



THE HONORABLE CURTIS M. LOFTIS, JR.
State Treasurer

September 14, 2022

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

Dear Mr. Kapoor:

Recently, I have been made aware of reports concerning actions of Morningstar's wholly owned subsidiary, Sustainalytics, specifically reports that Sustainalytics negatively rates firms connected to Israel. The State of South Carolina does not support companies that are involved in the boycott, divestment, or sanctions of Israel, and the recent reports regarding Sustainalytics are concerning.

On August 25, 2022, I co-signed a letter with other state treasurers and auditors asking Morningstar to take "corrective action to terminate all research and ratings products that treat Israel-connected companies differently than companies operating in other free democracies." In addition, South Carolina Attorney General Alan Wilson joined other attorney generals from other states in a letter expressing concerns regarding Sustainalytics and asked Morningstar for a response to the issues raised.

Due to these concerns, the South Carolina Treasurer's Office will not participate in Morningstar's ratings call of the Future Scholar 529 plans, and we have requested that the plan administrator, Columbia Threadneedle, not participate on our behalf.

Furthermore, the State Treasurer's Office currently subscribes to Morningstar Advisor Workstation. S.C. Code § 11-35-5300 prohibits a state agency from:

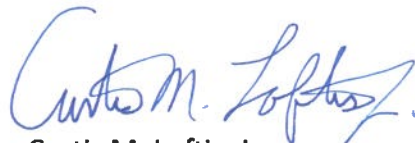
enter[ing] into a contract with a business to acquire or dispose of supplies, services, information technology, or construction unless the contract includes a representation that the business is not currently engaged in, and an agreement that the business will not engage in, the boycott of a person or an entity based in or doing business with a jurisdiction with whom South Carolina can enjoy open trade, as defined in this article."

Boycott is defined as "means to blacklist, divest from, or otherwise refuse to deal with a person or firm when the action is based on race, color, religion, gender, or national origin of the targeted person or entity." S.C. Code Ann. Section 11-35-5300. To continue subscribing

to Morningstar Advisor Workstation, we require proof that Morningstar meets the requirements of the law cited above. Absent proof of compliance, the STO will choose to terminate the service.

We trust that South Carolina's position regarding Sustainalytics will not adversely impact Morningstar's rating of the Direct and Advisor Future Scholar 529 College Savings Plans.

Sincerely,

A handwritten signature in blue ink that reads "Curtis M. Loftis, Jr." with a stylized flourish at the end.

Curtis M. Loftis, Jr.
South Carolina State Treasurer

CML/sbk