Morgan Stanley

INVESTMENT MANAGEMENT

2025 UK Stewardship Code Report

April 2026

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From Our Leadership

Morgan Stanley Investment Management Limited (MSIM Ltd.) has been a signatory of the Stewardship Code since 2021 and is a long-term supporter of its principles. The UK's Financial Reporting Council (FRC) defines stewardship as "the responsible allocation, management and oversight of capital to create long-term sustainable value for clients and beneficiaries."[1] As trusted fiduciaries, we recognise our responsibility to act as effective stewards of our clients' capital, which involves managing assets to create sustainable, long-term value on their behalf.

MSIM Ltd. is a part of MSIM, the investment management business segment of Morgan Stanley. This report provides an overview of our global stewardship approach across MSIM. Our decentralised approach to investment management, sustainable investing philosophy, governance frameworks and risk management processes guide our stewardship activities. We will continue to develop our approach to stewardship in line with the evolving regulatory and industry landscape. We believe it is fundamental to the long-term success of our organisation and our ability to deliver long-term value for our clients.

While our organisational values and principles establish a consistent framework, MSIM's investment teams and asset class platforms adapt their stewardship approaches to reflect their specific mandates, asset classes and investment styles. This means that each of MSIM's investment teams tailor their approach to engagement with companies and other entities with the aim of ensuring that it is both relevant and effective in the context of their investment strategy. They seek to apply their expertise and judgment in assessing the financial materiality of risks and opportunities in investment research, analysis and decision-making, aiming to ensure that their approach to stewardship is thoughtful and effective in driving long-term value.

In 2025, MSIM continued to make meaningful progress in evolving our stewardship capabilities and approach in line with our clients' needs. For example:

- We significantly updated the MSIM Proxy Voting Policy.[2] We aimed to provide investment teams with the flexibility necessary to make informed voting decisions, while also seeking to ensure consistency through MSIM's Global Stewardship Team's (GST) central oversight. The updated policy also includes an updated conflicts of interest process to maintain a consistent approach across all MSIM-affiliated entities.
- To support the ongoing harmonisation of proxy voting across MSIM-affiliated entities, we have significantly expanded the GST, reaching 18 total members globally as of 31 December 2025.
- MSIM published its inaugural Engagement Approach document that outlines our approach to issuer engagement, including its purpose and scope, as part of our investment stewardship practices. It is a high-level framework aligned with the MSIM investment teams' individual approaches to engaging with issuers and other relevant stakeholders, as appropriate to their investment strategies.
- The MSIM Sustainability Team launched a new client engagement function to work alongside our existing relationship managers. The team supports a variety of external-facing deliverables and provides expert insights on stewardship and sustainability topics.

We are proud to share our stewardship report for 2025. It highlights our capabilities and activities at both an organisational and investment team level, with examples of our practical approach to stewardship and the outcomes of this work. We look forward to continuing to deliver this value to our clients.

RUAIRI O'HEALAI

CEO at Morgan Stanley Investment Management Ltd

[1] As defined in the FRC's 2026 UK Stewardship Code.

[2] The MSIM Proxy Voting Policy was also updated as of January 2026. As such, the description herein reflects the proxy voting policy during the reporting period.

About this Report

Scope

Morgan Stanley Investment Management (MSIM) refers to the investment management business segment of Morgan Stanley (the Firm), a global financial services firm. MSIM is composed of a number of wholly owned subsidiaries of Morgan Stanley, including MSIM Ltd. MSIM Ltd is a private limited company established in England and Wales that the Financial Conduct Authority (FCA) authorises and regulates. It provides investment management and investment advisory services to clients.

Given the global nature of MSIM's stewardship programme, this report outlines its approach to stewardship, at both an organisational and investment team level, with examples of practices and outcomes.[3] The report takes account of MSIM's diverse range of investment teams and asset class platforms across both public and private markets. Given the breadth of MSIM's operations, reporting on each disclosure item or principle within this report is focused on the most relevant investment teams, with an emphasis on instances where stewardship practices are most actively integrated and applied.

The organisational structures, governance, policies and practices described in this report may evolve and change over time as MSIM continues to enhance its approach to stewardship and sustainable investment. In addition, not all statements should be read as applying uniformly across MSIM investment teams given their individual and diversified approaches to investing and stewardship.

How to Read This Report

This document aims to address relevant disclosures and principles included in the FRC's 2026 UK Stewardship Code. The document is organised into two, distinct reporting assets: the Policy and Context Disclosure and the Activities and Outcomes Report. The Policy and Context Disclosure includes information related to MSIM's stewardship policies, processes and governance. The Activities and Outcomes Report focuses on relevant activities undertaken in the most recent calendar year.

[3] For the purposes of this report, except where otherwise noted, MSIM is not including certain of its investment advisor entities including, but not limited to, Calvert Research and Management, Atlanta Capital and Parametric Portfolio Associates LLC.

2025 Policy and Context Disclosure[4]

[4] The Policy and Context Disclosure section of this report is updated periodically. This version is as of 31 December 2025.

Disclosure A: Organisation, Investment Beliefs and Stewardship Approach

Overview

MSIM provides broad-based specialisation across a range of asset classes in public and private markets. MSIM's independent investment teams leverage Morgan Stanley's global resources to serve a diverse client base of governments, institutions, corporations, advisors and individuals worldwide. MSIM's investment solutions include a broad range of alternatives, high-conviction active strategies, customisation strategies, sustainability expertise and tax management solutions.

To support the delivery of tailored, value-added investment solutions to clients, MSIM takes a decentralised approach to investment management, consisting of independent public and private markets investment teams. This gives MSIM's investment teams the autonomy to make informed, independent decisions based on their expertise and local market insights. Each investment team brings together a distinct group of experienced professionals and dedicated resources, focused on a specific investment discipline. This comprehensive expertise shapes each team's approach to stewardship in a way that aligns with their investment philosophy and specific mandates.

MSIM Culture and Business Principles

MSIM's culture is built on the core values of its parent company, Morgan Stanley—put clients first, do the right thing, lead with exceptional ideas, commit to diversity and inclusion, and give back. The Firm's global employees embrace these core values and seek to deliver first-class service to stakeholders and to the communities in which Morgan Stanley employees live and work. Morgan Stanley leadership, including the Board of Directors, sets the tone for the Firm. The executive teams drive a culture that is central to how the Firm serves clients, how it advances and develops its workforce and how it supports the communities around us. The fair treatment of customers is central to the Firm's code of conduct, which sets the expectation for clients to come first and for Morgan Stanley to act in the clients' best, long-term interests.

Morgan Stanley's core values guide MSIM's investment and stewardship functions, providing a strong foundation to align with its clients' long-term objectives.

MSIM's Investment Beliefs

MSIM's active approach to investment and stewardship helps to ensure that it meets fiduciary responsibilities. A set of overarching investment beliefs guide MSIM:

- Where possible, manage, hedge against or diversify risks, recognising that some risk is necessary.
- Invest responsibly and engage as long-term owners on potentially financially material issues with the aim to help reduce risk and potentially positively impact returns over time.
- Engage to seek information and help guide companies toward better practices, as needed, with the aim to deliver better outcomes on potentially financially material issues.

- Collaborate, where appropriate and consistent with fiduciary duty, where such collaborative engagement may materially enhance portfolio values, potentially deliver tangible outcomes or provide unique education opportunities.
- Consider potentially financially material sustainability factors and risks thoughtfully (as appropriate to specific MSIM investment strategies and asset classes).

This report helps to illustrate how these beliefs actively guide MSIM's stewardship activities, which vary by team.

MSIM's investment capabilities featured throughout this report are outlined below, along with the investment teams' stewardship approaches based on the respective asset class.

DISPLAY 1

MSIM's Investment Capabilities Covered by this Report and Examples of Stewardship Activities

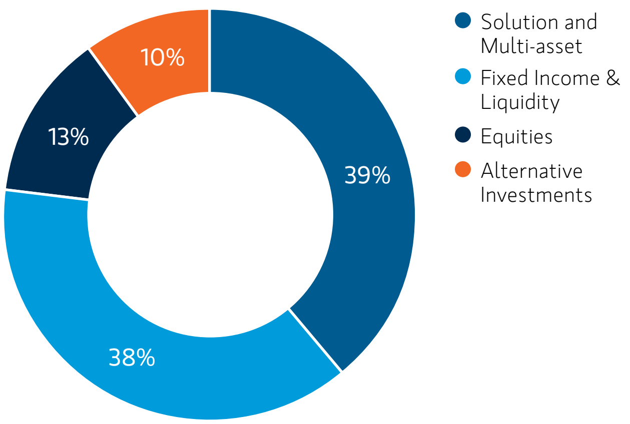
ASSET CLASS	EXAMPLES OF STEWARDSHIP ACTIVITIES	TEAMS
High Conviction Equities	▪ One-to-one engagement ▪ Proxy voting ▪ Industry and external collaboration	International Equity Counterpoint Global Global Opportunity Emerging Markets Equity
Fixed Income & Liquidity	▪ Issuer dialogue throughout the investment cycle ▪ Collaborative engagements ▪ Escalation with issuers to seek amendments to terms and conditions in contracts and/or indentures	Broad Markets Emerging Markets Floating-Rate Loans High Yield Mortgage & Securitised Municipals Liquidity
Alternative Investments	▪ Engagement with management through representation on boards of portfolio companies in controlling ownership situations ▪ Negotiation up front and working alongside management to improve governance standards and transparency in non-controlling ownership situations ▪ Use of third-party due diligence services	Private Credit and Equity (PC&E): ▪ Private Equity Solutions: 1GT ▪ EU Private Credit Morgan Stanley Global Real Assets: ▪ Private Real Estate: Morgan Stanley Real Estate Investing (MSREI) ▪ Private Infrastructure: Morgan Stanley Infrastructure Partners (MSIP) ▪ Private Real Estate Credit

Overview of MSIM AUM as of 31 December 2025[5]

With more than four decades of experience and $1.89 trillion in assets under management (AUM) as of 31 December 2025, MSIM offers a broad-based specialisation across a range of asset classes in public and private markets for a global and a diverse client base. The tables/charts below provide a breakdown of MSIM's AUM[6] across investment capabilities, client's regions, client types and investment types.

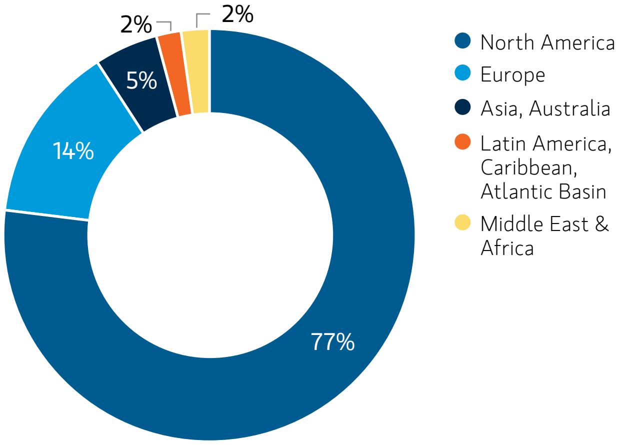
DISPLAY 2

Investment Capabilities



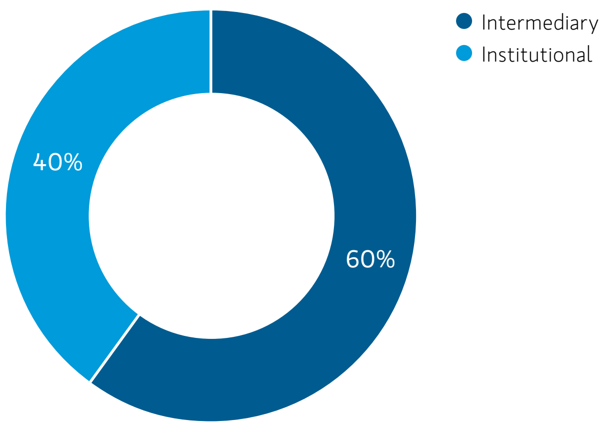
DISPLAY 3

Geography (Clients' Regions)[7]



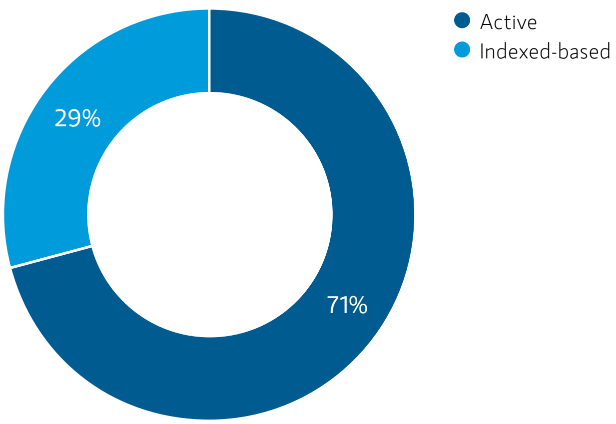
DISPLAY 4

Institutional Versus Retail



DISPLAY 5

Active Versus Indexed-based



[5] The AUM presented in this section corresponds to MSIM's total AUM, however, please note that the investment team activity covered in this report represents only the AUM of the teams outlined in the table above ("MSIM's investment capabilities covered by this report and examples of stewardship activities).

[6] AUM in this section of the report reflects MSIM, which is the investment management business segment of Morgan Stanley, of which MSIM Ltd is a part. The AUM figures include all discretionary and non-discretionary assets of MSIM and certain MSIM-affiliated entities not otherwise included in the report. MSIM fund of fund assets represent assets under management and assets under supervision. MSIM direct private investing assets represents the basis on which the Firm earns management fees, not the market value of the assets owned. A minor portion of MSIM's total AUM (less than 10%) is allocated to external managers.

[7] This table does not include AUM from regions where corresponding AUM is below 1% of MSIM total AUM.

Investment Horizons

The investment horizons of MSIM's clients vary depending on their individual financial goals, objectives and liabilities. MSIM collaborates with clients to help ensure that the investment horizons of offered strategies and solutions align with client needs, interests and goals, which may include specific sustainable investing objectives. While investment horizons vary across MSIM's independent investment teams and platforms, many consider a three- to- five-year investment time horizon. However, some are significantly outside of this range. For example, some concentrated equity portfolios have held certain companies for decades and some of MSIM's private asset funds have an investor lock-in period of between eight and 10 years, while MSIM's money market, liquidity and asset allocation funds generally consider much shorter time horizons.

MSIM's Approach to Stewardship

MSIM has a duty to be good stewards of its clients' capital. MSIM's investment teams fulfil this duty by exercising proxy voting and other rights as shareholders for relevant investments and seeking to engage with selected issuers and other relevant stakeholders, as appropriate.[8]

Each investment team tailors its approach to stewardship based on a range of factors. This includes, but is not limited to, the objectives of the product, asset class and investment time horizon, as well as the team's investment philosophy and processes for investment research and portfolio construction. They deploy their skill and judgment in assessing the potential financial materiality of risks and opportunities—including, but not limited to, those related to sustainability—as appropriate for each investment strategy. See MSIM's Activities and Outcomes Report, particularly Principles 3 and 4 for more detail on how MSIM's investment teams approach stewardship, particularly engagement and proxy voting.

MSIM's Global Stewardship Team (GST) is dedicated to working with and supporting investment teams' stewardship activities

PROXY VOTING

MSIM will vote proxies in a prudent and diligent manner, in the best interests of clients and in accordance with its fiduciary duties, consistent with the objectives of the relevant investment strategy. MSIM's investment teams lead proxy voting with support from the GST.

ENGAGEMENT

Across public markets, MSIM's investment teams may seek to engage with selected companies and other debt issuers they invest in, as appropriate, when such engagement is considered to be potentially financially material to the companies and/or the team's investment strategies. MSIM's investment teams tailor their approach to engagement with companies and other entities with the aim of ensuring that it is both relevant and effective in the context of their investment strategy. They seek to apply their expertise and judgment in assessing the financial materiality of risks and opportunities in investment research, analysis and decision-making, aiming to ensure that their approach to stewardship is thoughtful and effective in driving long-term value. Engagement can address a range of topics that may affect the long-term value of a business or asset, recognising that different approaches to engagement may be appropriate in different regions.

On the private markets side, engagement approaches may not follow the definition outlined above, as interactions are idiosyncratic to the investment strategy and asset class, differing across equity and credit, real estate, and infrastructure. As well as engaging with portfolio companies, MSIM private markets teams may also engage with other relevant stakeholders, such as other general partners ("GPs") on the private credit and equity side, or property managers and tenants on the real estate side.

MSIM's Investment Teams

Below are examples of MSIM's investment teams' diverse beliefs and approaches to investment and stewardship. While each one has its own strategy, they share a common commitment to delivering long-term value to clients in alignment with their fiduciary duty.

[8] Certain investment teams may not conduct engagements where it is not currently feasible or appropriate to do so as determined on an individual basis.

High Conviction Equities

MSIM's active fundamental equity capabilities encompass a diverse range of strategies, each with a distinct investment style and approach to stewardship. Provided below are brief descriptions of the International Equity, Counterpoint Global, Global Opportunity and Emerging Markets Equity investment teams' approaches.

INTERNATIONAL EQUITY

The International Equity (IE) Team believes a portfolio of high-quality companies built on powerful, hard-to-replicate intangible assets, and which have high returns on operating capital that can be sustained for the long term, can offer the potential for resilience through the economic cycle and attractive long-term returns. The team invests in companies with strong and sustainable earnings, seeking to compound shareholder wealth over the long term.

The IE team has consistently met with companies on issues potentially material to the sustainability of returns on operating capital. It believes that understanding and addressing potentially financially material long-term ESG risks and opportunities is important for successful long-term compounding.

The team uses a proprietary approach, which is described in more detail in Principle 1, to identify potentially financially material ESG risks and opportunities and assess how companies manage them. This analysis is directly integrated into the investment process. As active owners, the team engages and votes to encourage the companies it owns to address potentially financially material issues that could affect long-term returns. Its long-term approach to engagement is aligned with its long-term approach to investing.

COUNTERPOINT GLOBAL

The Counterpoint Global Team researches and invests across both private and public equities and provides investment services to clients globally. The team's public equity strategies are typically concentrated and highly differentiated from their benchmarks, with investments in companies of varying size and value in the U.S., international and global markets. The team seeks long-term investments in unique companies whose market value can increase significantly for underlying fundamental reasons.

The team takes a long-term approach to investing, which focuses on identifying differentiated insights on multiyear opportunities, often focusing on disruption and secular growth opportunities. Counterpoint Global is a stable and long-tenured team focused on continued learning, differentiated long-term thinking and in-depth research.

Environmental awareness and social responsibility underpin this investment philosophy, and the team believes that innovative companies can use sustainability initiatives and programmes to differentiate their franchises in the marketplace. Various parts of the Counterpoint Global team are responsible for sustainability research for their respective investments. This includes sustainability researchers, disruptive change researchers, consilient researchers, and investors who cover different companies.

The team aims to identify companies with "sustainability optionality," which is the potential to benefit from the growing demand from stakeholders for environmentally and socially responsible products and services. It views "sustainability optionality" as a form of intangible value, which the team believes market participants often overlook and thus serves as a key differentiator in how it assesses the long-term prospects of companies.

In terms of material risks, the team seeks to discern the externalities that companies create that detract from the environment and society, which can result in substantial costs. The team integrates these insights into its assessment of a company's competitive advantages and long-term prospects, which is core to Counterpoint Global's investment process.

Rather than using ESG factors as a screen to reduce the investment universe, the team uses sustainability research as an additive process both to augment its understanding of existing investments, but also to identify new investment opportunities. It goes a step further than passive sustainability integration to actively partner with select portfolio companies to help them understand and realise the value of their "sustainability optionality." The team has had several successful partnerships in which it contributed useful insights based on its experience and broad network of industry contacts and thought leaders.

In addition to qualitative aspects of the team's sustainability research process, it has built proprietary quantitative systems to evaluate sustainability factors, including, but not limited to, a system that compares the long-term orientation and the culture of adaptability of companies. For example, the team designed a visualisation and ranking system to evaluate the duration of deferred compensation vesting schedules for the top five named executive officers at a given company. The team believes executive teams that are compensated over the long term will act in alignment with long-term shareholders, which often means operationally focusing on disruption and sustainability themes.

