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Brent J. Fields
Secretary, Securities and Exchange Commission
100 F Street, NE, Washington, DC 20549-1090
Washington, DC 20549

Re: File No. 4-725:

Ladies and Gentlemen:

Morningstar welcomes this opportunity to comment on the "SEC Staff Roundtable on the Proxy Process." Morningstar is committed to advancing the interests of investors. In particular, we have a long history of fighting for transparency in opaque areas of the capital markets. Part of the way we serve investors is by tracking and aggregating data on thousands of publicly traded companies as well as thousands of mutual funds and organizing and presenting this data to our clients. As a data aggregator, we have an important perspective on the proxy process, particularly on the role of shareholder resolutions.

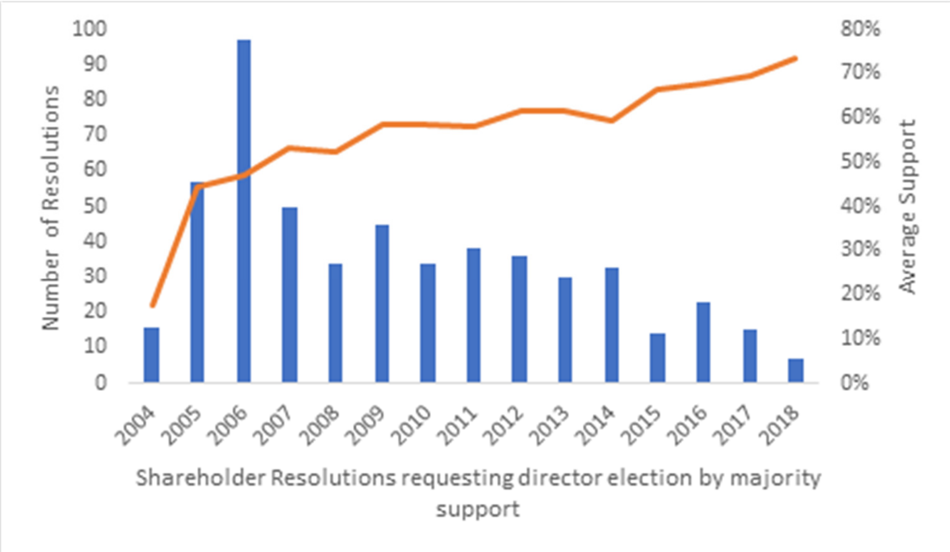
In sum, we believe that *investing is a long-term dialogue between investors and the companies in which they invest, and shareholder resolutions facilitate this dialogue.* While there are surely ways improve the "proxy plumbing," the system already helps investors achieve long-term value from their investments. We think raising the bar for shareholders that wish to file shareholder resolutions would be a step in the wrong direction.

Shareholder Resolutions Help Investors Seeking Long-Term Value
Shareholder resolutions have been an integral part of how shareholder democracy works in the United States for more than half a century and have a long track record of creating shareholder value. Shareholder resolutions provide an important mechanism for surfacing information and conducting an open forum about the risks engendered by environmental, social and governance issues in a well-functioning market.

Shareholder resolutions send an important signal to management about the concerns of their shareholders and often lead to important changes. Measures that shareholders have requested of companies in the past and that have received strong shareholder support have become general practice (such as electing directors by majority vote) or encoded in securities legislation and effected through SEC rules (such as giving shareholders the opportunity to vote on executive compensation practices).

As shown in Exhibit 1, as shareholder pressure grew on management to require a majority vote for directors, passing such resolutions became the norm. At the same time, many companies simply adopted a majority requirement without a shareholder resolution. Morningstar proxy voting data shows that around 130 management-sponsored resolutions proposing bylaw changes for director elections by majority vote have been put to shareholders over the past five years, and all passed with majority support.

Exhibit 1: The Dialogue Between Investors and Management Lead to Greater Support for Majority Voting for Directors.



Source: Morningstar proxy data.

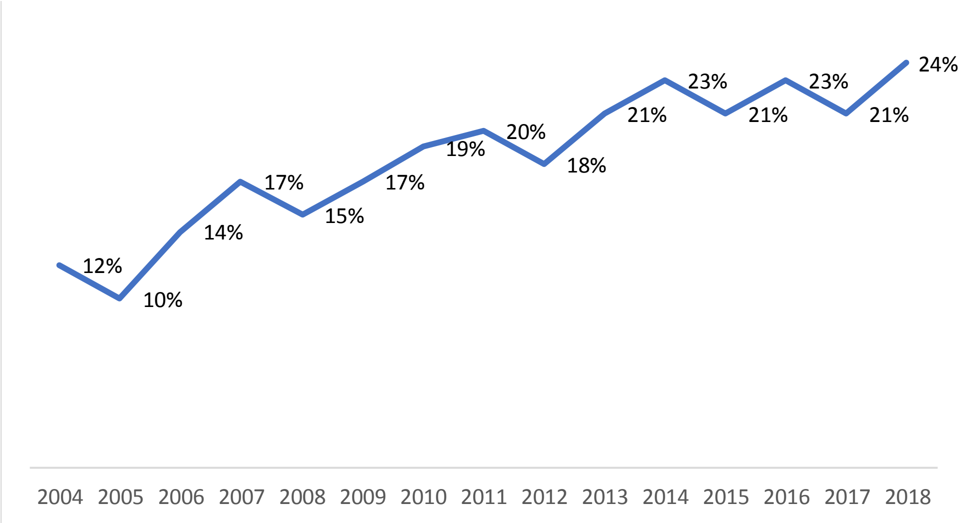
Shareholder resolutions point to systemic governance problems and have helped regulators find solutions to these problems. There were obvious governance lapses in the lead-up to the 2008 financial crisis, and governance failures were of course central to the accounting scandals of the early 2000s. Shareholders filing resolutions had flagged some of the underlying weaknesses before these events. These resolutions provided a roadmap for solutions that are now codified in law, such "say on pay" and CEO pay ratio disclosure.

