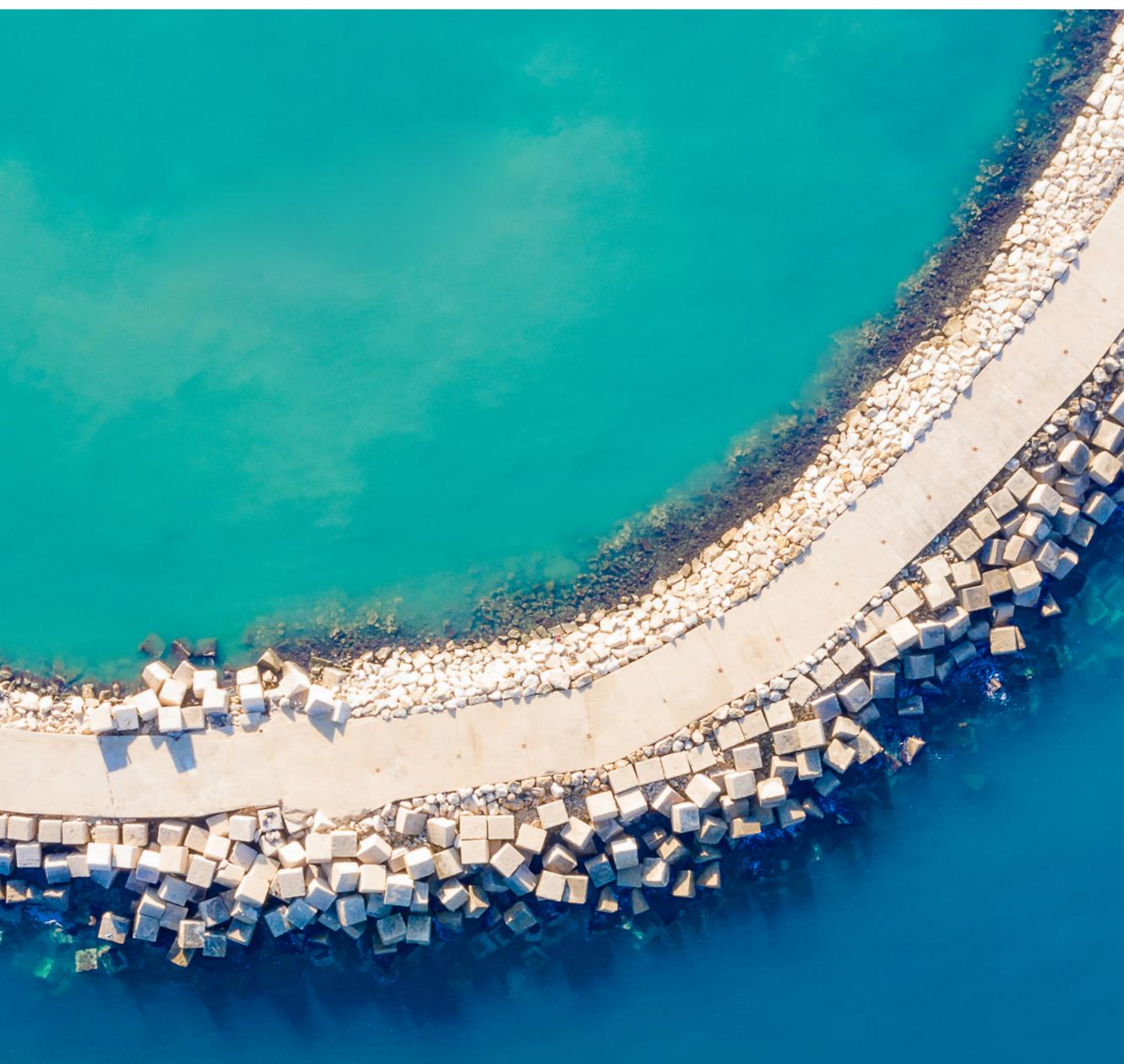