GLOBAL OPPORTUNITY

Global Opportunity creates high conviction, concentrated portfolios of undervalued, high-quality businesses with strategies available on a global, regional and customisable basis. The team's culture fosters collaboration, creativity, continued development, and differentiated thinking.

The Global Opportunity investment process integrates analysis of sustainability with respect to disruptive change, financial strength and environmental and social externalities and governance. The team views sustainability as a component of quality and considers the valuation, sustainability and fundamental risks inherent in every portfolio position.

The team's HELP & ACT framework (illustrated in Principle 1) employs a holistic approach to integration within company quality assessments by analysing potential impacts to humanity's health, environment, liberty and productivity and corporate governance measures to ensure agency, culture and trust. HELP & ACT is designed to reduce complexity of analysis by distilling a multitude of potential sustainability criteria to the material factors that may condition a company's ability to sustain competitive advantage over the long-term. These material sustainability factors are integrated within the investment process on a non-binding basis.

Each Global Opportunity investor is responsible for applying the HELP & ACT framework within quality assessments, proxy voting and engagement with portfolio companies. The team primarily sources information from discussions with company management and public disclosures, supplemented by various research resources.

EMERGING MARKETS EQUITY

The Emerging Markets Equity (EME) Team, part of the Firm's Active Fundamental Equity capability, bases its investment philosophy on proprietary research that shows how both country-level and stock-specific factors can drive risks and returns in emerging markets. To add value, the team seeks to integrate top-down country allocation and bottom-up stock selection with a growth bias. The team consists of portfolio managers and research analysts based in New York, Hong Kong, Mumbai and Singapore. The team believes that their extensive collective investment experience over the course of various market cycles enables better investment decisions and can help generate attractive long-term returns.

The EME team manages multiple equity investment strategies with distinct investment philosophies and processes, and a range of approaches to ESG and sustainability integration. To meet client goals and directives, the EME team emphasises active stewardship through company engagements and proxy voting. It conducts engagements alongside management meetings, which evaluate financial health, strategic direction and growth potential of companies. Engagements allow the team an additional lens into the quality of the company, offering insights into governance, culture and operations, efficiency, product quality, supply chain and the management of contingent risks and externalities. A dedicated sustainability research team supports the investment team with research and engagement (see Activities & Outcomes Report, Principle 3).

The EME team may also partner with other teams across MSIM, such as Calvert Research and Management (Calvert). The EME team and Calvert can work jointly on company engagements, drawing on EME team's expertise in emerging markets and Calvert's robust framework for identifying financially material sustainability factors at the industry level. For a case study on a joint engagement between Calvert and EME, see Activities & Outcomes Report, Principle 3.

Fixed Income & Liquidity

FIXED INCOME

The Fixed Income organisation is a global platform with investment capabilities spanning the full spectrum of active fixed income. It is composed of six highly specialised investment teams, centred around a collaborative culture: Broad Markets (covering Investment-Grade Corporate and Multi-Sector investments), Emerging Markets, Floating-Rate Loans, High Yield, Municipals, and Mortgage & Securitised.

Each of the six Fixed Income investment teams is research-focused and dedicated to uncovering value for clients. The autonomy and specialisation of each one enables them to leverage their unique capabilities, while the collaborative culture allows for the effective sharing of market views.

- **Broad Markets Fixed Income** provides exposure to what it considers the best ideas in fixed income. Multi-sector mandates allow the team to search for the best opportunities across the global universe of fixed income.
- **Emerging Markets Debt** uses the full investment universe to source ideas from the broadest possible opportunity set, concentrating research efforts on countries exhibiting structural change.
- **Floating-Rate Loans** has a demonstrable track record since 1989, investing in senior loans and collateralised loan obligation (CLO) debt tranches to seek to maximise risk-adjusted performance.
- **High Yield** applies a consistent, research-driven approach that focuses on the long term and is predicated upon maximising risk-adjusted performance and managing downside risk.
- **Municipals** is one of the largest municipal investing teams in the U.S., with strategies that span the entire yield curve and credit spectrum.
- **Mortgage & Securitised** invests across the global securitised market landscape, with actively managed strategies spanning the duration and credit spectrum.

From a sustainability perspective, the Fixed Income organisation partners with Calvert, MSIM's specialised responsible investment affiliate, to develop and integrate proprietary ESG research into the investment process. Fixed Income portfolio managers and fundamental research analysts have access to a breadth of research notes and ESG indicators that ESG analysts produce at the sector level, issuer level and at the security level, where applicable. Fixed Income's ESG integration process provides additional, more granular, insights into a broader range of financially material risks and supplements traditional credit analysis. The outputs of in-house ESG research, in the form of ESG scores, sector, issuer and security evaluations, are used as inputs both before making investment decisions and to support the monitoring of portfolio holdings (see Principle 1 for more information on MSIM's Fixed Income approach to integration of stewardship and investment).

The Fixed Income organisation conducts engagement meetings with bond issuers as part of its regular course of business to supplement desk research with additional insights. It also engages with issuers in a more targeted manner in relation to specific ESG issues where they are deemed material to the investment case, with the aim of encouraging improvements in business practices.

LIQUIDITY

The Liquidity team takes a conservative investment approach, balancing the desire for capital preservation with attractive levels of income, allowing investors to realise an efficient cash investment portfolio. This involves active management of interest rate risk and opportunistic, but defensive, portfolio management strategy and structure. The team has a rigorous and independent credit and risk process, focusing on high levels of weekly liquidity. That process and structuring portfolios to minimise interest rate risk that could arise from future interest rate movements, underpin their liquidity solutions. The Liquidity team has an investment horizon of around one year as a result. The focus on capital preservation is implemented through a rigorous approach to managing and mitigating headline and tail risk, which includes sustainability-related risks.

The Liquidity team works closely with the Fixed Income organisation, leveraging the Fixed Income credit and ESG research analysts' research, to conduct consistent credit analysis and risk assessment across strategies.

The processes and activities described in this report for Fixed Income's credit and ESG research apply, where relevant in terms of the investment universe in scope, to the Liquidity team unless otherwise stated.

Alternative Investments

PRIVATE CREDIT AND EQUITY (PC&E)

PC&E provides private capital predominantly to middle-market companies through a spectrum of private equity strategies that offer stand-alone or partnership structures, as well as through an integrated lending platform providing flexible financing solutions.

In general, PC&E's investment philosophy is to make investments in high-quality businesses that are leading players in their industries and have significant growth potential. The team believes in the value of working with founders and management teams that are looking to grow to the next level of size and sophistication. Direct engagement with these stakeholders focuses on financially material factors tied to performance, either through cost mitigation or revenue enhancement, depending on the PC&E asset class.

To that end, PC&E believes that sustainability-related risk and opportunity factors may be tied to financial, operational, regulatory and reputational characteristics, which, when considered or managed properly, can potentially drive value for investors. The identification of these risks and/or opportunities generally begins with the due diligence phase and continues through the post-investment phase. Given that there is a range of private equity and credit products within PC&E's platform - each exercising varying levels of control and investing across a broad spectrum of industries and sectors - investment teams take a tailored approach to engagement throughout the investment and ongoing monitoring processes. The degree of influence varies by strategy, informing how each team engages with portfolio companies, borrowers and/or financial sponsors and general partners, where applicable.

DISPLAY 6

PC&E Private Equity Strategies

INVESTMENT APPROACH	STRATEGY/TEAM NAME
Thematic control investments in business & consumer services, industrial services, and healthcare services	Capital Partners
Equity and equity-related investments in energy businesses	Energy Partners
Later-stage growth-equity investments in technology, health care, consumer	Expansion Equity
Equity and equity-related investments in companies with significant operations in the Asia-Pacific region	Pan Asia
Early-stage investments in tech and technology-enabled companies	Next Level
General Partner (GP)-driven investment in small- and mid-cap buyout/growth companies across North America and Europe	Co-Investments
Provides access to a globally diversified portfolio of private equity investment funds	Private Equity Solutions[9]
GP-led single asset continuation strategy, primarily investing in situations that entail a restructuring or recapitalisation	Secondaries
Growth-stage private equity investments in companies with processes, products and/or services that have the potential to significantly avoid or remove CO_2e emissions through their operations	1 GT

DISPLAY 7

PC&E Private Credit Strategies

TYPE OF STRATEGY	STRATEGY/TEAM NAME
First lien, unitranche and second lien loans	North America Direct Lending
Senior secured, floating rate loans	European Direct Lending
Secured notes plus warrants	Expansion Credit
Second lien and mezzanine loans	Opportunistic Credit
Structure debt, asset-backed loans, preferred equity	Tactical Value

[9] The Morgan Stanley Private Equity Solutions platform provides investors access to broadly diversified and thematic multi-manager portfolios.

Investment teams may seek to engage with the portfolio companies and relevant stakeholders to encourage ongoing improvement of sustainability business practices, as appropriate. Relevant stakeholders may include company management, boards of directors, financial sponsors and general partners, as examples. Where appropriate, investment teams may set sustainability goals for portfolio companies and track improvement across a range of sustainability-related factors using key performance indicators (KPIs). As an example, in certain strategies, year-over-year changes in certain KPIs may result in pre-negotiated changes in credit terms. Action plans established in the pre-investment phase may be amended throughout the holding period to encourage continuous improvement.

The following examples highlight distinct approaches across selected strategies:[10]

1GT (Private Equity Solutions): the Private Equity Solutions ("PE Solutions") platform has more than a decade of experience in sustainable investing and climate solutions, seeking to provide access to a diversified portfolio of private equity investments and innovative client solutions in less efficient areas of the private markets and to drive positive social and environmental impact. Other market participants might overlook or avoid these because of size, complexity or time-sensitive nature.

In 2024, the PE Solutions team completed fundraising for the 1GT Fund (1GT), a growth-oriented private equity fund with a sustainable investment objective to investment in companies that avoid or remove a total of one gigaton of Greenhouse Gas (GHG) emissions, measured as Carbon Dioxide Equivalent (CO2e), from the Earth's atmosphere. The Fund focuses on the mobility, power, sustainable food and agriculture, and circular economy investment themes, and invests solely in companies with processes, products or services that have the potential to significantly avoid or remove CO2e through their operations. Focused on underserved growth-oriented companies, the team targets investments in lower mid-market businesses with attractive revenue profiles (i.e. commercial scale, revenue visibility, product-market fit), business profiles (i.e., compelling unit economics, positive contribution margin, capital efficient), and risk profiles (i.e., limited technology and political risk, competitive moat).

European Direct Lending (EU Private Credit): the European Direct Lending strategy provides privately negotiated, senior secured and subordinated financings to European middle-market companies. The team supports companies undergoing a wide range of transformations, including leveraged buyouts, management buyouts, acquisitions, growth financings, refinancings and recapitalisations.

European Direct Lending integrates sustainability-related considerations throughout the life cycle. It is restricted from investing in sectors that, the Fund believes, pose financially material ESG risks. The Fund also considers screening and ESG-specific due diligence prior to collecting ESG-related information from portfolio companies. The strategy may additionally apply ESG-linked margin ratchets[11] for borrowers, where suitable, as a mechanism to both keep borrowers accountable in progressing their consideration and management of ESG-related risks and opportunities, and monitor progress across the holding period.

Morgan Stanley Global Real Assets

Morgan Stanley Global Real Assets comprises investment teams focused on private real estate (equity and credit) and private infrastructure strategies.

PRIVATE REAL ESTATE

Morgan Stanley Real Estate Investing (MSREI) has been one of the most active property investors in the world for more than three decades, employing a patient, disciplined approach through global value-add/opportunistic and regional core/core-plus real estate investment strategies in the U.S., Europe and Asia.

[10] Please note that these strategies were chosen as examples to feature in this report given that they are based in the EU managing Article 8 and 9 products and/or are required to consider and promote sustainability-related characteristics as a part of their investment strategies.

[11] ESG margin ratchets measure and reward borrower performance across several sector-appropriate ESG-related KPIs designed to protect and enhance long-term investment value. They are generally included in loan documentation as an incentive. These ratchets are structured to reward companies for progress on multiple ESG-related targets. They reduce the interest rate payable on their loan if they meet pre-agreed targets. For example, ESG factors considered for margin ratchets may include, but are not limited to, meeting GHG emissions targets, establishing recycling targets or waste programmes, reducing overall energy consumption, conducting third-party environmental risk assessments, improving workforce diversity, expanding training opportunities or engaging in community outreach.

Patience and discipline guide MSREI's investment principles, seeking opportunities to align with best-in-class partners, actively manage financial and currency risks, and consistently provide transparency to generate strong risk-adjusted returns. With deep experience managing global real estate assets in nearly every major market and across all property types, MSREI's in-house asset management team drives value in their investments from acquisition through disposition.

MSREI believes that appropriately evaluating and integrating financially material sustainability factors into the investment process may contribute to better risk mitigation and long-term investment returns. MSREI manages assets in its funds with the goal of enhancing value and reducing environmental impact and associated risks. The team endeavours to optimise the value of its funds while making investment decisions that can have positive impacts for communities, businesses, governments and the environment. Select MSREI funds have set 2050 net zero aspirations and interim greenhouse gas emission reduction targets.

PRIVATE INFRASTRUCTURE

Morgan Stanley Infrastructure Partners (MSIP) is a global leader in private infrastructure equity investing. MSIP targets assets that provide essential public goods and services primarily located in OECD countries. MSIP's focus sectors are transportation, digital, energy transition and utilities (water and waste). Targeted characteristics include assets with long useful lives, stable cash flows and cash flows linked to inflation. MSIP focuses on portfolio assets where it can add value through its active asset management approach and operational improvements. MSIP prefers strong governance positions, typically through controlling or co-controlling stakes, to enable executing planned operational improvements and, over the medium to long term, build and exit a self-sufficient asset.

MSIP's experience indicates that portfolio companies that integrate sustainability considerations into how they conduct business are better able to manage operational, regulatory and financial risks as well as identify opportunities for innovation and commercial edge. MSIP's view is that this can enhance long-term, risk-adjusted returns.

MSIP believes incorporating sustainability considerations throughout the investment lifecycle can help increase the attractiveness of portfolio companies to buyers of core and core-plus infrastructure assets. As such, the team integrates sustainability considerations throughout the investment lifecycle for each asset as part of its active management approach. Sustainability considerations are incorporated into due diligence, acquisition and post-close strategies, where applicable, as well as monitoring and improvement. MSIP also seeks to support portfolio companies in their preparation for exit (see MSIM's Activities and Outcomes Report, Principle 1 for more detail).

PRIVATE REAL ESTATE CREDIT

The private real estate credit teams are leading real estate debt fund managers and portfolio lenders with teams in both the U.S. and Europe. They strive to identify sustainability risks and opportunities throughout the investment lifecycle of each loan, where feasible. This assists in reducing financial, regulatory and reputational risk. Sustainability factors may be considered at each stage of the investment process, including due diligence, investment decision and asset management, where possible. As a private real estate credit lender, teams may be limited in their ability to apply sustainability practices across their investments, in contrast to that of the borrower/owner of the underlying real estate.

Disclosure B: Governance & Resources

Governance Structures and Processes

MSIM believes that a successful stewardship framework requires committed leadership, a clear strategy and appropriate checks and balances that aim to ensure overall accountability and transparency. MSIM has established strong governance systems, risk management processes and controls that aim to effectively support its stewardship approach. MSIM's governance approach reflects the structure of an investment management division in a global financial services firm. It consists of multiple legal entities in different jurisdictions, which leverage MSIM's central processes for investment and risk management, but maintain their own board of directors and governance structures.

Board Review

The board of directors (the Board) of MSIM Ltd have reviewed and approved this report, and it has been signed by Ruairi O'Healai, Chief Executive Officer of MSIM Ltd.

The Board receives updates periodically at meetings from the central MSIM Sustainability Team and other functional stakeholders on stewardship-related regulatory, business, product and strategic initiatives, including developments in the UK FRC's stewardship and reporting requirements, internal progress on the UK Stewardship Code Report, and ongoing stewardship activities, as appropriate.

MSIM's Stewardship Governance

MSIM's governance structures and processes seek to ensure that stewardship is coordinated throughout its organisation, where relevant. Various governance structures provide oversight of stewardship-related activities. Within the investment teams, stewardship is staffed in a manner appropriate to their unique investment strategy. Many do not have a distinct stewardship team, as stewardship activities are generally integrated into broader investment activities. However, within certain MSIM investment teams there are designated sustainability specialists or individuals responsible for particular aspects of sustainability, including stewardship, where applicable (see MSIM's Activities and Outcomes Report, Principle 1 for a detailed overview of MSIM's investment teams). MSIM believes that this model helps drive accountability for stewardship at the investment team-level in a manner that best serves its clients' interests (see MSIM's Activities & Outcomes Report for investment team specific examples in the reporting period, particularly Principles 3 and 4). The MSIM Sustainability Team, which includes the GST, supports MSIM's collective stewardship and sustainability-related processes and governance. It works with investment teams to support global stewardship and sustainable investing initiatives, as appropriate.

The table below provides an overview of the management-level committees, working groups and teams that have responsibility for stewardship-related activities in MSIM. Several also focus on sustainability topics more broadly.

DISPLAY 8

Stewardship-related Committees and Working Groups in MSIM

GROUP	FUNCTION
Proxy Review Committee	This Committee comprises senior representatives from MSIM affiliates involved in proxy-related activities. It is responsible for MSIM's proxy voting policy.
IM Sustainability Committee	This committee is co-chaired by MSIM's Co-Chief Operating Officer (who is also CEO of MSIM Ltd) and MSIM's Head of Global Risk & Analytics. The committee consists of senior representatives from the division's management team, MSIM's Sustainability Team and other advisory and related functions who oversee and guide MSIM's sustainability activities. The committee oversees the following sustainability-related topics, among others, as appropriate: ▪ Sustainability-related business activity ▪ Sustainability-related governance frameworks ▪ Sustainability-related regulatory and reputational risks ▪ Sustainability-related disclosure and public statements The IM Sustainability Committee receives updates on stewardship activities such as proxy voting and engagement, as appropriate. The IM Sustainability Committee is part of a broader sustainability governance framework at Morgan Stanley. Where appropriate, stewardship-related items are discussed with other Firm-level or regional sustainability committees.
IM International Sustainability Committee	A sub-committee of the IM Sustainability Committee, which focuses on sustainability-related matters for MSIM's activities in EMEA and APAC.
IM Stewardship Working Group	The IM Stewardship Working Group includes representatives from MSIM's investment teams and provides guidance related to IM's proxy voting and engagement activities, as appropriate. This may include: ▪ Discussing sustainability and proxy-related engagements ▪ Reviewing proxy voting guidelines ▪ Reviewing MSIM-level proxy and engagement related disclosure ▪ Reviewing relevant activities related to stewardship and sustainability-related industry groups (for example, joining or leaving initiatives or co-filing shareholder resolutions)
IM Sustainability Tech and Data Working Group	The IM Sustainability Tech and Data Working Group includes representatives from MSIM's investment teams and provides guidance on sustainability data and digital tools, as appropriate. This may include: ▪ Analysing investment team use cases for sustainability data including but not limited to research, portfolio construction, client and regulatory reporting ▪ Building awareness of vendor offerings across sustainability approaches and asset classes ▪ Facilitating the development of sustainability integrated solutions incl. digital tools for research, portfolio management and reporting in partnership with investment teams and IT ▪ Reviewing and developing business unit reporting metrics across key sustainability frameworks, including but not limited to MSIM's TCFD Report and AUM with sustainable features

The MSIM Sustainability Team

The MSIM Sustainability Team supports MSIM's collective sustainability-related processes and governance. It works with internal investment teams to support global stewardship and sustainable investing initiatives, as appropriate. These activities include supporting investment teams in relation to the following sustainability-related activities as required, among others, as appropriate:

- Fulfilling sustainability-related reporting and regulatory disclosure requirements.
- Incorporating sustainability factors into investment approaches.
- Coordinating sustainability-related training.
- Developing sustainability-related products, tools and research.
- Supporting sustainability data utilisation.
- Supporting commercial sustainability opportunities.

