our view, which we believed you shared, was that the anti-Israel bias identified in Sustainalytics’ ratings was due in part to a lack of expertise in the areas of Israel and antisemitism. That is why you agreed to engage reputable experts to provide ongoing guidance on sources, assumptions, and language usage on these topics. We understood that our recommendations regarding the experts that the company would retain would be given serious consideration, and we spent significant time deliberating on a list of experts. Instead, the company drew up and began contacting names on its own list, a slate of individuals who will confirm Sustainalytics’ pre-existing anti-Israel biases.

3. **Training.** Similarly, we were led to understand that Morningstar was seeking our expertise in identifying suitable experts to train Sustainalytics staff on anti-Jewish and anti-Israel bias. Yet in this process as well, Sustainalytics has sought to minimize the contributions of this coalition and substantially narrow the scope of the training. To provide just two examples, Sustainalytics has: (i) discouraged the groups that are part of this coalition from joining together to propose a consensus training approach and content that our coalition agrees will provide the best chance at eliminating antisemitic bias from analysts' work; and (ii) stated that the training may not cover any subject areas that will be under the purview of the to-be-engaged expert(s). These limitations clearly contradict Morningstar's commitments regarding employee training and are not acceptable to the training organizations or the rest of this coalition.

In short, we do not believe that Sustainalytics is engaging with us in the spirit of Morningstar's October commitments and have found a number of the steps it has taken to be directly contrary to those commitments. Sustainalytics' conduct appears designed to prevent rather than promote substantive progress on the implementation of Morningstar's commitments.

We do not make these statements lightly and do not want to abandon this process if it can be salvaged. However, to continue to engage with Morningstar, we need the company to make prompt and meaningful changes to its ratings and reports and to its approach to this process. Given that it has now been two months since Morningstar made its commitments, we would like to see at least the items discussed in this letter resolved by the end of January 2023. Please let us know your thoughts on whether and how this can be accomplished.

We appreciate your attention to this matter and look forward to hearing from you.

The Jewish Federations of North America
The Louis D. Brandeis Center for Human Rights Under Law
ADL (Anti-Defamation League)
American Jewish Committee
Centre for Israel and Jewish Affairs (CIJA)
Combat Antisemitism Movement
Conference of Presidents of Major Jewish Organizations
Christians United for Israel
Jewish Funders Network
UJA-Federation of New York