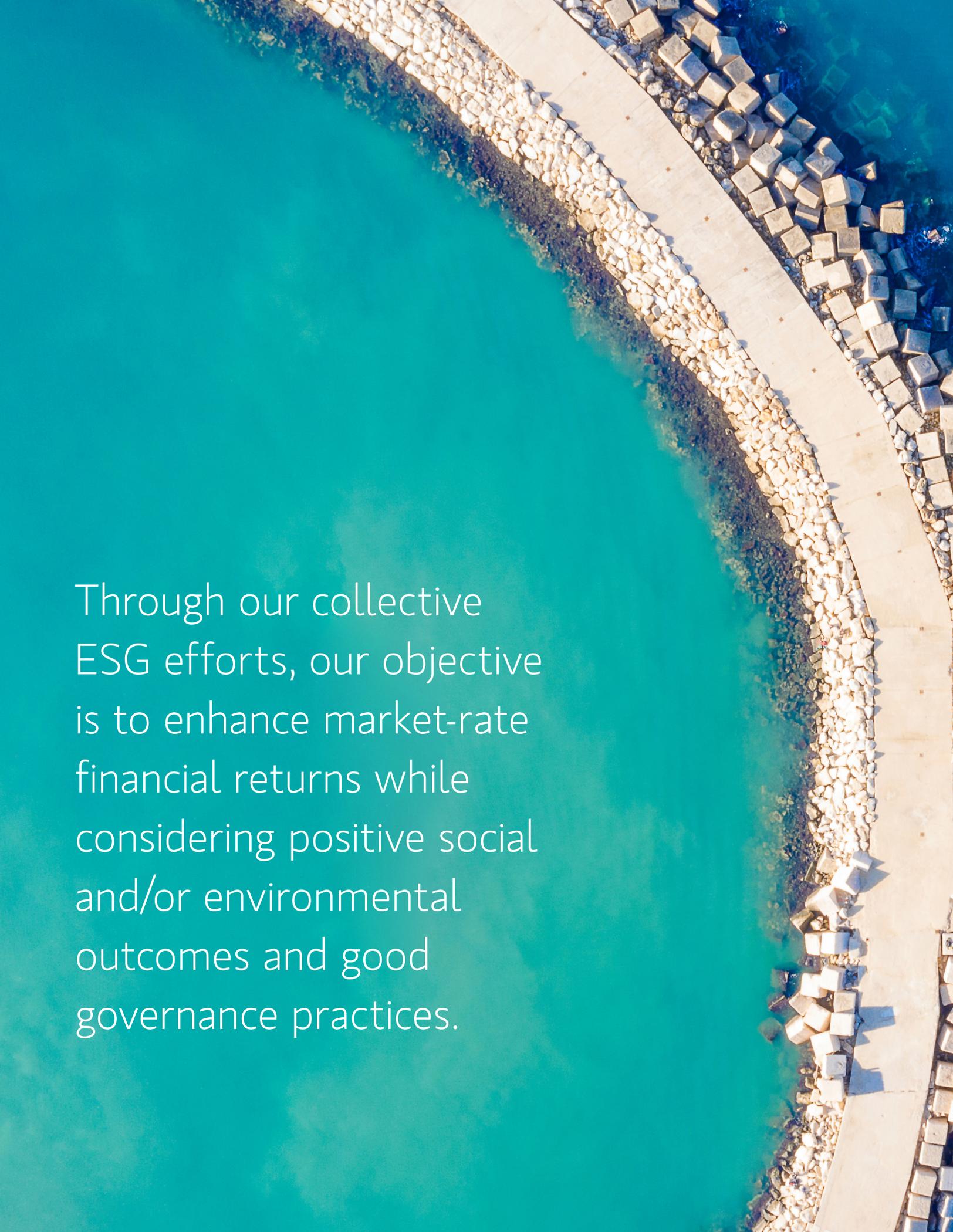