MSIM believes that this structure is beneficial, helping to provide deep subject matter expertise, efficiency and responsiveness across key areas in relation to stewardship. The MSIM Sustainability Team brings together a diverse range of expertise, professional backgrounds and perspectives, with an aim to provide more effective and informed decision-making and stronger risk oversight.

Key Members of the Team Include:

1. Global Head of Sustainability for MSIM—leads MSIM's sustainability strategy, governance and the central Sustainability Team. MSIM's Global Head of Sustainability has over 20 years of industry experience and was previously the Head of Green and Sustainability Bond Origination for Morgan Stanley's Global Capital Markets group.
2. Head of Global Stewardship—leads the Global Stewardship Team (GST), overseeing proxy voting and supporting investment teams with regard to stewardship-related activities. Responsibilities also include corporate governance research and analysis.
3. Head of Sustainability Product and Regulatory Solutions—leads MSIM's participation in regulatory consultations and advocacy, oversees regulatory implementations with a focus on practical interpretations, and provides sustainability review and approvals for new and changing products and reporting.
4. Head of Sustainability Data and Technology—leads sustainability data due diligence and selection, quantitative analysis of portfolios and technology innovation to address use case in research, portfolio construction and regulatory and client reporting.
5. Head of Sustainability Client Engagement—leads a variety of client-facing deliverables including, but not limited to, sustainability-related thought leadership, MSIM-level sustainability responses to client questionnaires, various external-facing reporting assets and coordinating MSIM's involvement in sustainability and stewardship-related industry groups. Responsibilities also include supporting business opportunities, promoting Firm-level sustainability expertise and helping foster holistic relationships with clients interested in sustainability.

GLOBAL STEWARDSHIP TEAM (GST)

MSIM has had a central stewardship function for over 20 years. The Global Stewardship Team is part of the MSIM Sustainability Team. The GST supports investment teams by overseeing proxy voting operations, vote execution and research, as well as operational and governance aspects of engagement, as required. The GST is responsible for providing vote recommendations to MSIM's independent investment teams, who retain the overall vote decision.

Where appropriate, GST may join members of relevant investment teams to meet with companies and discuss issues that arose from the company's shareholder meeting agenda.

In consultation with individual investment teams, the GST may request engagement outside the normal proxy process in response to a company headline event or to discuss specific stewardship issues. In these cases, the GST may contact the company and request a meeting with the appropriate management team member or member of the board of directors.

DISPLAY 9
MSIM Sustainability Team Organisational Chart

Global Head of Sustainability for Investment Management			
(London)			
Sustainability Product & Regulatory Solutions	**Proxy Voting & Stewardship**	**Sustainability Client Engagement**	**Sustainability Data & Technology**
(London, Mumbai)	(New York, Boston, London, Mumbai, Bengaluru)	(New York, London)	(New York)

Resourcing Stewardship Activities: Investment in Systems, Processes, Research and Analysis

In addition to the governance structure, processes and resources outlined above, MSIM has a number of systems and tools to support its stewardship activities, and facilitate training, as appropriate.

PROVOSYS

MSIM uses a proprietary proxy voting management system, Provosys[12] when voting proxies. Provosys provides a centralised platform designed to manage, document and execute proxy voting activities end-to-end in a transparent and auditable manner to streamlines the proxy voting process. MSIM believes that the internal management of this process provides enhanced quality control, as well as oversight and independence of the proxy administration process.

Provosys can also be leveraged to build investment-team-specific engagement tracking, as needed.

PROXY RESEARCH, RECOMMENDATIONS & SERVICE PROVIDERS

MSIM views proxy voting as a key stewardship activity and MSIM's investment teams make all voting decisions. The GST is responsible for providing vote recommendations to MSIM's independent investment teams, who retain authority over the final vote decision. As an input into this process, MSIM obtains information on corporate governance, proxy voting, issuer research and selected environmental and social issues from its investment teams' own research, as well as third-party issuer research. GST analyses this information when forming proxy vote recommendations, which are provided to the investment teams.

MSIM retains a service provider to assist with operational aspects of proxy voting, such as reporting, record-keeping, and executing MSIM investment teams' vote instructions. MSIM is responsible for ensuring that voting instructions from its investment teams and clients are communicated to its vote execution agent. MSIM has robust controls in place that seek to ensure these electronically communicated instructions are accurately recorded in the service provider's systems for execution, including scenarios where votes are split because of client preference or differing investment team convictions. MSIM does not rely on a third-party firm to implement a custom voting policy on its behalf.

MSIM communicates with its service providers regularly to discuss research and other operational voting issues. This aims to ensure that the providers are aware of MSIM's stewardship and voting needs and expectations.

Further information relating to the use of service providers can be found in MSIM's Activities and Outcomes Report, particularly Principle 6.

SUSTAINABILITY DATA

Investment teams may enhance proprietary sustainability research with third-party data, which is used for fundamental analysis or integrated into proprietary models and scoring frameworks. Providers are selected based on their ability to meet research needs. Key evaluation criteria includes topic relevance (e.g., climate, biodiversity), use case applicability (e.g., research, reporting), coverage breadth, methodological rigor and implementation feasibility.

Once onboarded, MSIM's investment teams may leverage this data for research, analysis and client reporting. In response to internal demand, client interest and evolving regulations, MSIM has advanced its sustainability analytics dashboards, enabling teams to assess portfolio exposure across a wide range of metrics, including climate, business involvement screening, controversies, ESG ratings, sustainable revenues, labelled debt and biodiversity.

MSIM contracts directly with third-party sustainability data providers and uses Firm-level licenses from Morgan Stanley. MSIM also draws on the expertise of Morgan Stanley's Global Sustainability Office (GSO) to support data integration strategies as needed.

For more information on how individual investment teams incorporate third-party sustainability data into their investment processes, see MSIM's Activities and Outcomes Report, Principle 1.

ARTIFICIAL INTELLIGENCE (AI)

MSIM's potential use of AI within its stewardship process can be viewed in the context of Morgan Stanley's overall

[12] Not applicable for Morgan Stanley AIP GP LP.

approach. MSIM currently uses AI to support employees' general productivity and operational efficiency across the business. This involves activities including, but not limited to, using AI to assist with routine tasks, supporting the investment research process and summarising text. Morgan Stanley has well-established governance frameworks that promote the responsible implementation of AI at an enterprise and business-unit level.

Spotlight: AlphaPort-Sustainability: MSIM's Proprietary Digital Application for Sustainability Data

MSIM has developed a digital application to provide an assessment of a portfolio's sustainability-related risks and opportunities called AlphaPort-Sustainability (AlphaPort). Delivered through a web-based application, the tool enables MSIM's investment teams, where appropriate, to integrate sustainability data into investment due diligence processes, streamline client reporting, meet regulatory reporting requirements and track company engagements. AlphaPort produces quantitative insights on a range of sustainability topics including climate, controversies, business involvement screens, ratings, UN SDG alignment, sustainable revenues and sustainable debt. The underlying analytics engine ingests a significant number of data points from third-party sources and seeks to produce actionable insights on underlying investments. The digital tool has dashboards that provide both portfolio-level metrics, such as a portfolio's financed emissions, as well as issuer-level insights, such as a company's greenhouse gas (GHG) emissions intensity.

MSIM developed AlphaPort to meet its unique needs as a global, diversified asset manager with a broad client universe. Insights from the tool are available for both equity and fixed income portfolios. For example, the climate module can assess the decarbonisation trajectory of an active equity portfolio and evaluate the net zero pathway of a fixed income fund. It does this through a combination of corporate disclosures and use of proceeds tied to labelled debt issuance. Investment teams can leverage output from the tool in research and portfolio construction. The output can also be delivered to clients and regulators as part of MSIM's SFDR and TCFD reports.

AlphaPort's success relies on collaboration and partnership across MSIM's investment teams, MSIM's Sustainability Team, Technology, Operations, Legal and Risk. Digital innovation is at the core of AlphaPort, with enhancements on the topics of biodiversity, climate scenario analysis and physical risk expected on the roadmap ahead.

There is no obligation for investment teams to use AlphaPort. Each team uses the application at its own discretion.

TRAINING

MSIM fosters a culture of ongoing learning and improvement through training programmes. Stewardship-related training is provided to investment teams, as needed. For example, as Provosys evolves and is improved, the GST may provide training to ensure new features are understood and used appropriately.

Compliance training is key to promoting a strong culture of ethical conduct and management of compliance risk. MSIM is committed to ensuring compliance with applicable laws, rules, regulations, and MSIM and Firm policies through, among other things, the implementation of the Annual Training Program and implementation of the Training Plan, which is among other things, risk based, to include among other things, regulatory requirements and MSIM and Firm priorities. The Training Plan is periodically evaluated against current industry events and can be adjusted to add emerging risk topics or remove any training that is no longer relevant.

Sustainability-related training and knowledge-sharing is also provided periodically to investment teams and relevant stakeholders. Topics may include:

- Global sustainability regulations and frameworks.
- Client sustainability-related stewardship requirements and interests.
- Trends and best practices in sustainable investing and engagement.
- Mitigation of greenwashing risks.

MSIM training may be facilitated by the MSIM Sustainability Team, Firm-level teams such as Global Sustainability Office (GSO) and Environmental and Social Risk Management (ESRM), Legal and Compliance, as well as other internal and external sustainability subject matter experts. Investment teams may also provide team-specific training to their members.

Disclosure C: Policies, Processes and Review

Review and Oversight of Policies and Processes Seeking to Deliver Effective Stewardship

Ongoing review and assessment of policies, processes and frameworks plays an important role in MSIM, seeking to ensure the effectiveness of its stewardship approach. MSIM aims to respond to the evolving industry landscape while aiming to ensure its stewardship activities are aligned with the Firm's core value of putting clients first.

MSIM's stewardship-related policies are reviewed on a regular basis. However, MSIM may also conduct ad-hoc reviews and updates if time-sensitive drivers exist. These may include material incidents or regulatory amendments that have potential implications for its approach.

MSIM'S PROXY VOTING POLICY

MSIM's Proxy Review Committee (PRC) is responsible for overseeing the MSIM Proxy Voting Policy. The policy addresses a broad range of issues and provides general parameters for voting on proposals that arise most frequently. Investment teams align proxy voting considerations with investment goals and engagement objectives, using votes to encourage portfolio companies to enhance long-term shareholder value and to provide high standards of transparency.

The PRC meets at least quarterly to review its effectiveness. At least once annually, it assesses if any policy changes are needed. The aim is to ensure that the policy remains appropriate and in the best interests of clients. Regular review of the policy has led to ongoing incremental improvements and clarifications. As appropriate, PRC engages with MSIM's public side investment teams to seek their views. This aims to ensure that proposed amendments are aligned with the teams' proxy voting strategies and ultimately MSIM's end-clients. Amendments are then incorporated and presented to the IM Sustainability Committee and relevant boards for approval.

PROXY VOTING POLICY: APPROACH TO SPLIT VOTING

As a result of MSIM's independent investment team structure, a situation may emerge in which they have different views on a particular vote. Under these circumstances, different views on a particular vote will result in a conflict. MSIM seeks to manage this through split votes, where feasible and subject to market rules. For example, this could happen if varied ownership interests in two companies involved in a merger result in different stakes in the outcome. The relevant clients' votes will be cast on a split basis in proportion to the votes they hold. MSIM may also split votes based on differing views of portfolio managers. For example, if a manager believes one outcome would generate better value for their investment strategies than the other, it could lead to split votes.

PROXY VOTING POLICY: APPROACH TO INDIVIDUAL CIRCUMSTANCES AND CLIENT PREFERENCES

Some clients wish to retain voting rights for their shares or accounts. Any client with a separately managed account that has delegated proxy-voting authority to MSIM is permitted to request a certain meeting or ballot item be voted on according to their instructions at any time.

PROXY VOTING POLICY: APPROACH TO SECURITIES LENDING

As outlined in MSIM's proxy voting policy, accounts or funds that MSIM sponsors, manages or advises may participate in a securities lending program through a third-party provider. The voting rights for shares that are out on loan are transferred to the borrower and therefore, the lender is not entitled to vote the lent shares at the company meeting. However, in certain circumstances a portfolio manager may seek to recall shares for the purposes of voting. In this event, the handling of such recall requests would be on a reasonable efforts basis.

MSIM ENGAGEMENT APPROACH DOCUMENT

In 2025, MSIM published its inaugural Engagement Approach document. It provides a high-level framework that is aligned with the MSIM investment teams' individual approaches to engaging with issuers and other relevant stakeholders, as appropriate to their investment strategies. The Engagement Approach document is socialised with the IM Stewardship Working Group to capture feedback from investment teams, and the IM Sustainability Committee approves it. MSIM plans to update the Engagement Approach document on an as needed basis.

MSIM SUSTAINABLE INVESTING POLICY

The MSIM Sustainable Investing Policy outlines MSIM's high-level approach to sustainable investing. This includes delivering global depth and breadth in sustainable investing expertise, offering clients a spectrum of flexible and innovative sustainable investing solutions and maintaining effective stewardship standards. The IM Sustainability Committee has responsibility and oversight of the policy, which it reviews annually and updates as appropriate. Relevant MSIM and Firm-level stakeholders review the policy in advance of the IM Sustainability Committee's approval.

INVESTMENT TEAM STEWARDSHIP POLICIES

Investment teams may maintain individual stewardship-related policies and procedures, as needed. This may include, but is not limited to, engagement-specific policies and procedures, or sustainability policies and procedures that address aspects of stewardship. The process for updating these documents is managed at the investment team level. It may include a sustainability committee specific to the team reviewing it, senior team lead approval or other governance methods, as appropriate.

MORGAN STANLEY VENDOR POLICIES

Based on Morgan Stanley's Sourcing Guidelines, the Firm endeavours to engage with suppliers who respect, follow and abide by the Firm's core values. Engaging with suppliers who share the same core values is key to the Firm's success and enhances Morgan Stanley's ability to provide superior service to its clients, employees and communities. This is outlined in the Firm's Supplier Code of Conduct, which demonstrates its commitment to conducting business honestly and in accordance with its legal and regulatory obligations.

Stewardship-related Processes

PROXY-RELATED PROCESSES

GST manages MSIM's robust processes related to proxy voting, which govern its approach from account set up, to vote execution to reporting.

When an account is first set up, the GST aims to ensure that votes are accounted for appropriately. As accounts transition or terminate, GST seeks to ensure that the appropriate voting coverage is maintained.

As described in Disclosure B, Governance & Resources, the GST uses an internal tool, Provosys for various proxy-related processes. A service provider notifies the team of upcoming voting events through electronic feeds. The system performs an automated reconciliation, comparing MSIM's shareholding data with the ballots received and highlights exceptions for review. The GST seeks to ensure that MSIM investigates and resolves exceptions, which may require communication with intermediaries and service providers to resolve or document explanations for discrepancies. As meeting information becomes available, the GST seeks to analyse it well in advance of the cut-off date. An analyst in the GST provides an initial analysis and recommendation in line with the MSIM Proxy Voting Policy. A senior officer in the GST then reviews the recommendation prior to sharing with the investment team. Then the relevant investment teams review and finalise the vote decision.

MSIM's investment teams vote proxies in the best interest of clients, including beneficiaries of and participants in a client's benefit plans, consistent with MSIM's overarching investment objective of maximising long-term investment returns. MSIM considers voting to be an important stewardship and investment responsibility that impacts shareholder value. Portfolio managers have in-depth knowledge of the companies and markets in which they invest, so they are best placed to make voting decisions. Provosys also handles workflow around proxy voting, documenting the views of various parties at MSIM, as well as voting rationale for the final decisions.

Once the MSIM decision is finalised, vote instructions are sent to a service provider to execute the vote on its behalf. While the service provider serves as MSIM's vote execution agent, MSIM's investment teams make all voting decisions. MSIM is responsible for ensuring that voting instructions for client accounts are communicated to the service provider. The service provider assists in monitoring the voting rights MSIM has in relation to the shares aggregating proxies held. They also notify MSIM of all upcoming shareholder meetings and the corresponding voting rights. The GST maintains a control process that seeks to ensure eligible holdings are voted at shareholder meetings. MSIM's proxy voting-related controls are part of the System and Organisational Controls (SOC) examination.

MSIM maintains voting records of individual agenda items at company meetings in a searchable database on its website on a rolling 12-month basis.[13] These proxy voting records are published periodically on MSIM's website, including rationales for why MSIM voted against management or how MSIM voted on a shareholder proposal.

OTHER STEWARDSHIP-RELATED PROCESSES

The MSIM Sustainability Team manages processes related to various stewardship-related activities.

For example, the team maintains an internal procedure document that outlines the approval process for stewardship activities related to third-party stewardship or sustainability-related organisations. This may include, but is not limited to, joining or leaving industry groups, co-filing shareholder proposals and participating in collaborative engagements. The MSIM Stewardship Working Group, key MSIM and Firm-level stakeholders and, where deemed necessary, the IM Sustainability Committee review these activities.

The team also maintains a review process for investment team stewardship reports, which includes a MSIM Sustainability Team and GSO review.

INTERNAL AND EXTERNAL ASSURANCE

Assurance of MSIM's stewardship policies, processes, activities and reporting are important in helping to ensure delivery on client commitments in line with internal and external regulatory and industry requirements. It also helps ensure that MSIM's reporting and communications are accurate and understandable.

Internal Audit (IAD) provides periodic objective assessments of the effectiveness of MSIM's policies, processes, activities and reporting. IAD is fully independent of the business, with the Chief Audit Officer reporting to the Chair of the Firm's Board Audit Committee and administratively to the Firm's Chief Executive Officer. Additionally, the EMEA Head of Internal Audit reports to the Chair of the MSI Audit Committee and administratively to the EMEA Chief Executive Officer.

An external auditor also performs an external SSAE-18 audit of the proxy voting process and procedures as part of the Firm's annual Sarbanes-Oxley review.

MSIM maintains voting records of individual agenda items at company meetings in a searchable database on its website on a rolling 12-month basis.[14]

[13] MSIM publishes its proxy voting record for all mutual funds under the U.S. Investment Advisers Act of 1940, and for SICAV funds. SICAV fund records are updated quarterly, while U.S. Investment Advisers Act of 1940 fund records are updated annually.

[14] MSIM publishes its proxy voting record for all mutual funds under the U.S. Investment Advisers Act of 1940, and for SICAV funds. SICAV fund records are updated quarterly, while U.S. Investment Advisers Act of 1940 fund records are updated annually.

Disclosure D: Conflict of Interest

MSIM Conflicts Management Framework

As part of a diversified global financial services firm that engages in a broad spectrum of activities, MSIM may encounter potential or actual conflicts of interest, including: (i) between MSIM (including connected persons such as MSIM affiliates and employees) and MSIM clients; and (ii) between different MSIM clients.

MSIM employees must comply with Morgan Stanley's established Firmwide policies and procedures, such as: the Firm's Code of Conduct, Global Conflicts of Interest Policy, Global Gifts, Entertainment & Charitable Giving Policy, Global Employee Trading and Outside Business Activities Policy and the Global Confidential and Material Non-Public Information Policy (covering information barriers). MSIM employees receive appropriate training to ensure that they are aware of their responsibilities and obligations.

MSIM has established procedures intended to identify and mitigate conflicts of interest related to business activities on a worldwide basis. As part of the conflicts management framework, MSIM EMEA has a Conflicts of Interest Committee, that a Conflicts Management Officer chairs. Committee members have a remit that includes reviewing and evaluating transactions and business practices identified as posing new types of potential or actual conflicts of interest. They also evaluate, in aggregate, matters brought to the committee to assess consistency of resolution and potential themes or trends and maintaining the EMEA MSIM Conflicts of Interest Register. MSIM also has an escalation process, both to senior management in the business unit and to Firm Management, or the Firm's franchise committees, for potentially material conflicts.

MSIM interacts with other business units within Morgan Stanley on an arm's length basis. MSIM seeks to minimise the risk that it will favour the interests of other divisions, for example, Institutional Securities, rather than the interest of its clients. Further, MSIM's policies and procedures generally prohibit trading in Morgan Stanley securities with MSIM managed accounts.