Shareholder Resolutions Lead to Enhanced Disclosure on Sustainability and Climate Risks Because Investors View Them as Material Information

Through shareholder resolutions, shareholders have signaled that they need more information on climate and sustainability risks and how companies plan to manage these risks. There is an emerging consensus among asset managers and investors that nonfinancial information regarding the management of natural capital (that is, water and land), human capital (such as employees), and social capital (that is, license to operate) can help investors determine a firm's potential for long-term value creation.

As shown in Exhibit 2, the average support for shareholder resolutions on environmental and social issues has been steadily increasing.

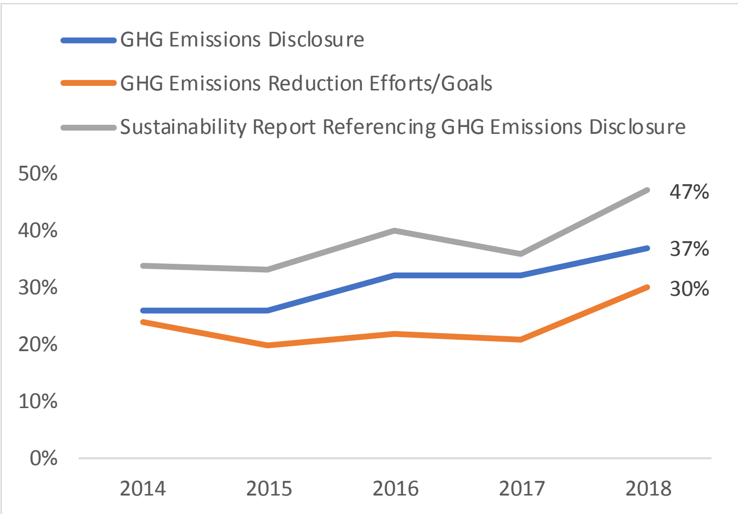
Exhibit 2: Average Support for Environmental and Social Issues



Source: Morningstar proxy voting data.

Shareholders want comparable, quantifiable information on how exposed companies are to carbon-constrained policy scenarios. This has found expression in shareholder resolutions requesting disclosure of greenhouse gas emissions and rising levels of support for these resolutions, as illustrated by Exhibit 3.

Exhibit 3: Average Support for Greenhouse Gas (GHG) Proposals



Source: Morningstar proxy voting data.

Critically, we appear to have reached an inflection point where management adopts key features from many resolutions without the need for a vote. In fact, according to the Sustainable Investments Institute's 2018 report on Social, Environmental & Sustainable

Governance Shareholder Proposals, withdrawn proposals numbered 212, greater than the 177 that made it to a proxy vote this year.

Finally, large asset managers like BlackRock, Vanguard, and State Street, through engagement activities, public communications, and, more recently, their proxy votes, are also signaling a growing recognition of the materiality of environmental and social risks to their investment portfolios.

Votes in support of "2-degree policy scenario" resolutions at Exxon and Occidental in 2017–climate change resolutions requesting disclosure of business risks associated with global warming carbon constraints–turned the tide on these climate change resolutions. In 2018, only six of the 22 resolutions that asked for carbon asset risk disclosure went to vote, according to Sustainable Investments Institute’s report. The rest were withdrawn. Asset managers’ positions on gender diversity have done much to accelerate board diversity and promote disclosure of gender-related workplace metrics. Gender has been addressed in an increasing number of shareholder resolutions addressing board diversity, workplace practices, and pay equity.

The Volume of Shareholder Resolutions Has Not Increased, and Their Benefits to the System Greatly Outweigh the Costs

Morningstar data on shareholder resolutions shows that just 488 shareholder resolutions were published in 309 proxies in 2018. Numbers have remained fairly constant over the past two decades, dipping by about 20% in the past two years.

A huge amount of productive engagement takes place between corporate management and shareholders in the shadow of shareholder resolution filing. As we have discussed, many resolutions are being left off the ballot. Further, the small number that get onto the proxy signal to management what their shareholders care about and what they view as material.

Shareholder resolutions are filed in good faith mostly by large state- and city-run pension funds, union-run pension funds, faith-based organizations, socially responsible asset managers, individuals, and foundations. They request corporate governance changes that make boards more responsive to shareholders and request disclosures about the risks associated with reputational risks associated with the opioid addiction epidemic and gun safety, workplace diversity, greenhouse gas emission disclosure and goal setting, 2-degree scenario disclosure, and coal combustion waste.

Further, resolutions pass every year. In 2018, 54 (11.5%) of shareholder resolutions that were voted on passed. These include a record number of resolutions addressing social and environmental issues, such as 60% support for 2-degree reporting at Kinder Morgan, 63% for reporting on the reputational and financial risks of the opioid crisis at Depomed, and 69% support for gun safety disclosure at Sturm & Ruger. Governance and voting rights enhancements supported by shareholders include simple majority voting bylaw provisions, rights to call meetings, proxy access, director elections by majority vote, and single-class boards.

In sum, there is simply no good reason to restrict shareholder resolutions and much to be gained from leaving the current system in place. A well-functioning market depends on rules that ensure a level playing field and on the availability of good information, particularly for minority-owner investors. Shareholder resolutions help keep these vital elements intact. We urge the Commission not to make any changes that would undermine shareholders' ability to put forward and vote on shareholder proposals. Instead, we urge the SEC to direct its efforts at ensuring that proxy plumbing works and all votes are counted.

If you have any questions, please do not hesitate to contact us.

Sincerely,

Aron Szapiro
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