Morgan Stanley

INVESTMENT MANAGEMENT



ESG Approach and Principles

An aerial photograph showing a curved concrete walkway bordered by a layer of light-colored stones. To the left of the walkway is a large, shallow water feature with a vibrant blue-green hue. The water's surface is slightly rippled, and the overall scene is brightly lit, suggesting a sunny day.

Through our collective ESG efforts, our objective is to enhance market-rate financial returns while considering positive social and/or environmental outcomes and good governance practices.



Morgan Stanley Investment Management (MSIM) is a global investment manager delivering innovative investment solutions across public and private markets worldwide. MSIM has been creating value for clients for over 40 years and operates in more than 20 countries. With our time-tested investment performance, global footprint, and public and private market balance, we are able to provide customized solutions to our clients, including environmental, social and governance (ESG) and sustainable investing approaches.

As the sustainable investing landscape evolves, and client interest grows, we are continually refining our approach to ESG and the related investment solutions that we offer. We view our approach to ESG as a journey that is guided by the needs of our clients, over four decades of investing expertise and a team of highly experienced investment managers.

Scope

The ESG approach and principles outlined in this document apply to MSIM private and public funds that have explicitly noted a consideration of ESG factors in public, client-facing or regulatory disclosures. We note that this is an evolving area and MSIM is committed to reviewing its practices and updating them as needed.

Definitions and Objectives

MSIM defines ESG as the practice of considering material environmental, social and governance issues in the investment process. We recognize a range of ESG approaches and investment teams are encouraged to align with the ESG approaches that best suit the strategies they manage. Through our collective ESG efforts, our objective is to enhance market-rate financial returns while considering positive social and/or environmental outcomes and good governance practices.

ESG Governance and Resources

Our approach to ESG is led by the MSIM Sustainability Council, co-chaired by Ted Eliopoulos, head of Strategic Partnerships, and Rui De Figueiredo, co-head and chief investment officer of the Solutions & Multi-Asset Group. The Council is a team of cross-functional leaders, including portfolio managers and investment analysts, committed to delivering value across multiple dimensions by promoting a disciplined approach for integrating ESG factors into the investment process. The Council meets quarterly and drives MSIM's global effort by promoting an overall framework for integrating ESG into investment processes, product development, measurement, education, client engagement and reporting.

The Council is supported by MSIM's Global Stewardship team. The Global Stewardship team is made up of dedicated ESG professionals who facilitate proxy voting and collaborate with investment teams on company engagements and ESG integration.

ESG Approach and Principles

MSIM uses an investor-led investment approach to achieve sustainable, long-term returns on behalf of our

THE MORGAN STANLEY INSTITUTE FOR SUSTAINABLE INVESTING

MSIM's approach to ESG benefits from the knowledge and resources of the Morgan Stanley Institute for Sustainable Investing. The Institute is dedicated to accelerating the adoption of sustainable investing, which seeks to deliver both competitive financial returns and positive environmental and social impact. The Institute's priorities include:

- **Fostering innovation** by leveraging the firm's experience and market perspective to advance the field of sustainable investing.
- **Delivering informative analysis** and thought leadership to inform and empower investors.
- **Developing the next generation** of sustainable investing leaders through strategic partnerships and programs.

Chaired by the firm's CEO, James Gorman, an Advisory Board of prominent leaders from business, academia and leading nongovernmental organizations guide the Institute's work and strategic priorities.

clients. Our teams invest with high conviction and for the long term, which allows our investors to develop a deep understanding of their investments and makes them best positioned to evaluate the ESG profile of those investments. MSIM encourages investment teams to adopt ESG approaches that most appropriately integrate with their strategies, but also promotes a set of shared principles to guide our collective ESG effort:

- **Putting Clients First:** Our goal is to add value to clients by meeting their investment objectives and by providing a comprehensive array of investment services, competitive results and enduring relationships. By reviewing and understanding a range of issues, such as ESG, and their impact on investments, we are better positioned to deliver consistent, long-term results for our clients.

ESG Consideration

Considering ESG criteria during part of the investment process, primarily seeking to limit exposure to ESG-related risks

ESG Integration

Systematically considering ESG criteria alongside financial analysis to identify opportunities and risks throughout the entire investment process

Thematic Investments

Tilting investments toward certain themes and sectors positioned to solve global sustainability-related challenges

Impact Investing

Allocating to funds or enterprises intentionally structured to deliver a specific and measurable set of positive social and/or environmental impacts alongside market-rate financial returns

Restriction Screening – Intentionally avoiding investments in certain sectors or issuers based on values or risk-based criteria

Company Engagement – Seeking to drive improvement in ESG activities or outcomes through proxy voting and/or active dialogue with invested companies