Approach to and Examples of Stewardship Conflicts and Outcomes

MSIM's conflict management framework enables it to identify and manage actual and potential conflicts of interest in the context of stewardship. Such conflicts may arise, for instance, because of MSIM's commercial relationships with clients or third parties. This is because they may be issuers of securities held on behalf of MSIM managed accounts, or from cross-directorships of MSIM employees. Also, MSIM is part of Morgan Stanley, a global financial services group. As such, it faces potential conflicts due to the role of other Morgan Stanley divisions, which may have commercial relationships with companies in which MSIM may invest.

In addition to the above, MSIM's approach to identifying, managing and mitigating potential stewardship-related conflicts is outlined in the following sections.

Proxy Voting

MSIM has enacted policies and procedures to address potential conflicts resulting from its own commercial or other relationships. It is also to manage conflicts of interests so that proxies are voted in a prudent and diligent manner and in the best interests of clients. This is in accordance with its fiduciary duties, consistent with the objectives of the relevant investment strategy ("Client Proxy Standard"). The GST administers proxy voting policy implementation and is responsible for providing investment teams with voting recommendations in accordance with the MSIM Proxy Voting

Policy and the Proxy Voting Guidelines. If the policies and procedures do not address the event of a material conflict of interest, the Head of GST will convene a special committee to oversee how a proxy should be voted in accordance with the Client Proxy Standard. Any determinations of the special committee regarding a material conflict of interest will be reported to the Fund Board, where appropriate.

MSIM also faces potential conflicts of interest when voting proxies of its parent company Morgan Stanley. In such situations, MSIM will seek to vote its shares in the same proportion as other holders of Morgan Stanley's shares ("echo vote").

Personal Conflicts for MSIM Employees

Personal conflicts can arise from employees' outside activities or investments, or those of family members. MSIM has processes in place to identify and manage situations where an employee's personal relationships and outside business interests might compromise MSIM's duty to act in the clients' best interests. Employees are subject to the Firm's Global Employee Trading, Investing and Outside Business Activities Policy, and any applicable employee trading policies for relevant business units or regions. These policies address, among other things, preclearance requirements and restrictions on trading certain types of securities or other financial instruments, engaging in certain types of strategies and maintaining certain types of accounts. MSIM conducts e-communications surveillance to detect undeclared outside business interests. MSIM requires employees to confirm personal trading accounts annually.

Portfolio Management

As investment team portfolio managers are involved in stewardship efforts, MSIM is mindful of the risk of them acquiring inside information in the process. They are also mindful of undertaking personal account dealing that would conflict with client interests and potentially be detrimental to them.

Additionally, in instances of side-by-side management, when an investment team manages multiple portfolios with different structures, certain perceived or actual conflicts may arise. Example of this would be registered funds and unregistered funds, or fee structures like performance-based fees versus asset-based management fees. Potential conflicts include:

- Favouring one account over another in investment decisions.
- Taking conflicting positions in investor rights in the same security for different portfolios.
- Favouring an account where performance fees are awarded over an account that is charged an asset-based fee.

The Global Side-by-Side Management Policy and Procedures (Policy and Procedures) put protections in place to minimise potential conflicts and protect the interests of all MSIM clients. They provide that fee arrangements or other incentives should not influence allocation decisions. Also, portfolio managers should allocate investment opportunities in a manner that treats clients fairly and equitably over time.

All portfolios actively managed by the same investment team must generally take the same directional viewpoint (e.g., short or overweight) in a particular security (i.e., a consistent investment viewpoint.) Within the same Investment Team, opposite direction investment decisions are not permissible except where they fall within a consistent investment viewpoint, as delineated in the Policy and Procedures. MSIM has established the Side-by-Side Subcommittee, which meets on a regular basis and comprises representatives from different business areas and control functions. This includes Compliance and has overall governance responsibility for helping to aim to ensure adherence to the Policy and Procedures.

Different Engagement Approaches Across Asset Classes

MSIM's investment teams tailor their approach to engagement with issuers and other relevant stakeholders. This aims to ensure that it is both relevant and effective in the context of their investment strategy. This may lead to differences in opinion and priorities in engagement approaches between investment teams for the same company.

For example, a fixed income investor may be more focused on governance issues or controversies that could impact the price or liquidity of bonds in the near term. However, an equity investor may be more focused on sustainability issues that might have longer term implications for valuation. With the support of GST, where relevant and where circumstances permit, two or more investment teams may work together while seeking to act in the best interests of their clients. Refer to the Activities and Outcomes report for examples, particularly Principle 3.

Disclosure E: Dialogue with Clients and/or Beneficiaries

Understanding and Meeting Client Needs

MSIM has a diverse portfolio of clients with a broad spectrum of needs. MSIM believes that its structure of independent investment teams provides the agility and perspective to understand and meet the plurality of client needs and investment objectives. Clients may also benefit from the advantage of having global teams of investment professionals in major hubs, including, but not limited to, London, New York, Boston, Washington DC, Mumbai, Singapore, Hong Kong and Tokyo. Investment teams seek to leverage their in-depth knowledge and expertise to capitalise on investment opportunities in major markets.

Incorporation of Clients' Views, Stewardship and Investment Policies

MSIM prides itself on strong engagement with clients, including with respect to stewardship activities. MSIM integrates stewardship and sustainable investing-related updates into regular communications with clients, where relevant. These regular touchpoints may include annual or biannual client meetings, Morgan Stanley hosted client conferences, quarterly conference calls (in the case of certain strategies), portfolio-level sustainability reports, where relevant, and/or monthly information packages.

Client relationship managers and investment teams are also available to connect with clients outside these scheduled touchpoints. Through regular client interactions, some of MSIM's investment teams have observed the increasingly prominent role that stewardship plays in certain clients' investment objectives, which has informed the evolution of MSIM's approach. A few examples of client engagement opportunities are:

- The Annual MSIM Institute Conference is MSIM's flagship event for asset owner clients and prospects. It is held annually, convening MSIM leaders, industry experts and attendees from around the world. Topics tend to include thematic areas of interest broadly applicable to the asset management business, as well as a number of asset-class and regional specific topics.
- The MSIM Sustainability Team participates in various individual client meetings in which stewardship may be discussed. In addition to responding to client questions, the team may proactively share updates on topics including, but not limited to, the global stewardship regulatory landscape, proxy season trends and snapshots into recent MSIM proxy voting data.
- MSIM and its investment teams participate in various industry groups that offer significant client engagement opportunities. This may include partnering on a collaborative engagement, participating in working groups or webinars, contributing to industry consultations and joining conferences, to name a few. When MSIM clients are involved in these activities, MSIM gains significant insight into client perspectives and needs across a range of topics, including stewardship.

In addition to these dynamic client touchpoints, this MSIM UK Stewardship Code Report provides a comprehensive report of MSIM's stewardship activities across its investment platforms.

MSIM strives to be responsive to clients' needs to help meet their investment objectives and targets. This includes incorporating clients' views and their stewardship and investment policies into MSIM investment teams' strategies, which is demonstrated in the following examples.

INTERNATIONAL EQUITY

The International Equity Team holds quarterly update calls for clients, which include sharing relevant engagement case studies and proxy voting data. Team members regularly meet with clients to respond to individual questions or discuss specific requests, such as customising separate account portfolios with additional client-specific exclusions. In addition, the team works with clients to identify their reporting requirements. This includes providing customised data and reporting to UK pension fund clients to enable them to meet their own regulatory and client reporting needs for example.

The IE team also publishes a biannual Engage report, outlining its engagement activities and voting statistics as well as ESG-related thought pieces. It provides ESG fact cards for its global SICAV funds as well as for the Global Quality Select OEIC and strategy.

GLOBAL OPPORTUNITY

Global Opportunity works to ensure that its mandates consider clients' stewardship policies through consultation during the onboarding process based on open dialogue and consensus on Investment Management Agreement guidelines, agreed to by each client. In 2020, Global Opportunity partnered with one large client to launch Global Change, a customised global equity strategy aligned with the client's sustainable investment objectives. This demonstrates the success of incorporating a client's sustainable investment objectives and stewardship policies, as well as the value of partnership, in achieving client-specific goals.

Global Opportunity regularly obtains client feedback, which is integrated in the team's annual Sustainability Update that discusses the integration of sustainability considerations into the investment process. For example, clients have previously requested company engagement case studies and information relating to the carbon footprint of portfolios, which the team incorporated into the team's Sustainability Update. The team continues to innovate and evolve its process, incorporating client feedback in the team's future plans, including sustainability reporting and potential product launches.

EMERGING MARKETS EQUITY

The EME team engages with clients on various topics, including sustainability topics, to understand their investment policies and approach to stewardship to support a stronger partnership between the team and its clients. The team also attends industry-wide conferences that feature asset owners and industry leaders speaking on trends to help further understand client views on topics including, but not limited to, sustainability.

The EME team seeks to add value to clients' stewardship and investment policies through engagements with corporates on sustainability issues on clients' behalf, portfolio-level sustainability reporting and detailed reviews with clients on their stewardship practices. Customised reporting on the team's sustainability progress is provided to clients throughout the year. In addition to this, the team customises portfolios for clients who wish to implement specific exclusions or additional sustainability standards.

FIXED INCOME

The Fixed Income organisation welcomes collaboration with and feedback from clients in delivering innovative fixed income solutions to help meet clients' investment and sustainability requirements. Examples of the organisation's approach to engaging with clients may include:

- *Implementing customised climate-focused mandates:* The team leverages access to a highly sophisticated institutional investor base, particularly in Europe, to test and receive feedback on its ESG frameworks, methodologies and reporting. For instance, the team manages a number of climate-focused client mandates. Implementing their specific portfolio decarbonisation pathways is a result of dialogues with clients about the most appropriate metrics and targets to use. This was to align with their organisational policies while taking into consideration science-based climate frameworks.
- *Aligning clients' objectives with bond issuer engagement:* Some of the organisation's client mandates embed specific expectations around engagement with bond issuers to help attain the portfolio's objectives. As an example, the Broad Markets Team manages a climate-focused credit mandate for a large European institutional client, where the ability to evidence the role of issuer engagement on decarbonisation plays a key role. The team also conducts engagements on decarbonisation beyond corporates for clients with multi-sector portfolios.
- *Expanding data access to respond to clients' needs:* The team continues to assess the value of onboarding new ESG datasets to best serve client needs. For example, it has continued to expand access to climate-related data, in line with client demands and its desire to most effectively

deliver on the responsibility to monitor exposures to climate-related risks and to decarbonise portfolios, where applicable.

- ***Evolving portfolio-level ESG reporting, particularly for sustainable bonds:*** The team regularly looks for client feedback on portfolio-level ESG disclosure and reporting to aim to ensure it aligns with market best practice. In particular, the team has been developing green bond impact reporting practices for its dedicated green bond portfolios, to improve transparency for clients.

PRIVATE CREDIT AND EQUITY

Strategies within PC&E maintain structured and ongoing communication channels with their limited partner (LP) investor bases to ensure transparency, alignment, and effective governance. Key forums include Annual General Meetings (AGMs), which provide a comprehensive update on fund performance and strategy, and Limited Partner Advisory Committee (LPAC) meetings, where a subset of LPs engage more directly with the PC&E team on specific topics, such as valuations and key decisions. In addition to these touchpoints, PC&E teams regularly respond to investor questionnaires as part of an LP's initial due diligence and through their periodic requests during the investment lifecycle. Together, these channels form a consistent cadence of engagement that supports informed decision-making and that PC&E believes strengthens its relationships across its various strategies' LP-bases.

PC&E and its strategies primarily report to investors on sustainability-related activities through PC&E's annual Sustainability Reports or those produced at the strategy-level, which may be shared directly upon request or presented and referenced amidst AGMs or LPAC forums. Sustainability reports seek to provide an overview about sustainability-related factors across the portfolio, and how such factors are considered throughout the investment life cycle. PC&E's Sustainability Report also includes its sustainability-related governance structure, sustainability-related partnerships and select case studies that highlight sustainability-related characteristics of portfolio companies. Strategies across PC&E - such as EU Private Credit and the 1GT Fund - may also provide LPs with thematic or material sustainability-related updates during quarterly investor updates or annual meetings.

PRIVATE REAL ESTATE

MSREI communicates and engages stakeholders, including clients, on a variety of topics, including, where relevant, its sustainability approach and activities. Select MSREI funds publish an annual sustainability report which highlights the funds' sustainability strategy and provides an update on select sustainability initiatives and key highlights.

Additionally, select MSREI funds participate in the Global Real Estate Sustainability Benchmark (GRESB) Real Estate Assessment. The GRESB Real Estate Assessment covers a range of sustainability topics, including asset-level environmental performance (i.e., energy, GHG emissions, water and waste consumption, where available), tenant engagement, governance, policies and efforts to address sustainability during a building's design and construction/renovation phase.

PRIVATE INFRASTRUCTURE

MSIP communicates and engages stakeholders, including clients, on its investment approach, including, where relevant, its sustainability approach and activities. MSIP publishes an annual sustainability report to provide clients with an update on MSIP's approach, focus areas and key accomplishments. This report focuses on data and information which are relevant for MSIP clients based on industry standards and feedback from those clients.

In addition, MSIP is a founding participant of the GRESB Infrastructure Assessment and has participated in its surveys since inception in 2016. GRESB participants are scored and benchmarked on their sustainability policies, management practices and performance. The GRESB Infrastructure Assessment covers a range of asset types, including energy generation, energy transmission and distribution, transportation, telecommunications, water and waste treatment and social infrastructure. The GRESB process seeks to provide clients with an understanding of how portfolio companies are assessed against sustainability criteria.

EFFECTIVENESS OF CLIENT COMMUNICATION METHODS

MSIM considers that its chosen communication channels and approaches have been effective in taking into account clients' stewardship needs. MSIM believes this is demonstrated firstly in the successful implementation and scale of its bespoke investment solutions, custom portfolios, multi-asset strategies and outcome-oriented accounts for clients. It is also evident from the long-standing relationships MSIM has with many of its key clients, who have been invested in MSIM's strategies for decades and across multiple investment teams, either in a client capacity or as co-investors alongside the investment teams.

2025 Activities & Outcomes Report[15]

[15] The Activities & Outcomes section of this report is updated annually. This version is as of 31 December 2025.

Introductory Statement

This Activities and Outcomes Report is intended to provide a clear and useful understanding of how Morgan Stanley Investment Management's (MSIM) stewardship approach has been implemented in practice over the reporting period and what it has achieved. It explains the priority issues focused on, the stewardship activities undertaken, and demonstrates outcomes and progress, where possible. The objective is to help the FRC, clients and other stakeholders understand how MSIM's responsible allocation, management and oversight of capital to create long-term sustainable value for clients and beneficiaries has been applied during the 2025 calendar year.

About MSIM

MSIM provides broad-based specialisation across a range of asset classes in public and private markets. With more than four decades of experience and $1.89 trillion[16] in assets under management (AUM), MSIM offers clients worldwide a broad range of innovative investment solutions across public and private markets. Comprising 1,366 investment professionals worldwide, and 56 offices in 25 countries (as of December 2025), MSIM is able to provide in-depth local knowledge and expertise while channelling the strength of Morgan Stanley's global presence and resources.

MSIM's independent investment teams leverage Morgan Stanley's global resources to serve a diverse client base of governments, institutions, corporations, advisors and individuals worldwide. MSIM's investment solutions include a broad range of alternatives, high-conviction active strategies, customisation strategies, sustainability expertise and tax management solutions.

To support the delivery of tailored, value-added investment solutions to clients, MSIM takes a decentralised approach to investment management, consisting of independent public and private markets investment teams. This gives MSIM's investment teams the autonomy to make informed, independent decisions based on their expertise and local market insights. Each investment team brings together a distinct group of experienced professionals and dedicated resources, focused on a specific investment discipline. This comprehensive expertise shapes each group's approach to stewardship in a way that aligns with their investment philosophy and specific mandates.

[16] The AUM presented in this section corresponds to MSIM's total AUM, however, please note that the investment team activity covered in this report represents only the AUM of the teams outlined in the table ("MSIM's investment capabilities covered by this report and examples of stewardship activities) within our Policy and Context Disclosure report. AUM in this section of the report reflects MSIM, which is the investment management business segment of Morgan Stanley, of which MSIM Ltd is a part. The AUM figures include all discretionary and non-discretionary assets of MSIM, and certain MSIM-affiliated entities not otherwise included in the report. MSIM fund of fund assets represent assets under management and assets under supervision. MSIM direct private investing assets represents the basis on which the Firm earns management fees, not the market value of the assets owned. A minor portion of MSIM's total AUM (less than 10%) is allocated to external managers.

Stewardship Milestones

As described in MSIM's Policy and Context Disclosure, Disclosure B, the MSIM Sustainability Team, which includes the Global Stewardship Team (GST), acts as a centralised support resource for MSIM's portfolio managers, investment professionals and sustainability specialists across the independent investment teams. Refer to Disclosure B for an overview of the team, its structure and how it supports stewardship activities, as appropriate, across MSIM. The below graphic highlights key MSIM-level stewardship milestones.

Updates to Key Stewardship Policies

MSIM SUSTAINABLE INVESTING POLICY—UPDATES

During this reporting period, the MSIM Sustainable Investing Policy has been reviewed as part of the annual review cycle. Two key changes of note are 1) the updated policy streamlines the stewardship section to align with the MSIM Engagement Approach document, which was published for the first time in 2025; and 2) the MSIM Engagement Approach and MSIM Stewardship and Engagement Principles documents were added to a list of related policies and reports to support stakeholder access to key stewardship documents. These updates aim to help ensure consistency and transparency in messaging across different channels.

MSIM PROXY VOTING POLICY—UPDATES

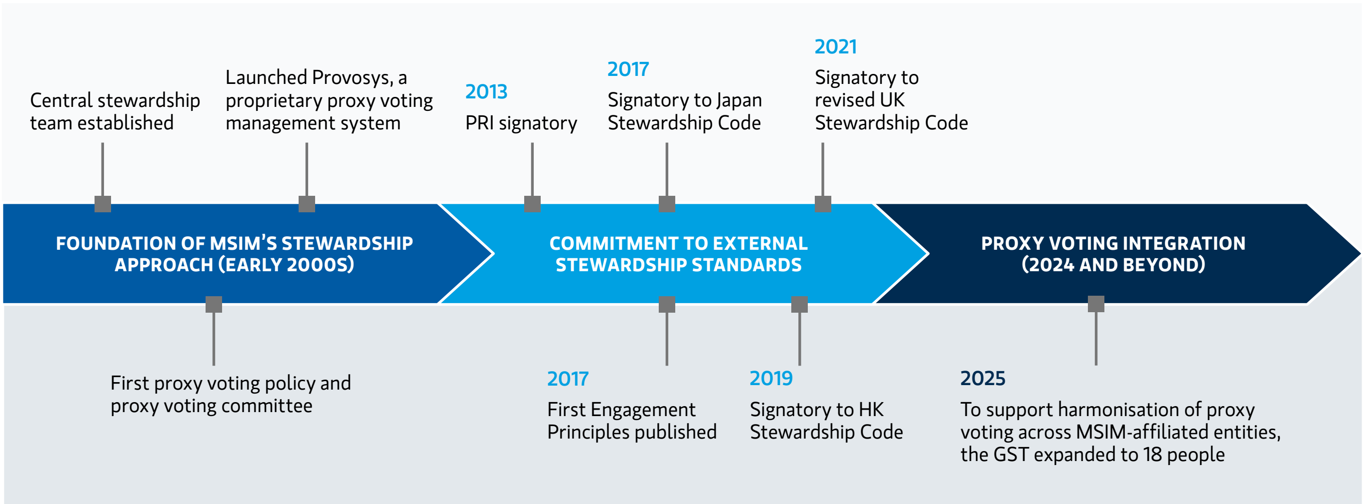
The GST updated the MSIM Proxy Voting Policy in 2025 in line with the commitment to conduct annual reviews.

Key updates for 2025 include:

- Updating the conflicts of interest process to maintain a consistent approach across all MSIM-affiliated entities. This is achieved through a centralised process for managing votes where a conflict of interest has been identified based on MSIM's existing conflict management frameworks, including information barriers and training.
- Building on work in 2024, MSIM further modified the language with an aim to provide investment teams with the flexibility necessary to make informed voting decisions, while also seeking to ensure consistency through GST's central oversight.
- Extending the scope of the policy to cover additional MSIM affiliates' family of funds.

ENGAGEMENT APPROACH DOCUMENT—UPDATES

In 2025 MSIM published its inaugural Engagement Approach document which provides a high-level framework. It is aligned with the MSIM investment teams' individual approaches to engaging with issuers and other relevant stakeholders, as appropriate to their investment strategies.



Principle 1: Integrating Stewardship and Investment

Portfolio Management, Stewardship and Sustainable Investing

MSIM has a duty to be good stewards of its clients' capital. As part of this duty, investment teams aim to allocate, manage and oversee capital responsibly to create long-term, sustainable value for their clients and beneficiaries. Stewardship activities may inform investment decisions, where appropriate. As a result of MSIM's decentralised approach to investment management, it adopts a tailored and integrated approach to stewardship. This means public and private investment teams are ultimately responsible for exercising their judgement to identify and integrate material risks and opportunities (including, but not limited to, sustainability) into their processes for investment research, analysis and decision-making, due diligence, valuation, asset selection, portfolio construction and engagements with companies and other issuers, as appropriate.

Proxy Voting

Detailed information regarding MSIM's approach to proxy voting can be found in MSIM's proxy voting policy, which addresses a broad range of issues and provide general voting parameters on proposals that arise most frequently.

Engagement

Across public markets, MSIM's investment teams may seek to engage with selected issuers they invest in, as appropriate, when such engagement is considered to be potentially financially material to the companies and/or the team's investment strategies. Engagement can address a range of topics that may affect the long-term value of a business or asset, recognising that different approaches to engagement may be appropriate in different regions. Where relevant, these topics may include strategy, capital structure, operational performance and delivery, risk management, executive pay, corporate governance and sustainability topics.

For more information, see Disclosure A in MSIM's Policy and Context Disclosure as well as MSIM's Engagement Approach.

Sustainable Investing

MSIM's investment teams assess the potential financial materiality of sustainability-related risks and opportunities, as appropriate, for each investment strategy. MSIM's Sustainable Investing Policy provides high-level guidance that reflects the Firm's core values and informs investment team activity.

Investment Team Approaches

The following sections demonstrate MSIM investment teams' unique approaches to integrating stewardship into their investing processes, which may include sustainable investing considerations, as appropriate.

HIGH CONVICTION EQUITIES

Approaches to stewardship and investment differ across teams within High Conviction Equities as the following examples demonstrate.

INTERNATIONAL EQUITY

As mentioned in Disclosure A of MSIM's Policy and Context Disclosure, the International Equity Team invests in high quality companies built on powerful, hard-to-replicate intangible assets, and which have high returns on operating capital that they believe can be sustained for the long term. The team believes that understanding and addressing potentially financially material long-term ESG risks and opportunities is important for successful long-term compounding.

As a result, ESG considerations are a fundamental part of the International Equity Team's investment and risk assessment process, which the team assesses directly. When integrating ESG analysis into its investment process, the team explicitly focuses on potentially material ESG risks and opportunities and their effect on the sustainability of future returns on operating capital.

The team believes that seeking to understand how potentially financially material factors (including but not limited to ESG factors) may impact long-term returns has to be rooted in company-specific analysis. Companies within industries may face very different ESG risks and opportunities depending on their specific business model, company structure, size and regulatory environment. This in turn may impact how companies address their specific financially material ESG risks and opportunities. For example, a company with a complex, global supply chain may face different ESG risks (e.g. labour and human rights risks, geopolitical risks) to a competitor in the same industry that has an integrated, local supply chain.

The team integrates ESG analysis throughout the investment process, where relevant. Potentially financially material ESG risks and opportunities are considered in the bottom-up fundamental research conducted for new investment candidates, including the investment note and financial model where appropriate. Holdings are also assessed where relevant using the team's proprietary framework, the Material Risk Indicator (MRI) (see Principle 2). It aims to identify and assess the financially material ESG risks and opportunities facing each company. The team also uses its Pay X-Ray, a tool to help assess whether a company's pay practices are aligned with management's intention and/or ability to deliver sustainably high long-term returns on operating capital. The team seeks to produce Pay X-Rays where relevant and possible, data availability allowing.

INCORPORATION OF ESG ANALYSIS IN INVESTMENT DECISION MAKING

Information gathered through analysis may contribute to the team's acquisition, monitoring and exit decisions, where relevant. The team may analyse and quantify the potential financial materiality of ESG considerations, for instance, in terms of the percentage of sales and profits that certain factors may affect (for example, shifts in demand, impact of potential new regulation on the business model). Considerations could also include potential impact on the growth rate and the cost base of the company, or the company's strategy to mitigate such financially material risks or take advantage of any opportunities. Where relevant, the investment team reviews this during its weekly investment meetings when new companies are evaluated and current holdings monitored. While the ESG assessment is an important component of the research process, it is not the sole driver of investment decisions.

The nature of ESG factors can make it challenging to quantify their impact. The team may employ a range of methods to reflect the outcome of its ESG analysis in portfolio construction decisions, including:

- It may run scenario analyses, for example, forecasting the impact of a financially material ESG factor on the company's growth rate, profits or capex and the resulting change in fair value. This could include modelling the impact on profits and valuation of consumer staples companies switching to more sustainable packaging.
- It may adjust the weighted average cost of capital (WACC) or the terminal growth rate to reflect higher or lower risk.
- It may also adjust the position size, in addition to any model or WACC to reflect potential risks.
- It may choose not to invest in a candidate company if it believes that MRI assessed, financially material ESG risks are too high.

The team focuses on understanding the long-term sustainability of a company's returns on operating capital, and engagement plays a role in this. It is an input in helping them to understand whether management can and will maintain returns while growing the business over the long term, which includes consideration of potentially financially material ESG risks and opportunities. The team believes engagement can generate knowledge which may contribute toward the investment view, valuation, weighting or buy/sell discipline.

The following examples detail instances where the team adjusted the financial model for companies held due to stock-specific, sector-related and systemic ESG risks:

- For a consumer staples company, the team assumed a sub-GDP terminal growth rate of 1% when valuing the company and used an 8.5% WACC (0.5% above competitors and considerably higher than the industry) due to the ESG risks for the company. At the same time, the investment team moderated the position size. The team later exited the position over concerns about the company's ability to grow and thus compound.

- The team previously added 0.1 to the beta for two professional services companies it holds due to the ESG risks of the sector at the time, which had around a 10% impact on fair value.
- For a communication services company the team owns, it chose to adjust the WACC due to regulation-related ESG risks regarding data use and data protection. The team also chose to moderate the position size to reflect the risk.

COUNTERPOINT GLOBAL

As mentioned in Disclosure A of MSIM's Policy and Context Disclosure, the Counterpoint Global Team takes a long-term approach to investing, which focuses on identifying differentiated insights on multiyear opportunities, often focusing on disruption and secular growth opportunities. Counterpoint Global is a stable and long-tenured team focused on continued learning, differentiated long-term thinking and in-depth research.

On a regular basis, Counterpoint Global's investors and sustainability researchers (also known as portfolio managers and investment analysts) speak with members of company management teams or their boards of directors to assess the material opportunities and risks facing the company. GST may participate in these discussions and provide expertise in the area of corporate governance. As part of the process, Counterpoint Global may identify opportunities to assist management teams to add value to their business.

Key aspects of the team's evaluation process include engagement with company leadership, systematic evaluation of the alignment of management's long-term incentives and an assessment of the cultural adaptability of organisations. During engagements with company management teams or their boards of directors, the team may use an internally developed sustainability questionnaire and document key findings in an engagement memo, sustainability dashboard and a broader investment analysis update. Following most engagements, notes are then broadly shared with Counterpoint Global's investment team and, in doing so, contribute to the overall investment decision making process.

Counterpoint Global's sustainability researchers focus on identifying financially material risks and opportunities arising from environmental, social and governance factors. After years of focus and hundreds of discussions with companies on how their sustainability initiatives drive value, the team identified 10 types of business activities that can drive financial value and benefit society, referred to as "sustainability research (SR) Tailwinds" *(See Display 10)*. Identifying these 10 SR Tailwinds allows the team to more clearly discuss opportunities and assess positive externalities. The team believes its sustainability research and SR Tailwinds process provides clients with differentiated insights while also contributing to economic catalysts that incentivise companies to create value through positive environmental and/or societal impact.

DISPLAY 10
Sustainability Research Tailwinds

PEOPLE	**1. Economic Empowerment:**	Platforms Enabling Socio-economic Empowerment and Entrepreneurialism
	2. Health:	Healthcare Innovation Driving Wellness by Improving Patient Outcomes
	3. Access Democratization:	Consumer Democratization of Access Supporting Consumer Empowerment
	4. Inclusive Communities:	Communities and Tools Enabling Belonging and Inclusion
PLANET	**5. Resource Efficiency:**	Upstream Opportunities 5.1 Manufacturing and Supply Chains, 5.2 Transportation, 5.3 Energy Production and 5.4 Agriculture
	6. Downstream Efficiency:	6.1 Waste Management and Circularity Minimizing Environmental Costs, 6.2 Building Construction and Energy Consumption, 6.3 Carbon Sequestration
SYSTEM	**7. Data Security:**	Cyber Security Solutions Protecting Data and Privacy
	8. Effective Institutions:	Public Institution Effectiveness and Safety
	9. Stakeholder Cultures:	Ecosystem Focus Strengthening Uniqueness Durability, Stakeholder Alignment
	10. Structural Longtermism:	Structures Supporting Long-Term Value Creation

GLOBAL OPPORTUNITY

Global Opportunity believes that by applying a price discipline to investments in high quality companies, strictly defined as those with what the team considers competitive advantages and long-term growth that creates value, it can best capture opportunities and manage risk for clients.

The team believes that strong stock selection is derived from long-term investments purchased at a large discount to intrinsic value. In their view, these long-term investments are best protected when they are sustainable with respect to disruption, financial strength and environmental and social externalities and governance, and best enhanced when the underlying company has strong competitive advantages and growth that creates value.

Proprietary HELP & ACT Framework

WE CARE HOW COMPANIES HELP & ACT

Health: Improve humanity's quality and duration of life

Environment: Protect the planet and its inhabitants

Liberty: Freedom, equality, privacy and security

Productivity: Improve our knowledge of how the universe works to make our lives better within it

Agency: Skin in the game and incentives to work on behalf of long-term shareholders

Culture: Encourage a culture of innovation, adaptability and shared values

Trust: Reliability of financial statements and management

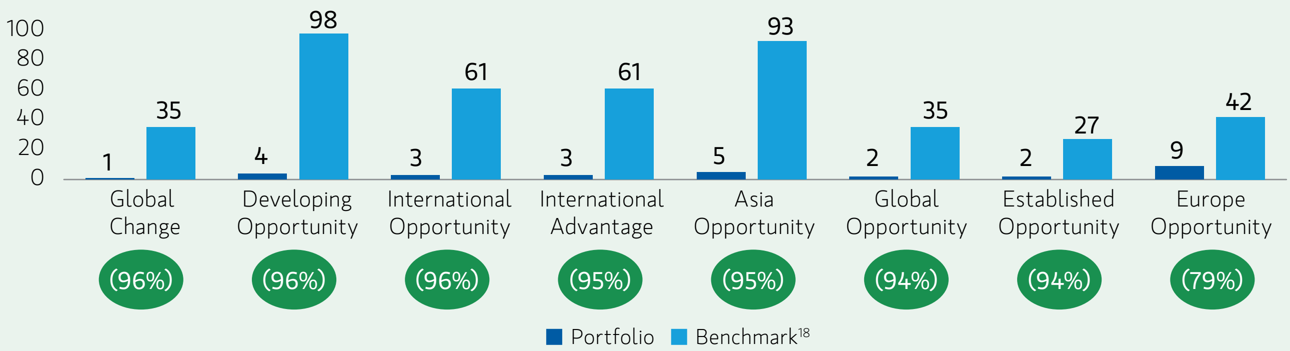
Spotlight: Global Opportunity Carbon Footprint

Global Opportunity portfolios typically have a lower carbon footprint* and intensity** than benchmark indices. Many of the team's portfolio companies have made significant investments in renewable energy to transition to lower carbon intensive operations. The lower carbon profile of Global Opportunity's portfolios reflects its view that carbon emissions represent a negative externality that is not reflected in the income statements of high-emitting companies, as well as its preference for lower capital intensity industries. The team's portfolios did not hold coal, oil or gas companies involved in the extraction of fossil fuel reserves, as of 31 December 2025.

DISPLAY 11

Carbon Footprint[17]

Financed Emissions Intensity (Tonnes CO2e per MM U.S. Dollars Invested)



Source: MSIM, MSCI. The information on this page is a summary of the carbon profile of the representative accounts for each strategy managed by Global Opportunity as of 31 December 2025 and subject to change. The carbon footprint* illustrated reflects Scope 1 (direct emissions) and Scope 2 (indirect emissions from purchased electricity) greenhouse gas emissions measured in tonnes CO2e per million U.S. Dollars invested. The percent value highlighted in this illustration represents the difference between the carbon intensity of the index and the representative account as a percentage of the index's total carbon intensity.
**Carbon intensity refers to Scope 1 and Scope 2 greenhouse gas emissions measured in tonnes CO2e per million U.S. Dollars revenue.

[17] Each portfolio may differ due to specific investment restrictions and guidelines. Thus, individual results may vary. This document provides factual information on certain matters that do not form part of binding characteristics for any investment vehicle and relate to the general sustainability integration approach adopted by the investment team, which incorporates the consideration of sustainability matters on a materiality and non-binding basis. The information shown on the carbon profile and holdings of the portfolios does not constitute a commitment regarding the future carbon profile or the future holdings of the portfolios. Please refer to the offering documents of any investment vehicle prior to investment, for details on how, and the extent to which, the strategy takes sustainability considerations into account on a binding or non-binding basis.

[18] Strategy Benchmarks: Global Change Strategy versus MSCI AC World Index; Developing Opportunity Strategy versus MSCI Emerging Markets Index; International Opportunity Strategy versus MSCI AC World ex USA Index; International Advantage versus Strategy MSCI AC World ex USA Index; Asia Opportunity versus Strategy MSCI AC Asia ex Japan Index; Global Opportunity Strategy versus MSCI AC World Index; Established Opportunity Strategy versus MSCI World Index; Europe Opportunity versus MSCI Europe Index.

The Global Opportunity investment process integrates analysis of sustainability within company quality assessments which identifies the key sustainability-related opportunities and risks for each prospective investment based on materiality to the long-term fundamental drivers of the business. Using Global Opportunity's proprietary HELP & ACT framework, investors on the team analyse potential impacts framed by a set of questions applied consistently across companies.

Incorporating sustainability-related potential risks and opportunities within the investment process is about ensuring long-term stewardship of capital. Over extended time horizons, the team believes that sustainability risks are more likely to materialise, and externalities not borne by a company are more likely to be priced into the value of securities.

EMERGING MARKETS EQUITY

The EME Team manages both funds that integrate ESG as well as sustainable funds with measurable positive environmental and/or social objectives. EME's sustainable funds invest in high-quality, financially attractive companies that align with the product's sustainability commitments. The team may also choose to implement exclusions based on specific activities and norms. The baseline for each product is financial materiality, which can include sustainability factors. For sustainable products, the team includes sustainable and carbon commitments and thematic alignment.

The team seeks to understand the sustainability strategy and financially material issues for each company. To identify and assess these issues, the team refers to company financial reports and disclosures, its own internal research as well as third party sources, which company engagements may support.

For the EME sustainable funds, following the initial negative screening process, the team has identified several themes to align the portfolio: responsible energy, access and affordability, decent work and innovation and sustainable production and circular economy. To identify companies in these categories, the team looks for businesses that are aligned by revenue exposure and/or business operations to defined metrics related to the specific themes.

Engagements are a key part of the EME team's research process, focusing on material issues, such as governance, decarbonisation and supply chain management. The team seeks to understand how specific challenges, such as the changing regulatory landscape across carbon emissions, or progress on technologies required for the global energy transition, affect the team's investment thesis. See Principle 3 for a summary of the team's engagement activities.

FIXED INCOME AND LIQUIDITY

The Fixed Income and Liquidity teams take a research-driven approach to investment stewardship, aiming to uncover value and generate alpha across their strategies. While each team applies methods tailored to its asset class, consistent engagement with issuers remains central to the process. For example, the Broad Markets Fixed Income team uses value-driven investing to balance spread, carry and duration risks while minimising defaults. Stewardship adds issuer-specific insights - such as management quality, disclosure credibility and policy direction - that strengthen security selection and risk budgeting.

The teams recognise that sustainability factors can present financially material risks or opportunities and therefore integrate them into their research and investment processes. They engage with issuers to encourage improved management of ESG considerations (see Principle 3 for more details). Credit analysts incorporate ESG research and engagement both before investment and during ongoing monitoring. Credit analysts and portfolio managers are ultimately responsible for evaluating the potential impact of ESG factors on their fundamental credit views, with ESG considerations, like other inputs of the credit analysis, helping the team to determine if an investment is suitable for their portfolios. In some cases, ESG factors can be the additional data point needed to move the needle on buying or selling a security.

ESG INTEGRATION THROUGH PROPRIETARY ESG RESEARCH AND SCORING METHODOLOGIES:

As described in Disclosure A of MSIM's Policy and Context Disclosure, the Fixed Income organisation conducts ESG research in-house, partnering with specialists at Calvert. It has developed models and methodologies that reflect the characteristics of different asset classes in fixed income.

Across Fixed Income's proprietary ESG research and scoring methodologies, the focus is on identifying the relative materiality of ESG factors for an investment. It rewards positive momentum and penalises exposure to severe ESG-related controversies that can adversely impact bond price or liquidity.

These assessments and scores inform the portfolio construction process and investment decision-making across the Fixed Income platform and across a range of asset classes (where prioritisation of ESG issues may differ):

- **Corporate bonds:** The team uses third-party data to build custom environmental and social thematic indicators in proprietary ESG research models. The ESG analysts identify potentially financially material ESG issues within each sector and assess how effectively companies are managing these exposures. This analysis results in a proprietary ESG score and assessment that are relevant in the context of a specific sector peer group, factoring in both a long-term measure of the company's approach to ESG risks but also the team's analysts' shorter-term evaluation of responses, if relevant, to controversial events.
- **Sovereign bonds:** The team performs statistical analyses on sustainability data, to assess factors material to sovereign debt performance and to develop the team's own proprietary ESG scores. The team adjusts the underlying ESG scores based on GDP per capita, to reduce bias against emerging markets, and incorporate a momentum factor that combines the analysts' qualitative view of recent developments.
- **Securitised investments:** The team assesses and scores a security's negative, neutral or positive contribution toward sustainability factors (which differ based on type of securitisation). Contributions are then mapped toward specific environmental and social themes.
- **Green/sustainable bond evaluations:** The team's proprietary Sustainable Bond Evaluation Framework seeks to assess each bond and score it based on multiple criteria. This includes the fit in the issuer's broader strategy, the relevance of the selected projects or sustainability indicators in the context of the issuer's core business, the alignment of the bond structure with best practice in the markets, such as the International Capital Market Association's (ICMA) Green and Social Bond Principles.

ACTIVE ENGAGEMENT WITH BOND ISSUERS

The team considers meeting management to be an integral part of its investment process, which occurs across multiple levels:

- **Trading desk:** Fixed income traders maintain relationships with the banks that underwrite and distribute new bond issues, including green and sustainable bonds. Once a new bond issue is announced, the trading desk is alerted, and one of the sector credit analysts is assigned to cover the issue.
- **Credit analysts:** The credit analyst will typically review roadshow materials and attend a roadshow to meet with the issuer's management team or other representatives. The roadshows offer the analysts the opportunity to ask questions related not only to the credit, but also to the specific new issue, and to clarify any uncertainties in the structure of the bond.
- **ESG analysts:** ESG analysts pair with credit analysts in attending roadshows focused on green and other labelled sustainable bond transactions. These meetings provide an opportunity for ESG analysts to supplement data-driven ESG scoring models with a more qualitative assessment of an issuer's efforts and progress on sustainability issues. ESG analysts also provide feedback to issuers and structuring advisors in relation to transaction-specific issues. They also do so more broadly on green bond structuring practices, to promote their alignment with market standards for project/indicators selection and impact reporting.