- Identifying Relevant Issues:** We believe that relevant ESG issues can influence risk and return. Portfolio managers are responsible for evaluating risks and opportunities for each investment, including relevant ESG issues, at industry, company and portfolio levels. When an investment team determines that an ESG issue is relevant to their analysis, it is considered in the team’s evaluation of and engagement with a company or portfolio.
- Being Good Stewards of Capital:** As long-term investors, and active owners, MSIM believes in company engagement and, for investments in public companies, proxy voting to promote good governance and management of relevant ESG issues. Our regular contact with companies and issuers allows for ongoing dialogue with respect to issues that could affect long-term returns. MSIM’s Global Stewardship team supports investment teams on matters of proxy voting and engagement.
- Seeking Good Governance:** MSIM has a long history of focusing on the G in ESG as we believe that good corporate governance is a signal of quality management and that well-managed companies produce long-term, sustainable returns. Our portfolio managers, supported by the Global Stewardship team, review governance at portfolio companies through diligent attention to engagement and, with respect to investments in public companies, proxy voting responsibilities.

CUSTOM PUBLIC SECURITIES SCREENS

Some clients with separately managed accounts wish to apply additional ESG screens to our strategies for ethical, values-based and other reasons. While many of our strategies already consider ESG in their investment processes, we provide additional screening to those clients seeking to avoid certain sectors altogether (e.g., alcohol, tobacco, coal). Our investment teams work with clients to ensure our products meet their ESG expectations and view these conversations as an opportunity to learn more about our clients and how to better serve them.

Process and Implementation

RESEARCH, DILIGENCE AND DATA

MSIM’s investment professionals are located across the globe and have a deep understanding of the companies or portfolios in which they invest. While the approach to considering ESG factors varies by team, most apply a bottom-up investment analysis at the individual security level, which includes ESG factors. Some teams may also apply a top-down investment analysis that incorporates ESG into the assessment of countries and sectors. To determine relevant ESG issues, investment analysts conduct proprietary ESG research and leverage additional resources, depending on the investment and strategy, to enhance their own analysis. Resources may include



consultation with the firm's Environmental and Social Risk Management team, the use of ESG diligence providers, and the use of third-party ESG research and data. Third-party ESG tools may also be used to calculate the overall ESG or carbon performance of a portfolio against a benchmark.

CLIMATE CHANGE

Morgan Stanley recognizes that climate change poses significant risks to the global economy. Morgan Stanley publicly advocated for the U.S. to stay in the Paris Agreement and the firm has expressed its support for the Taskforce on Climate-related Financial Disclosures.

At MSIM, ESG includes climate-related issues; investment teams that incorporate ESG into their investment process are expected to be aware of climate-related risks and opportunities that could have significant impact on value. To build this awareness, portfolio managers and investment teams may evaluate, as applicable, the carbon footprint and intensity of their investments as well as climate resiliency and adaptation strategies.

Our understanding of climate change risks and opportunities is deepened through our engagement with companies as we aim to better understand their emissions profiles, controls and preparedness for climate-related risks. Some MSIM public securities investment teams have chosen to exclude certain carbon-intensive sectors from their strategies, and some also work with interested clients to screen out carbon intensive sectors as requested in separately managed accounts. MSIM private investment teams seek to address climate risk sensitivities raised by the clients by incorporating consideration of such risks within their diligence and investment evaluation processes where appropriate.

ENGAGEMENT

A key input in our investment selection process and approach to ESG integration is a deep understanding of management quality. To develop that knowledge, we engage with company management and boards on ESG issues, including active dialogues where positions are significant and issues are viewed as material. Our investment teams regularly monitor and engage with companies in the normal course of their investment process.

In our private equity business, members of the investment team may serve on the board of directors and address ESG issues in that capacity. Investment teams in our public securities business selectively interact with company boards of directors when necessary and beneficial for shareholder value. Engagement fosters productive

dialogue between the investment teams and the company management team on sustainability risk management and value-generation opportunities.

For additional information, please refer to the "Morgan Stanley Investment Management's Engagement Principles," available on our website and upon request.

PROXY VOTING

MSIM views proxy voting as an integral part of the investment process, ownership oversight and ESG integration. All proxy voting decisions are made in-house based on collaboration between members of the investment team and the Global Stewardship team, and in line with the principles addressed in our proxy voting policy. Our proxy voting policy reflects our ESG approach and principles, and indicates that voting decisions are based on the in-depth knowledge of our investment teams and the governance expertise of the Global Stewardship team, and that we do not automatically support management recommendations. In 2018, we updated our proxy voting policy to formally acknowledge our consideration of board diversity when voting for board nominees and when reviewing shareholder proposals on board composition. Our proxy voting policy also states that we consider environmental and social shareholder proposals on a case-by-case basis and that we generally support such proposals that aim to enhance useful ESG disclosure.

The Global Stewardship team uses an internal voting system that facilitates communication with the investment teams and that documents vote rationale. Controls are in place to help ensure that meetings are voted in a timely manner and are consistent with our policies across global portfolios. In most cases, we do not view attendance at portfolio company annual general meetings as productive and instead prefer to engage in one-to-one meetings or conference calls with our portfolio companies.

The Global Stewardship team provides clients with proxy voting records relating to votes held and voted on their behalf. In addition, we publish voting records for our 1940 Act registered open-end and closed-end mutual funds annually through N-PX filings in the United States; for our SICAV funds on our website in the United Kingdom in relation to the U.K. Stewardship Code; and we publish voting records online in accordance with the Japan Stewardship Code. For a number of years, MSIM has

obtained an independent audit opinion on proxy voting processes in SSAE-18 reviews.

For additional information, please refer to the “Morgan Stanley Investment Management’s Proxy Voting Policy and Procedures,” available on our website and upon request.

COLLABORATION AND REPORTING

MSIM is a signatory of the U.N. Principles for Responsible Investing (“UNPRI”), the U.K. Stewardship Code, and the Japan Stewardship Code. MSIM also participates in the Sustainability Accounting Standards Board (SASB) Investor Advisory Group and is an investor and asset member of the Global Real Estate Sustainability Benchmark (GRESB). In addition, Morgan Stanley is a member of the Global Impact Investing Network (GIIN) and the Ceres Investor Network.

We view our involvement in these initiatives as opportunities to stay abreast of industry developments and best practices, which help us to continually refine our ESG approach. They are also opportunities for us to share our ESG story with the broader ESG community.

Another way in which we share our ESG efforts is through our annual stewardship report, which summarizes key ESG engagement topics and our proxy voting record on important ESG issues. Our individual investment teams also communicate their ESG efforts through thought leadership pieces that describe their strategy-level approach and views on key ESG issues and trends or through strategy-level ESG reporting.

Please refer to the latest “Morgan Stanley Investment Management’s Proxy Voting and Engagement Report” and to our ESG microsite, which contains links to strategy-level ESG papers.

FURTHER INFORMATION

If you have any questions about this document, please contact Drew Hambly, head of MSIM Global Stewardship, at mbproxy@morganstanley.com.

Related documents are publically available on www.morganstanley.com/im/esg.

- Morgan Stanley Investment Management’s Proxy Voting Policy and Procedures
- Morgan Stanley Investment Management’s Engagement and Stewardship Principles
- Morgan Stanley Investment Management’s Global Stewardship Report

RISK CONSIDERATIONS

ESG strategies that incorporate impact investing and/or environmental, social and governance (ESG) factors could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. As a result, there is no assurance ESG strategies could result in more favorable investment performance.

In general, **equity securities**’ values also fluctuate in response to activities specific to a company. Investments in **foreign markets** entail special risks such as currency, political, economic, and market risks. The risks of investing in **emerging market countries** are greater than risks associated with investments in foreign developed countries. **Fixed income securities** are subject to the ability of an issuer to make timely principal and interest payments (credit risk), changes in interest rates (interest-rate risk), the creditworthiness of the issuer and general market liquidity (market risk). In the current rising interest-rate environment, bond prices may fall and may result in periods of volatility and increased portfolio redemptions. Longer-term securities may be more sensitive to interest-rate changes. In a declining interest-rate environment, the portfolio may generate less income. **Real estate investments, including real estate investment trusts**, are subject to risks similar to those associated with the direct ownership of real estate, and they are sensitive to such factors as management skills and changes in tax laws.

Learn more at www.morganstanley.com/im/esg.

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Please consider the investment objectives, risks, charges and expenses of the funds carefully before investing. The prospectuses contain this and other information about the funds. To obtain a prospectus please download one at morganstanley.com/im or call 1-800-548-7786. Please read the prospectus carefully before investing.

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