In addition to regular meetings with issuers' management and treasuries as part of credit updates and new issuance, the Fixed Income organisation runs a targeted engagement programme focused on companies with lagging practices on specific material ESG issues. They set clear expectations around how such concerns can be addressed.

The programme is based on the Fixed Income Engagement Strategy. The document has been published for several years, last updated in 2025, and is structured around the targeted and thematic engagement programme on material ESG issues. See Principle 3 for further details on the Fixed Income organisation's engagement approach.

Spotlight: Focus on Governance and Disclosure

The team views governance as the strongest ESG driver of portfolio risk and return, and the pillar from which strong credibility is built across any sustainability-related topic. The team therefore conducts due diligence on corporate governance, transparency, accountability and disclosure matters across its assessments and dialogues with issuers.

The Liquidity Team pays particularly close attention to governance risks identified in proprietary ESG research and engagement. Governance risk plays an important role for liquidity, in an explicit acknowledgement of the factor's relevance to the types of money market funds' credit requirements for investment. With more than one-fifth of Fixed Income and Liquidity Team engagements over 2025 being with financials, the Liquidity Team can use the outcomes of such dialogues to inform investment, avoid headline risk and achieve objectives of capital preservation and liquidity.

MEASUREMENT AND ONGOING MONITORING OF KEY ESG METRICS AT THE PORTFOLIO LEVEL

ESG specialists support the investment teams in the monitoring of portfolios and the development of measurement frameworks and reporting tools, collaborating with ESG data and technology experts. The team seeks to align with existing market frameworks, such as the TCFD for climate-related disclosures, in addition to evolving regulatory sustainability disclosure requirements.

REGIONAL DIFFERENCES IN MEASUREMENT

The Fixed Income organisation accounts for regional differences in its approach. They consider the stage of development of the issuer's country, to seek to ensure that the team's assessment of their sustainability strategy and targets is contextualised and comparable to peers.

For example, in some emerging markets, a longer glide path might be necessary to achieve desired sustainability outcomes and minimise risks. There could also be a need to engage in issues related to capital markets policies and processes to facilitate their functioning. This can manifest in the form of a longer phase-out period for fossil fuels to continue providing affordable energy to the broader population, more time to improve diversity of a company's board of directors or management team, reflecting the need for a broader change in culture, or trade-offs between job creation and land use, among others. On the other hand, a global company operating in both developed and emerging markets must be considered in a different regional context. For example, a power company operating in various emerging markets must be mindful of cultural heterogeneity in its construction of a just decarbonisation and fossil fuel phase-out strategy.

In addition to the points highlighted above, each investment team in the Fixed Income organisation takes into account its own specific priorities when conducting due diligence.

Fund-level Differences

The Fixed Income organisation incorporates ESG criteria across a flexible range of sustainable investing solutions:

- Positive and negative screening.
- Principles-based investment.
- Low-carbon and climate-aligned solutions.
- Green bonds.

The organisation has developed a comprehensive Sustainable Bond Evaluation Framework for green bonds which is detailed in an article published in April 2025. The ESG analysts look through the labelling and critically assess sustainable bonds that come to market. They seek to ensure the evaluation of their sustainability characteristics is integrated into the investment process, for the benefit of clients.

Applying a robust research process also provides an effective platform for the Fixed Income organisation to push for improvements in the structure of these instruments as well as surrounding disclosures. The team believes it has a duty to encourage issuers and underwriters to implement best practices to achieve meaningful positive sustainability outcomes through the issuance of robust sustainable bonds and engage with issuers and participate in industry initiatives to achieve this.

The evaluations enhance the information available to portfolio managers and credit research analysts, furthering their understanding of how effectively issuers are managing material ESG issues and leveraging tailwinds, and it is an integral component of the investment decision process for these instruments. Certain fixed income green bond strategies only invest in labelled sustainable bonds that have been assessed positively through this framework.

The Fixed Income organisation also relies on its experience in the market to uphold standards for the additionality of selected projects or targets to be financed. In particular, the green bond market offers a unique opportunity for fixed income investors to engage with issuers, at a time when issuers and their management are particularly sensitive to investor feedback on sustainability.

Alternative Investments

The Alternative Investments business represented in this report consists of Morgan Stanley Global Real Assets and Private Credit and Equity strategies. On the private markets side, engagement approaches are idiosyncratic to the investment strategy and asset class, differing across equity and credit, real estate and infrastructure. The ability to influence and engage stakeholders on issues will also be bespoke to the strategy and level or ownership and control. As well as engaging with portfolio companies, MSIM private markets teams may also engage with other relevant stakeholders, such as other general partners (GPs) or the private credit and equity side, or joint venture partners, property managers, and tenants on the real estate side.

MORGAN STANLEY GLOBAL REAL ASSETS

Morgan Stanley Real Assets seeks to align with best-in-class partners, actively manage investments and associated risks and consistently provide transparency to generate strong risk-adjusted returns for clients across its broad range of equity and credit strategies. Long-tenured investors lead the specialised investment teams' use of disciplined processes and strive to provide strong long-term investment results. The Global Real Assets investment teams evaluate sustainability as one of several considerations in the interest of providing long-term value to clients. Sustainability considerations are integrated, where relevant and material, throughout the investment life cycle. The manner in which sustainability considerations are assessed and applied may vary by asset class and investment strategy, as appropriate.[19] The Head of Sustainability for Global Real Assets oversees sustainability for Global Real Assets, advising the Private Real Estate (equity and credit) and Private Infrastructure investment teams to enhance existing practices, and provides expert guidance to advance sustainability strategy.

Private Real Estate

Morgan Stanley Real Estate Investing seeks to integrate material sustainability elements throughout the investment life cycle, where appropriate. Sustainability topics are defined to align with business goals, risk management, regulatory requirements and investor expectations. MSREI's Environmental Management System (EMS) is an internal document that provides best practice, guidance and resources for investment teams to facilitate implementation of sustainability elements throughout the entire investment lifecycle, including due diligence and asset management, to the extent financially and operationally feasible.

Throughout asset management, MSREI may engage third-party property managers and tenants in a variety of ways to progress sustainability initiatives, as appropriate to the asset type and region, which may enhance asset performance and/or mitigate risks. For example, see Principle 2 for information on MSREI's U.S. Sustainability Real Estate Summit in 2025. In striving to ensure effective implementation of MSREI's sustainability priorities for select funds, progress is tracked over time through regular reporting, third-party audits, and participation in benchmarks, such as the annual GRESB Real Estate Assessment. Nuances of approach may vary depending on specific fund strategy and objectives. Additional details on the team approach to investment and stewardship is available in Disclosure E of MSIM's Policy & Context Disclosure.

Private Infrastructure

MSIP believes that incorporating sustainability considerations throughout the investment life cycle reduces long-term investment risk and increases the attractiveness of its portfolio companies to buyers of core and core-plus infrastructure assets.

MSIP has a general approach to sustainability integration that applies across funds with the goal of incorporating sustainability factors that are material to each asset throughout the investment life cycle.

As part of the investment life cycle, the team performs due diligence on sustainability-related topics specific to a target company, focusing on what is material to that company or sector. MSIP engages with internal and external specialists as appropriate. As part of this process, the team will review internal and external data and assess a potential investment's sustainability framework and approach, where relevant. Identified gaps, risks and opportunities are documented and addressed as part of the investment decision-making process.

During acquisition and post-close implementation, MSIP works with portfolio companies to share platform-wide initiatives and best practices and controls. Risks and opportunities identified in the due diligence process are incorporated into a set of sustainability priorities, as relevant.

During the ownership period, MSIP engages with portfolio companies on their sustainability programmes. This is in line with MSIP's overall active asset management approach and view that sustainability is part of operational value-add for portfolio companies. MSIP's Head of Sustainability and investment teams monitor portfolio company sustainability activities and performance, including through collecting data such as greenhouse gas emissions, energy use and health and safety metrics. In addition, MSIP uses the GRESB Infrastructure Assessment

[19] Select Global Real Assets funds take sustainability considerations into account in investment decisions on a non-binding basis only. Please refer to the offering documents of any fund prior to investment for details on how, and the extent to which, the relevant fund takes sustainability considerations into account on a binding or nonbinding basis.

as a framework to systematically assess MSIP funds' and portfolio companies' ability to manage risk and generate value through sustainability. In-scope portfolio companies submit to the annual GRESB Infrastructure Assessment which assesses portfolio companies' sustainability policies and management practices. Where relevant, MSIP also supports portfolio companies to set and implement strategic sustainability strategies aligned with their businesses. Sustainability-related information is also used to support the potential buyers at exit of a specific asset, as applicable.

Additional details on the team approach to investment and stewardship is available in Disclosures A and E of MSIM's Policy & Context Disclosure.

Private Real Estate Credit

The Private Real Estate Credit teams strive to incorporate sustainability considerations throughout the investment life cycle, where feasible. The approach to sustainability integration may differ between the Private Real Estate Credit teams in the U.S. and Europe to account for regional nuances. As a private real estate credit lender, investment teams may be limited in their ability to apply sustainability practices across investments (in contrast to that of the borrower/owner of the underlying real estate).

As an example, the European Private Real Estate Credit team strives to finance real estate assets or projects with strong underlying environmental/social characteristics. As part of the investment life cycle, the investment teams review each potential investment using a proprietary internal sustainability due diligence scorecard designed to assess and review assets against select sustainability factors including energy efficiency, circular economy and health and wellbeing. Post-investment, the team engages with the sponsors/borrowers to reassess the investment against the proprietary sustainability scorecard annually and to collect relevant and up-to-date information (e.g., EPC rating, building certifications, etc.), as needed.

PRIVATE CREDIT AND EQUITY

Disclosure A of MSIM's Policy and Context Disclosure outlines the Private Credit and Equity (PC&E) investment philosophy and underscores the importance of engagement with relevant stakeholders across the private markets ecosystem, as well as the role of integrating sustainability-related considerations into the investment process to help manage risk and support long-term value creation.

PC&E has its own sustainable investing policy, which sets out how sustainability factors are incorporated into its investment process. While the relevance and significance of specific sustainability-related considerations vary depending on the asset class, sector, geography and/or investment opportunity, the following section "ESG Integration throughout the investment life cycle" highlights the team's overall approach to incorporating sustainability into the investment process. Specifically, it cites where sustainability-related engagements and discussions with relevant stakeholders is likely to occur.

ESG INTEGRATION THROUGHOUT THE INVESTMENT LIFE CYCLE

In accordance with Morgan Stanley's Environmental and Social Risk Policy Statement, PC&E will engage the Environmental and Social Risk Management (ESRM) Team to conduct due diligence for specific sectors, viewed as potentially higher risk, employing expert consultants where necessary and as appropriate. Prior to due diligence, PC&E strategies may consider a company's sector profile, revenue segmentation, operational activities or sustainability-related profile during an initial assessment. For example, PC&E strategies that are classified as Article 8 & 9 funds in SFDR, such as the European Direct Lending or 1GT Fund(s), may apply additional sector or revenue-based exclusions.

PC&E engages directly with key stakeholders, including company management teams and other sponsors or investment partners where relevant, from the pre-investment phase onward. Given the limited availability of public disclosures in private markets, this dialogue is a critical source of insight into sustainability-related risks, opportunities and priority engagement areas. The following are examples of areas where PC&E strategies may engage relevant stakeholders prior to an investment:

- PC&E private equity strategies may engage directly with company management as part of the due diligence process. This engagement can include the review of company-specific documentation—such as materials describing products and services, organisational structure and governance arrangements—as well as the completion of sustainability-oriented questionnaires and assessments. Where appropriate, the due diligence process may also include site visits to further inform the team's understanding of the company's operations.
- Where MSIM participates as a limited partner, teams may engage directly with general partners as part of the due diligence process. Such engagement may include the

review of relevant policies, procedures and supporting documentation, as well as discussions regarding operational and sustainability-related considerations associated with a shared investment, where applicable.

- Where appropriate, legal due diligence is conducted in partnership with MSIM's legal department. This process involves engagement with relevant stakeholders to support compliance with applicable regulatory frameworks and to identify and assess potential exposure to long-term legal or regulatory liabilities.

Depending on the results of the pre-investment due diligence process, deal teams may take account of sustainability factors in their overall valuation of the company, deal structure and contract negotiations (for example see the EDL case study further below). Given that a strategy's ability to request and collect ESG data varies, each investment team will possess unique amounts of KPIs to consider during investment decision-making. Methods of integrating sustainability risks into investment opportunity valuations vary across strategies and asset classes. During the Investment Committee, deal teams will present investment rationale, which includes findings from due diligence, ESG analysis and scorecards for some specific strategies. The Investment Committee may recommend possible courses of action, where necessary.

Post-investment, investment teams continue to monitor sustainability performance and risks, where possible, with the aim of maximising investment value at exit. PC&E believes that sustainability-related standards and frameworks provide its investment teams with a mechanism to facilitate the linkage of financial considerations and environmental, social or governance-related factors and incidents. Deal teams collaborate with PC&E's centralised Sustainability Team to further develop their monitoring of sustainability-related risks, with particular emphasis on risks that may pose potential financial impacts to portfolio companies or investment partners.

Given that information rights and the ability to influence portfolio companies vary across PC&E strategies, the following are examples of how individual teams engage on sustainability-related topics:

Morgan Stanley Private Equity Solutions: 1GT Fund

Given the nature of the sustainable investment objective of the fund as described in Disclosure A of MSIM's Policy and Context Disclosure, the team seeks to establish itself as the 'lead sustainability investor' for each transaction in which the fund participates. Core to this designation is the role the team plays in adding value to portfolio companies through its engagement activity, providing advice, tools and additional resources that help advance progress toward the goals contained in a bespoke Sustainable Value Add (SVA) engagement plan.

The outcomes of diligence findings, materiality assessments, periodic data collection efforts and conversations with company management inform the contents of SVA action plans. The SVA is composed of three pillars:

- **Expansion and exit:** Leverage Morgan Stanley resources to support expansion, unlock sources of financing and position companies for future opportunities.
- **Sustainability/ESG:** Improve company ESG policies and structures while supporting sustainable growth.
- **Impact acceleration:** Position companies as impact leaders, provide access to new growth opportunities through impact measurement and accurately capture Scope 1-3 emissions data for ongoing decarbonisation.

Spotlight: PC&E's Use of Data and Technology to Drive ESG Monitoring and Engagement

Over the past 18 months, PC&E has implemented an AI-powered ESG risk surveillance tool to strengthen its ability to identify, monitor and assess business conduct and sustainability-related incidents reported in media and other public sources across its investments. The AI tool enables the timely detection of emerging sustainability-related risks, controversies or adverse events that may be relevant to a portfolio company, borrower, or investment partner. It thereby supports risk awareness and management practices across the platform.

When the AI tool flags a potential incident, relevant deal teams engage in dialogue with PC&E's Sustainability Team to evaluate the company's positioning in relation to the incident and to assess the potential implications for the investment. These discussions place particular emphasis on sustainability-related risks that could result in financial, operational or reputational impacts. To support this assessment and engagement process, the team leverages guidance from the Sustainability Accounting Standards Board (SASB). SASB provides access to industry-specific guidance on financially material sustainability topics, potential impact pathways and structured engagement considerations.

In 2025, PC&E further enhanced its customer relationship management systems to enable more efficient and consistent tracking of identified incidents, related engagement activities and associated outcomes, where applicable. These system enhancements allow for improved recordkeeping, documentation and aggregation of sustainability-related information across the PC&E platform. As a result, PC&E's Sustainability Team is able to highlight recurring themes, emerging risk trends and key considerations. Then they can be communicated to investment teams and other stakeholders involved in ongoing portfolio monitoring, oversight and decision-making.

Company-specific engagement activity tends to arise as a result of ESG due diligence findings and may relate to identified areas of improvement. As an Article 9 Fund, 1GT also seeks to mitigate any potential to cause significant harm across the 14 Principal Adverse Impact (PAI) indicators, as per SFDR. To that end, 1GT maintains its own materiality framework, where material sustainability-related risks and opportunities are assessed, scored and prioritised for additional review or engagement amidst the deal team's SVA efforts.

Engagement objectives are determined through a combination of 1GT-specific priorities and strategic company-specific considerations. Strategic engagement priorities include improving the disclosure of ESG-related data, including the PAIs, identifying decarbonisation levers to amplify the company's and Fund's avoided emissions and exploring ways a portfolio company can enhance workforce-related initiatives and performance.

European Direct Lending

Morgan Stanley European Direct Lending (EDL) strategy provides privately negotiated senior secured and subordinated financing solutions to European middle-market companies. The strategy supports businesses across a broad range of transformational events, including leveraged and management buyouts, acquisitions, growth financings, refinancings and recapitalisations.

As a lender and an Article 8 fund under SFDR, EDL's stewardship and engagement approach is primarily focused on prudent credit risk management, while seeking to protect and enhance creditor value over the life of each investment. The team recognises that sustainability-related factors can be indicative of operational resilience, downside and credit-related risks, and long-term value creation. EDL is committed to integrating and engaging on sustainability considerations throughout the investment lifecycle, from origination through ongoing portfolio monitoring.

Spotlight: 1GT Information Gathering

During the pre-investment phase, the 1GT Team undertakes an initial information-gathering exercise to better understand whether a prospective investment has the potential to contribute to the strategy's impact objectives. The exercise is also to identify areas that may warrant further analysis or engagement. Based on this initial assessment, opportunities that are determined to have limited potential to support 1GT impact are not progressed further in the investment process. In parallel, the team applies an exclusion list to screen out companies involved in activities, sectors or industries that are associated with elevated sustainability-related risks or that are fundamentally misaligned with the strategy's impact objectives.

For opportunities that advance beyond the initial screening and enter phase II, the 1GT Team conducts a more detailed sustainability data collection approach and assessment process. This includes the use of the team's proprietary Materiality Assessment questionnaire, which is designed to develop a deeper understanding of a company's ESG practices, risk exposures and impact characteristics. Principles of materiality guide the due diligence process, allowing the team to prioritise sustainability topics that are most relevant to the company's business model and most likely to inform future engagement priorities.

Insights gathered through the materiality assessment process are synthesised and documented in a dedicated section of the Investment Committee memorandum. This helps ensure that potential sustainability-related risks, opportunities and engagement considerations are clearly articulated as part of the investment decision-making process. Where an investment is approved, legal counsel seeks to secure appropriate rights related to the collection of sustainability-related data from the portfolio company. These data rights are intended to support ongoing monitoring and reporting, while also equipping the 1GT Team with the information necessary to identify, prioritise and pursue targeted engagement over the life of the investment.

As an illustrative example from 2025, 1GT invested in a provider of advanced battery energy storage and fuel-cell solutions that support electrification and emissions reduction across marine and industrial applications (the "Company"). The Company's products are designed to help customers respond to evolving regulatory, operational, and decarbonization requirements, particularly within the maritime sector. During the pre-investment phase, the investment team evaluated the Company's business model and product offering and determined that it was aligned with the team's climate objectives, given its role in enabling lower-carbon operations and supporting the energy transition in hard-to-abate end markets.

Prior to making an investment, the 1GT team conducted sustainability-focused due diligence across a range of factors to identify those that could be financially material to the Company. This assessment identified several areas of potential relevance, including Health & Safety, Data Security & Privacy, Business Continuity and Resilience, and Supply Chain Management.

Consistent with SASB's industry-specific research, Materials Sourcing and Supply Chain Management were identified as potentially "high-impact" areas for the Company, given its reliance on critical inputs and specialized suppliers that can directly influence cost of revenue and risk-adjusted cost of capital. As part of the pre-investment diligence process, the investment team reviewed the Company's supplier oversight practices and found that it maintains a formal supplier code of conduct and conducts supplier audits, with no identified human rights violations across its supply chain. According to SASB's guidance, these practices are considered financially material as they help mitigate the risk of supply disruption, regulatory non-compliance, and reputational harm that could otherwise result in increased input costs, production delays, or reduced access to customers with stringent sustainability-related procurement expectations or requirements. More broadly, robust supply-chain governance may also support earnings stability and reduce perceived operational and regulatory risk for capital providers over the medium to long term.

Engagement activities may involve a range of external stakeholders, including financial sponsors, investment banks, debt advisors, borrower management teams and other direct lenders. In addition, as part of Morgan Stanley, EDL may collaborate with internal stakeholders such as the Investment Banking Division, Capital Markets teams, Investment Management and Wealth Management, as appropriate.

The five-stage framework outlined below describes the team's approach to integrating ESG considerations across the investment life cycle. It highlights the points at which engagement and dialogue with relevant stakeholders described above are likely to occur in parallel:

1 ESG Investment Restrictions
Avoids sectors it views as having significant ESG risk, may consult internal Morgan Stanley experts on sustainability and screens out companies that breach UN Global Compact or ILO fundamental principles norms.

2 Preliminary ESG Screening
Uses a third-party AI ESG incident-surveillance tool—alongside the SASB Materiality Map and ELFA ESG scorecards—to identify company-specific concerns and understand sector-specific ESG risks.

3 ESG Due Diligence and Assessment
Gathers sponsor-provided ESG risk and management-practice information via diligence scorecards/questionnaires, calculates a composite proprietary ESG Score and escalates sub-threshold opportunities to the Investment Committee for potential rejection if downside risk is material.

4 Documentation and Execution
Leverages established private equity sponsor relationships to coordinate deal structuring, including sustainability-linked terms (e.g., margin ratchets and information undertakings) that provide ESG data access and incentives without undue administrative burden.

5 ESG Monitoring and Engagement
Conducts ongoing engagement and portfolio reviews informed by sponsors, collaborates with sponsors and co-lenders to address incidents or underperformance, and re-scores borrowers annually while targeting a minimum threshold across more than 75% of investments by the end of the investment period.

Spotlight: EDL Sustainability-linked Loan

In April 2025, European Direct Lending invested in a provider of advanced ultrasound-based asset integrity management technology, inspection services and protection and monitoring solutions (the "Company") through a combination of senior and junior secured facilities. As part of the financing, the term loan facilities were structured as a sustainability-linked loan. The pricing ratchet was tied to three sustainability-related KPIs that the investment teams, the Company's management and the financial sponsor jointly identified and selected during investment due diligence. This was with the objective of delivering tangible financial, operational and reputational benefits to the Company.

The sustainability-linked KPIs included:

- **Carbon Footprint Measurement and Reduction Planning:** The Company is required to measure its carbon footprint on an annual basis and to develop a formal carbon reduction action plan by the end of 2027. At underwriting, the Company was already tracking Scope 1, 2, and 3 emissions. In line with the Science Based Targets initiative, the Company intends to align its GHG emissions reduction targets with the objectives of the Paris Agreement. Under SASB's guidance, energy use and environmental externalities are identified as financially material for hardware companies due to their potential impact on operating costs, regulatory exposure and customer procurement requirements. From a lender's perspective, improved emissions measurement and reduction planning may support greater cost visibility, reduce exposure to energy price volatility and future carbon-related regulation and help protect operating margins and cash flow available for debt service over the life of the loan.
- **Enhancement of Cybersecurity Practices:** The Company is required to strengthen its internal cybersecurity framework, including the implementation and tracking of dedicated employee training and achieving minimum thresholds for endpoint detection and response (EDR) coverage and performance. MSPC identified the absence of a formal cybersecurity training program during due diligence. Given the sensitivity of the Company's end-customer activities, improving employee awareness and adopting a more proactive cybersecurity risk management approach were deemed critical. SASB identifies data security as a financially material risk for hardware companies due to the increasing connectivity of products and the integration of software and data-enabled solutions. From a credit perspective, cybersecurity incidents could result in operational disruption, loss of customer contracts, remediation costs and potential liabilities, all of which may negatively impact revenue stability and near-term liquidity. The KPI is therefore intended to mitigate downside risk and support the predictability of cash flows supporting debt service.
- **Strengthening of Governance Policies:** The Company is required to implement at least one new governance policy per year, up to a maximum of three, selected from: (i) employee code of conduct/code of ethics, (ii) supplier code of conduct, and (iii) corruption risk mapping and third-party evaluation procedures. MSPC's due diligence identified gaps in the Company's governance framework, particularly with respect to formal codes of conduct. The implementation of these policies is expected to enhance both operational effectiveness and reputational standing, internally and in dealings with external stakeholders.

Performance against the KPIs is assessed annually for the purposes of the sustainability-linked pricing mechanism.

Principle 2: Promoting Well-Functioning Markets

Overview

Identifying and responding to marketwide and systemic risks is a priority for MSIM. As a global asset manager, MSIM recognises the importance of promoting a well-functioning financial system and effectively managing marketwide and systemic risks including, but not limited to, macroeconomic, market, credit and currency risks as well as sustainability-related risks such as climate change, physical and transition risk and social and governance risks. As part of MSIM's approach to risk management, the investment teams work to mitigate and manage these risks to protect the long-term interests of clients where relevant to their investment strategies.

How MSIM Identifies Marketwide and Systemic Risks

MSIM's independent Global Risk & Analysis (GRA) Team performs ongoing monitoring for emerging geopolitical and financial risks in the market. The Market Risk Team identifies these risks at both the portfolio level and aggregate business line level. It assesses them using measurements such as exposure analysis, beta analysis and scenario analysis. The team assesses a business's greatest exposures to identified risks and the implied stress profit and loss across different hypothetical market-driven scenarios. Findings from this analysis are shared with the investment teams and management and escalated to the Investment Management Risk Committee (IMRC). It is a forum for representatives across different functional groups, to discuss key risk issues and make recommendations to manage those risks. The IMRC also discusses market trading volume and liquidity with portfolio managers and traders to assess potential trading disruptions and performs screenings for issuers that may sanctions may impact, working with partners across the Firm to mitigate these risks. The MSIM and Firm Risk committees oversee and assess risks that are escalated from the business and control functions. The relevant MSIM entity boards provide oversight and challenge on a number of marketwide and systemic risks from a legal entity perspective, which committees across the division assess and monitor.

A key role of GRA is to work to identify material risks and engage directly with portfolio managers across certain investment teams on potential risks and to escalate them during risk committee meetings, which include members of senior management. Periodic sustainability risk updates are also provided to the Morgan Stanley International Limited (MSI) Board Risk Committee.

Spotlight: MSIM's Global Risk & Analysis Market and Systemic Risk Analysis

From an emerging risks perspective, recent focus areas in 2025 for GRA have spanned a broad range of macroeconomic, geopolitical and climate-related risks. In macroeconomic risks, the team analysed developments such as U.S. fiscal pressures and potential economic slowdowns in China, using exposure screening and scenario analysis to gauge potential impacts. Geopolitical risk monitoring covered trade policy developments and conflict escalation in the Middle East, with tariff and stagflation scenario analyses and regional exposure screenings used to identify potential vulnerabilities during periods of heightened market volatility. Market concentration and potential overvaluation related to artificial intelligence and the Magnificent 7 (group of high-performing and influential companies in the U.S. stock market) were also reviewed using scenario analysis to evaluate potential downside risk. From a climate perspective, the team used exposure screenings to assess the impact of physical events, such as wildfires, supporting timely awareness of any heightened exposure.

CLIMATE CHANGE RISKS

Recognising that climate change is an economic reality and a growing risk to businesses and investors, MSIM seeks to develop analyses on climate change to provide its clients and other stakeholders with information that enables better investment decision-making and increases awareness of the financial impacts of climate change.

The impacts of climate change range in nature, severity and frequency, and therefore it is critical for financial institutions to understand how such impacts may affect their business and clients. The Firm Risk Management (FRM) team, in partnership with other areas of the Firm, continues to focus on identifying and managing risks related to climate change to limit their potential impact to Morgan Stanley.

The MSIM Risk Appetite Statement incorporates climate risk as a driver of existing risks in the overarching risk framework. Climate risk was specifically identified as a driver of strategic risk, arising from regional regulations and disclosure requirements related to sustainable investments, and a driver of reputational risk related to potential idiosyncratic events that could negatively impact MSIM's standing with clients and employees.

The risk committees across MSIM oversee, address and prioritise risks, including climate risks, while considering the Risk Appetite Statement and responding to emerging

Spotlight: Leveraging Morgan Stanley's Global Sustainability Office Expertise to Identify and Implement Climate Scenario Analysis

As mentioned in the MSIM Climate Report, the Global Sustainability Office (GSO) has developed long-term climate scenario narratives focusing on several proprietary scenarios and simulated impacts on numerous macroeconomic indicators out to 2050. GRA has used three scenarios that are aligned with narratives by the Network for Greening the Financial System (NGFS). These scenarios have been applied to the quantitative analysis performed over several, but not all, MSIM products. This has been developed and delivered independently of the investment teams.

These scenario outputs have been derived from a suite of models comprising an Integrated Assessment Model, which is a technique that certain industry standard bodies recommend, as well as macroeconomic and industrial models. The Integrated Assessment Model is then linked to more granular models to generate macro-financial and sector outputs across the different scenarios. These outputs include market variables, commodity prices, regional GDP, sector revenues and others. GRA uses these as inputs for quantifying the market shocks. These shocks are then constructed in risk management systems to calculate the stress profit and loss returns at the product and benchmark levels.

GRA uses these scenarios and runs product-level assessments for products across the business. The team assesses prospective portfolio returns and compares them with market benchmarks centrally, seeking to identify any potential areas to investigate further.

Spotlight: MSIM Sustainability Thought Leadership

The MSIM Sustainability Team has a unique vantage point to help assess sustainability-related risks and opportunities across MSIM, including horizon scanning and trend analysis. In 2025, the team published a thought leadership piece, "The Long View," which highlighted five key themes the team believes could potentially be of systemic significance. Recognising the way in which they will manifest for specific companies, countries or investment portfolios will be idiosyncratic, as will the timing and degree to which they may be financially material.

These five themes are:

1. Transition requires investment, not divestment: Progress toward a low-carbon economy depends on financing transition, not abandoning high-emission sectors. Investors should back companies transforming their business models with credible targets, capital expenditure and research & development in support of a clean energy future.
2. Diversity & inclusion is not tokenism, it is financially relevant: Identify companies focused on inclusive corporate cultures, as these firms position themselves for stronger problem-solving and more resilient financial returns.
3. Sustainable supply must be accompanied by reduced demand: Clean energy supply alone is not enough. Managing resource demand through circular models—reuse, recycling, regeneration—creates efficiency and value while protecting finite resources. Investors need to seek out companies pivoting their business models to ones that use less, use longer and allow for regeneration.
4. Investors are already exposed to nature, but it needs to be valued properly: Investors need to understand nature-related impacts and dependencies in portfolios and engage with investee companies to understand how they are managing them. Regulation and market participants are rapidly moving in this direction.
5. Climate resilience is an economic imperative: Climate disruption already affects various asset classes. Understanding the exposures of companies and portfolios to potential acute climate events is necessary to appropriately manage related risks.

To address this, the MSIM Sustainability Team has designed a range of analytical tools (see Disclosure B of MSIM's Policy and Context Disclosure for further information). They allow MSIM investment teams to interrogate the data on these five themes and beyond to evaluate how they could impact their investment theses, as needed.

MSIM aims to strategically continue to assess potential sustainability headwinds and tailwinds, innovate and iterate approaches to sustainability data and analytics and empower its investment teams to critically evaluate the long view when it comes to sustainable investing, as appropriate. This is to ultimately look further and see deeper to generate value for its clients.

For example, in the reporting period, the MSIM Sustainability team introduced biodiversity analytics in AlphaPort (one of the tools discussed in Disclosure B). Also in 2025, Risk.net's Risk Technology Awards recognised AlphaPort as the Best In House Climate Risk Initiative.**

** As of June 2025. The award was open to banks, insurers, asset managers and other market participants that have built proprietary risk technology for internal purposes and/or client use with substantial development within the past year.

regulatory developments and external events. MSIM has implemented systems, controls and procedures to identify, track and ultimately manage climate-related risks at security, portfolio and entity levels. The investment teams are the primary risk owners, identifying and managing these risks, alongside other risks, as an integrated part of their investment processes where relevant to their investment strategies.

Investment Team Approaches

Below are examples of approaches investment teams have adopted to identify and address marketwide and systemic risks.

INTERNATIONAL EQUITY

The IE team specifically focuses on factors with the potential to materially influence the sustainability of long-term returns on operating capital. The IE team identifies potentially financially material ESG risks and opportunities using its proprietary screening framework, the MRI, a tool designed to capture ESG company assessments in a consistent way that is comparable over time *(See Display 12)*.

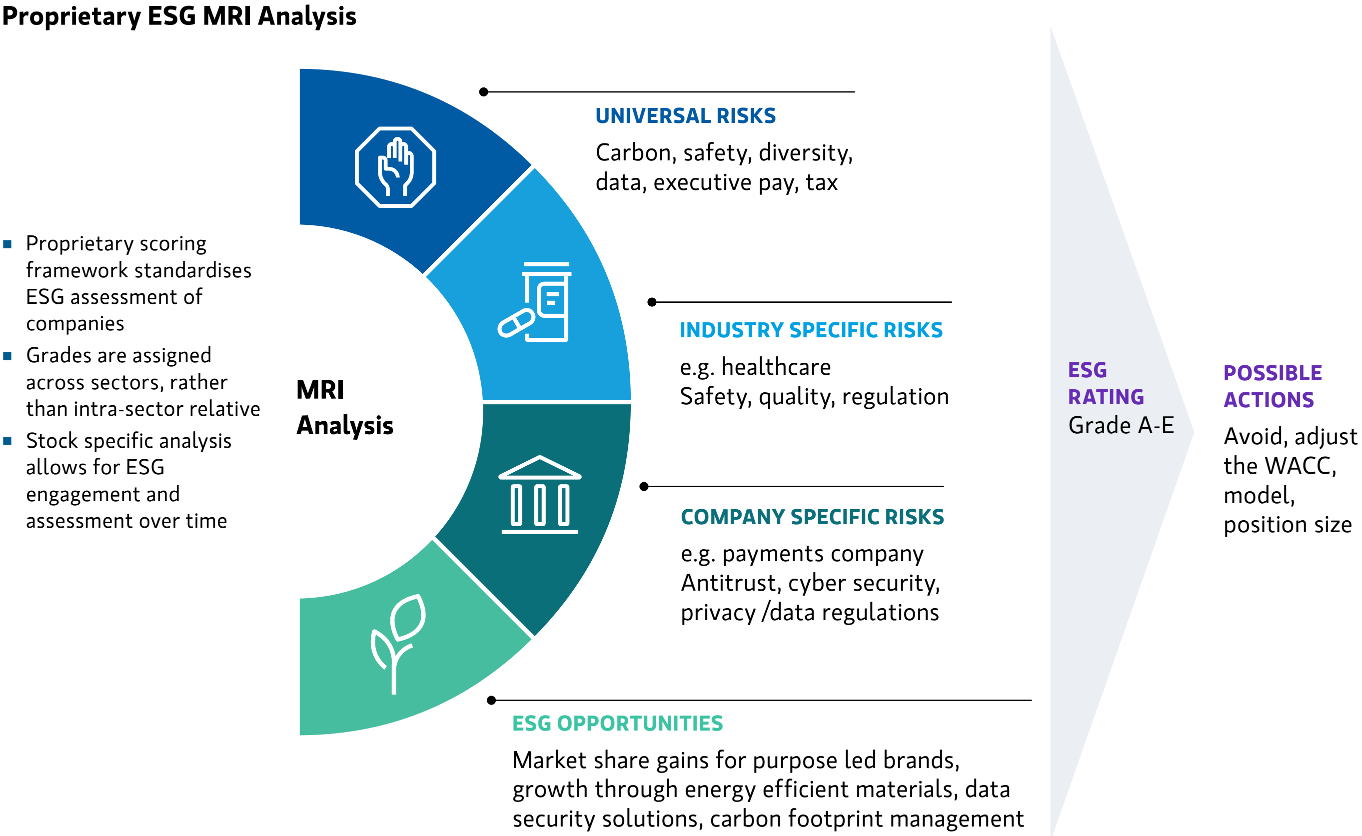
The team has identified six universal risks that must be assessed for portfolio companies as part of the MRI process. These risks are reviewed regularly and may change over time, if the team identifies other risks to be potentially financially material. The identified risks include climate change, governance, diversity and culture, safety, data security and privacy and tax.

These universal risks may also feed into the team's thematic engagements. These focus on material systemic or industry issues that are potentially financially material to the companies and sectors the team owns. As referenced in Principle 3, in 2025, the team engaged with companies on potentially financially material thematic risks and opportunities, including supply chain resilience, cybersecurity, physical climate risk and responsible AI.

Taking supply chain risk as an example, with geopolitical tensions threatening the cohesion of the global economy, building more resilient supply chains has become a strategic imperative. As the team discussed in its Global Equity Observer publication, "The age of strategic supply chains," understanding corporate supply chains remains essential. This is not only in the face of unresolved trade tensions, but also in anticipation of deeper, systemic shifts inthe global order. The team's case study in Principle 3 details how thematic engagement on this subject was carried out.

DISPLAY 12

Proprietary ESG MRI Analysis



DISPLAY 13

Case Study: IE Physical Risk Engagement

The issuer or stakeholder engaged	As part of a thematic engagement programme on physical climate risks, the International Equity Team engaged with a French wine and spirits group and an Italian spirits company held in some of its portfolios.
A summary of the issue(s)	Physical climate risks – such as shifting temperature patterns, water scarcity, and soil degradation – are emerging as potentially financially material considerations for global beverage producers. These risks are particularly pronounced for companies whose products depend on specific growing conditions, or terroir, where subtle environmental changes can affect quality, yields and brand integrity.
Engagement objectives	The objective of the engagement was to understand how physical climate risks may impact the companies' terroir-dependent product portfolio, and the steps they were taking to mitigate these risks. The engagements established that both companies are exposed to the physical effects of climate change through their reliance on terroir-sensitive crops. The French company has adopted a proactive and technically informed approach through regenerative agriculture. On a short-term horizon (three to five years), the team believes the company appears well-positioned to deepen its resilience efforts. However, it questions whether resource allocation will be sufficient to safeguard both product quality and brand equity as climate impacts intensify over a longer timeframe (10 to 20 years). The Italian company is still building its analytical foundation. It has not completed a comprehensive group-wide scenario analysis or quantified potential revenue impacts stemming from climate-related supply disruptions yet. During the engagement, the team encouraged the company to accelerate its climate scenario analysis and to enhance disclosures regarding input cost exposure, sourcing flexibility and long-term quality implications.
Participants	The investment team instigated the engagement as part of its thematic engagement programme. Members of the investment team met with the Chief Sustainability Officer of the French company, and the Sustainability Manager and a member of the Italian company's investor relations team.
Progress of the dialogue	The team continues to monitor the subjects they discussed with the company.
Outcome of the engagement	While the knowledge gathered during the engagements had no immediate impact on the investment thesis for the companies, it did determine the focus for future engagements. It showed how each company translates climate awareness into measurable risk management outcomes. Both companies are balancing the costs of adaptation against the imperative to preserve brand quality and long-term competitiveness.

COUNTERPOINT GLOBAL

Counterpoint Global is an active fundamental investor. The team believe the biggest risks are unexpected macro shocks, or market rotation in and out of sectors, when fundamentals are less relevant in the short term.

Counterpoint Global manages portfolios that are well diversified to control risk at the portfolio level. The team considers both company-specific and portfolio risk in construction and implementation decisions. The team manages these potential risks through rigorous analysis of business fundamentals, and the evaluation of an investment's risk and reward based on free cash flow yield, optionality and end game. For example, this could include assessment for potential loss in value of an investment due to increasing competition, business mismanagement or financial insolvency. The team's research, engagement, collaboration and proprietary tools allow it to estimate a company's efficiency gains when adopting automation technology. It also assesses how that surplus may be distributed among customers, shareholders and suppliers, helping support the investment decision making process.

Spotlight: AI Beneficiaries: Investing in Second-Order Effects

Most recently at Counterpoint Global, the team has been researching the effect that AI and automation may have on the business landscape and society. This includes the beneficiaries of the second-order effects of these technologies. Counterpoint Global's disruptive changes, sustainability and consilient researchers work alongside the team's sector experts to apply proprietary tools and insights to inform decision-making and support long-term client outcomes. The team also works to foster a broad dialogue on human capital management strategies with its portfolio companies, clients and other collaborators.

The team uses information from engagements and a proprietary tool that combines research from academia to estimate which roles have the highest probability of automation. While certain roles are likely to be augmented with technology rather than replaced, technology is expected to take a greater share of tasks from humans. The team's proprietary tool enables the team to estimate post-automation employee costs and the economic surplus that reducing labour expenses might create. Furthermore, the team uses the Value Stick, a framework that Harvard Business School Professor Felix Oberholzer-Gee popularised to understand how economic surplus is allocated among stakeholders. This tool examines the interactions between customers, suppliers and shareholders to provide a structured approach to analyse value creation and distribution.

GLOBAL OPPORTUNITY

For Global Opportunity, risk management is an integral part of the team's investment process. Global Opportunity attempts to avoid permanent loss, which it defines as selling a position at a loss, by buying high quality businesses and the team considers the risks inherent in each portfolio position.

The investment team believes that idiosyncratic risk can be reduced by addressing what matters at the company level:

- Valuation risk is mitigated by not paying a price that exceeds the team's estimate of value.
- Sustainability risk is mitigated by analysing the threat of disruption, financial strength and environmental and social externalities and governance.
- Fundamentals risk is mitigated by analysing the threat of deteriorating competitive advantage and growth opportunities.

Portfolio risks are mitigated by reducing correlated factor exposures with the support of monthly reports from the Portfolio Attribution and Risk teams. Market and principal risks are measured at the portfolio level by monitoring portfolio volatility attributed to movements in the market and determining the impact of a realised loss on the total portfolio. The investment team manages this risk through the diversification of investments. Global Opportunity is responsible for risk management within the strategy, with ultimate responsibility lying with the Head of Global Opportunity and supported by the GRA team.

The Global Opportunity HELP & ACT framework employs a holistic approach to integration within company quality assessments by analysing potential impacts to humanity's health, environment, liberty and productivity and corporate governance measures to ensure agency, culture and trust. HELP & ACT is designed to reduce complexity of analysis by distilling a multitude of potential sustainability criteria to the material factors that may condition a company's ability to sustain competitive advantage over the long-term (see Principle 1 or the team's annual Sustainability Update. for more information).

The team focuses on bottom-up stock selection and the long-term outlook for companies owned in the portfolio. Global Opportunity assesses company prospects over a five- to ten-year time horizon and owns a portfolio of what the team believes are high quality companies with diverse business drivers not tied to any particular market environment.

EMERGING MARKETS EQUITY

The EME Team bases its investment philosophy on proprietary research that shows how both country-level and stock-specific factors can drive risks and returns in emerging markets.

MACROECONOMIC RISKS

EME's dedicated macro-thematic team conducts original research on issues like economic growth, credit penetration levels and currency valuations. At the country level, the EME team seeks to understand the environmental, macroeconomic, social and governance drivers that may affect a country's growth pathway, pose policy risks, may impact company earnings or affect the investment case for an industry or company.

GOVERNANCE RISKS

A key criterion of the EME Team's philosophy in investing is strong governance, both at management and the board levels. As long-term investors, it is imperative that they understand management's strategic goals and key targets. As responsible managers, the team actively examines and votes its proxies. Voting represents the direct participation of shareholders in the overall governance of a corporation and offers shareholders a voice on important issues, such as director independence and executive compensation.

ENVIRONMENTAL RISKS

The EME Team analyses the emissions of its portfolio companies and seeks to understand the implications for corporate strategy, competitive positioning, contingent risk and potentially incremental market opportunities. The EME Team engages with companies on their GHG disclosures (including Scope 3), and if there is a strategy for decarbonisation, how they plan to achieve it, and whether their targets are reasonable and achievable. The EME Team encourages companies to set more short- to mid-term quantifiable targets to effectively measure and evaluate their progress toward their long-term goals. The EME Team focuses on companies from high-emitting sectors, given that these companies tend to face more public scrutiny and higher regulatory risks. The team's research and engagement approach is done on a company-by-company basis, taking into account that each company has differentiated levers and pathways for emissions reduction.

In addition to carbon emissions, the team also seeks to understand the other environmental risks including, but not limited to, raw material sourcing, supply chain sensitivities, other relevant emissions (process gases) and exposure to materials sensitive to environmental regulations.

SOCIAL RISKS

Accidents and injuries in the workplace are principal risks that the EME Team pays close attention to, particularly in heavy industries in emerging markets. Not only are accidents and injuries detrimental to victims and their families, but they also speak to the broader culture of a company generally. They can have consequences including loss of labour, reputational damage, tighter regulations and fines and loss of social license to operate. For now, social factors remain difficult to materially quantify and therefore remain an engagement topic for the team. The EME Team incorporates human rights through their engagements on labour conditions, workplace health and safety and potential social externalities.

The team has observed a rise in regulatory interventions directed to enhance transparency and reporting in supply chains. The EU is at the forefront of this movement, introducing mandatory supply chain disclosure and due diligence. Implementing these requirements can be complex, as they put the burden of disclosure on companies, a practice unfamiliar to many EM suppliers. Many of these companies have never assessed the risks in their supply chains, or considered their broader, more localised impacts. The team anticipates that companies leading the way in supply chain sustainability and transparency could gain a competitive edge relative to peers and potentially increase market share.

Spotlight: Big Picture and Key Themes

In 2025, Jitania Kandhari, Deputy CIO of the Solutions & Multi Asset Group, Head of Macro & Thematic Research of Emerging Markets Equity and Lead Portfolio Manager of Passport Equity, authored an insight paper considered how the confluence of geopolitical, economic and generational shifts will impact markets.

Global trade and capital flows are evolving. The U.S. champions a "China Plus One" strategy to diversify supply chains, while Beijing counters with its own "U.S. Plus One" approach. This geopolitical tug-of-war will create clear winners and losers. And the competition extends beyond our planet, as space emerges as the next commercial frontier.

Meanwhile, back on earth, demographic and generational shifts are reshaping economies and consumption patterns. Ageing populations drive demand for specialised infrastructure and services, while Millennials and Gen Z exert their purchasing power through digital connectivity and a dopamine drive. For these younger generations, joy is just a click away.

FIXED INCOME

The investment teams in the Fixed Income organisation construct durable portfolios so that they are not forced to sell at distressed prices. This could happen when systemic risk events bring on extremely illiquid periods in the market. Systemic risk is extremely difficult to hedge and anticipate as it impacts the structure of the market. Therefore, the teams adopt the structure of a portfolio as a first line of defence, taking account of factors such as diversification, position sizing, minimising correlation risk and liquidity.

The team has sought to respond to marketwide and systemic risks as follows:

- **Macro:** Portfolio managers in the Fixed Income organisation assess and monitor macroeconomic risks through in-house research and proprietary models. Macro specialists combine a suite of quantitative tools with in-depth fundamental analysis to define the macroeconomic backdrop against which the team is investing. This helps portfolio managers to establish overall market view, duration, curve and FX positions.
- **Stress Test and Scenario Analysis:** The independent Risk Management Team highlights systemic risk events via stress tests and scenario analysis conducted across portfolios. As noted earlier in Principle 2, the GRA team in MSIM conducts climate scenario analysis at the portfolio level. They also work in conjunction with climate risk subject-matter experts in the Firm to develop climate risk analysis capabilities and in-house scenarios.
- **ESG Integration:** The Fixed Income organisation recognises that exposure to sustainability risks such as climate change, product safety issues and corporate governance mismanagement poses systemic risk to portfolio management. For example, the Broad Markets Fixed Income Investment Team decided to maintain an underweight in the water utility sector of a European jurisdiction because of a multitude of operational issues related to leakages, sewage spills, water and wastewater management inefficiencies. Such issues drastically affect the ability of the sector to provide water services to customers and ensure the stability of the region's water resources and increase exposure to regulatory risk. As a result of record fines and negative news flow across multiple companies in the sector, spreads on their bonds widened, and the team's underweight contributed to preserving portfolio returns. At the same time, the team engaged with some of the companies to set out expectations on the improvement of those issues.
- **Enhanced Transparency and Disclosure:** The team has continued to leverage its access to smaller, privately owned, high-yield companies to encourage the adoption of market best practices on fair customer treatment,

transparency and control systems around data privacy and security, and sustainability-related disclosure. Issues of transparency and disclosure can translate into product safety, social, governance and systemic risk in industries such as private debt collection, given that financial and consumer protection authorities heavily regulate this business activity. The appointment of a senior research analyst in the High Yield Investment Team to the European Leveraged Finance Association as Disclosure and Transparency Committee co-chair helps to address this risk.

- **Sovereign Engagement:** Market-wide risks can be generated at the country level. The Fixed Income organisation therefore continues to actively engage with governments and policymakers of sovereign bond-issuing countries, across developed and emerging markets. They seek to promote robust institutions, political stability and progress on sustainable development commitments.
- **Technological:** While AI is a productivity opportunity, it can raise governance, workforce and litigation risks. The team realises that AI-driven capital investment may reach record highs over the coming years, driving investment opportunities and funding needs for semi-conductors, data centres and utilities. However, the team believes integration risk is material: the pace of deployment raises governance and cyber concerns, while high upfront capex may make return visibility less certain. The team recognises the importance of better understanding and mitigating risks related to cybersecurity and responsible AI practices. As a result, they conducted governance-focused engagements on these topics during the reporting year.

As part of the team's membership in the International Capital Market Association (ICMA) and in the Green and Social Bond Principles (GBP/SBP), and through participation in several of their working groups, the Fixed Income organisation continues to contribute to the development of best practices in the sustainable finance market. The team's proprietary Sustainable Bond Evaluation Framework takes into account the ICMA GBP/SBP as well as other industry guidelines as part of the rigorous assessment of labelled transactions. It aims to hold issuers accountable to high standards and to minimise the risk of greenwashing and loss of market confidence in these products.

Spotlight: Fixed Income Team Governance-focused Engagements on Cybersecurity

The Fixed Income organisation has conducted governance-focused engagements on cybersecurity practices and responsible artificial intelligence practices, to better understand and mitigate this risk. For example, the High Yield Team engaged with customers of a software company, which had faced structural underinvestment in its technology and cybersecurity, and had faced a data breach. The engagement highlighted that customers were moving away from the company due to outdated technology. Subsequently, the team sold the company from multiple high-yield accounts, and the company faced several lawsuits which caused the bond's price to move.

MORGAN STANLEY REAL ESTATE INVESTING

Spotlight: MSREI U.S. Sustainability Real Estate Summit

As part of ongoing engagement and stewardship activities, MSREI convened its second U.S. Sustainability Real Estate Summit in 2025. The Summit brought together a range of internal and external stakeholders, including asset managers, property managers and other industry participants, to facilitate dialogue and collaboration on sustainability-related topics. The Summit was designed to support sustainability insights sharing, encourage alignment on priorities and promote the exchange of best practices.

The agenda focused on MSREI's sustainability strategy and priorities, asset-level value creation, data-driven decision-making and developments in the U.S. sustainability regulatory landscape. Through this engagement, MSREI sought to enhance understanding of material sustainability considerations across the real estate investment lifecycle, strengthen collaboration with partners and property managers and to foster a unified sustainability approach. The Summit forms part of MSREI's broader approach to integrating sustainability considerations into investment and asset management practices, where relevant and appropriate, while recognising that implementation may vary due to nuances in asset class and region.

Stakeholder Collaboration to Promote Continued Improvement of Functioning of Financial Markets

MSIM maintains memberships and affiliations with organisations that help encourage the adoption of consistent and clear industry standards and serve to reinforce MSIM stewardship and sustainability priorities. MSIM also dedicates time and effort to collaborating with peers to address systemic risks and advance the industry's role in promoting sustainability as a key investment theme, as appropriate. MSIM does so through its active participation in various industry bodies and forums.

MSIM participates in various industry working groups and committees, contributing to discussions to develop common market practices, and sharing views and learnings to support the development of policy initiatives in a meaningful and impactful manner. In this regard, MSIM has actively contributed to regulatory consultations such as the SFDR, aimed at increasing the transparency of how investment managers integrate sustainability issues and risks into their investment decision-making process.

MSIM may also participate in or lead investor initiatives to achieve various objectives such as: accessing a broader range of subject matter expertise (academic, industry, non-governmental organisation); undertaking policy engagement; addressing systemic issues; enhancing MSIM's industry knowledge and sharing best practices; or acting as the voice of MSIM's clients on issues relevant to them.

Specific examples of activities undertaken in 2025 are provided below, and a list of external stewardship and sustainability-related initiatives and organisations MSIM participates in is available in the appendix.

INTERNATIONAL CAPITAL MARKETS ASSOCIATION (ICMA)

The Fixed Income organisation takes part in multiple ICMA working groups under the Green, Social and Sustainability-Linked Bond Principles, including those on sustainability-linked bonds, and impact reporting.

Over the reporting period, representatives from the Fixed Income organisation participated in the impact reporting for use of proceeds (UoP) bonds working group, and the sustainability-linked bonds working group of ICMA. The sustainability-linked bond working group updated the illustrative KPI registry in 2025, including additional KPIs for sovereign issuers, and amended the definition of secondary KPIs.

EUROPEAN LEVERAGED FINANCE ASSOCIATION (ELFA)

The Fixed Income organisation joined ELFA as a member in 2021, and through its High Yield Investment Team helps promote sustainability awareness and best-practice reporting among high-yield bond issuers.

In 2024, a senior research analyst in the High Yield Investment Team was appointed Disclosure and Transparency Committee co-chair, tasked with improving the quality of disclosures in the high yield space. The committee works closely with ELFA's ESG committee, with the aim of improving issuer governance and reporting practices. Over the course of 2025, publications linked to the Disclosure & Transparency Committee from ELFA included best practices guidance for co-operation agreements in Europe, and a statement regarding risks to bondholder co-operation agreements from 'non-boycott' clauses.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

MSIM is a member of the IFRS International Sustainability Standards Board (ISSB) Investor Advisory Group (IIAG). This group brings asset managers and owners together to support the development of corporate sustainability reporting standards that provide materially relevant and useful information for investors. In 2025, MSIM attended quarterly IIAG meetings, participated in discussions and provided feedback on ISSB priorities and proposals.

INVESTMENT COMPANY INSTITUTE (ICI)

In January 2025, the ICI executive committee met to discuss intensifying challenges facing the investment management industry, including state-level regulatory initiatives, increasing litigation and persistent misconceptions about how asset managers vote proxies and engage with issuers. In response, ICI established a working group of leading asset managers in May 2025 (including MSIM) to coordinate industry positioning and support more effective engagement with policymakers.

The working group's objectives are to help shape the regulatory dialogue on proxy voting and to articulate common industry practices. The working group is also aligning messaging on shared approaches to shareholder proposals, the proxy voting responsibilities of advisers and funds and the role and use of proxy advisors.

PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI)

MSIM has been a signatory to the PRI since 2013. The PRI works with its international network of signatories to put the six principles for responsible investment into practice. Its goals are to understand the investment implications of environmental, social and governance issues and to support signatories in integrating these issues into investment and ownership decisions. A number of MSIM investment teams leverage the PRI's resources on stewardship. A few examples from 2025 are noted below.

Spotlight: Private Infrastructure

Morgan Stanley Infrastructure Partners (MSIP) aims to engage with key external stakeholders to understand best practice and trends in sustainability, where applicable and relevant to MSIP's business.

In 2023, MSIP participated in the GRESB infrastructure net zero working group, which supported an independent review of existing net zero frameworks and methodologies to improve understanding of potential approaches.

MSIP also joined the PRI Infrastructure Advisory Committee (IAC), which helps identify and understand different approaches to responsible investment in infrastructure.

In 2024 and 2025, MSIP participated in the PRI IAC physical risk working group, which is aimed at supporting investors to better understand their potential exposure to physical climate risks.

DISPLAY 14

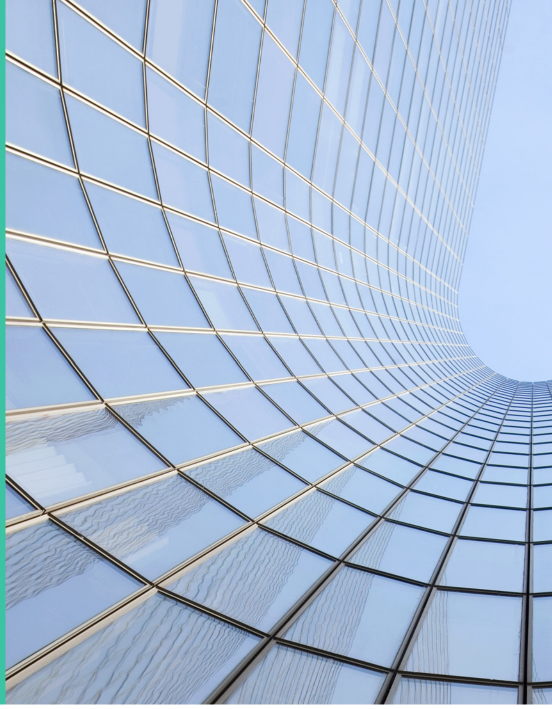
Case Study: Fixed Income's Participation in the PRI Collaborative Sovereign Engagement on Climate Change

Issuer or Stakeholder Engaged	The MSIM Fixed Income Team engaged with stakeholders in the Australian government, as part of the PRI collaborative sovereign engagement initiative.
Summary of the Issue(s)	The purpose of the engagement was to encourage action toward meeting its Paris Agreement goals. Regular touchpoints with government representatives have provided the team with insight into the country's development of a scientifically-backed emissions reduction target and sector specific decarbonisation efforts. The team has conducted ongoing dialogue with various Australian government representatives over 2024 and 2025 on multiple issues, primarily on the environmental front, feedback on nationally determined contributions (NDC) implementation, as well as their inaugural sustainable bond framework. NDCs are a critical framework for guiding national climate ambition and can act as key signals for private investment; with implementation detail, feasibility and governance clarity being essential factors for investors to allocate capital. The meeting in 2025 occurred ahead of the sovereign's forthcoming sectoral plans to achieve their NDC, offering a critical opportunity to signal expectations at a formative stage.
Engagement Objectives	Across the engagement, the team aimed to: ▪ Outline what investors need to treat NDCs as investable signals: sectoral pathways, planning assumptions and governance mechanisms. Encourage the government to clarify investment needs or frameworks to investors, to better mobilise capital needed to achieve its goals under the Paris Agreement ▪ Emphasise the importance of a credible institutional architecture, including clarity on responsibility, resourcing and sufficient engagement ▪ Highlight the relevance of enhanced governance and transparency in areas such as the transition from fossil fuels ▪ Support the government in shaping a climate strategy that aligns long-term climate ambition with national investment needs
Participants	The engagement was conducted through the PRI's sovereign engagement platform. Investor participants could collectively engage with sovereigns to mitigate climate risks and capitalise on potential opportunities. The MSIM Fixed Income ESG specialist participated. Officials representing departments across trade, investment, climate and energy policy stood in for the sovereign.
About Collaborative Engagement	A collaborative approach was essential due to: ▪ The systemic and cross-border nature of sovereign climate risk ▪ The need for consistent investor expectations on NDC ambition and implementation ▪ The ability of a broad investor coalition to provide stronger, unified guidance to policymakers The Fixed Income Team's contribution emphasised implementation feasibility, institutional infrastructure and enhanced governance procedures
Progress of the Dialogue	The engagement remains ongoing. As mentioned, discussion focused on the elements that enhance the credibility and investability of an NDC, including sector specific pathways, clear targets, transparent planning assumptions and a national investment plan. The team highlighted that transparency, granularity and quality of disclosure, ambition and feasibility and coherence and consistency can demonstrate investment credibility. The team also emphasised that investors require visibility on how the transition away from fossil fuels will be managed, including milestones and governance mechanisms. As the sovereign prepares to release sectoral plans underpinning its NDC, this engagement provided a timely opportunity to shape expectations before decisions are finalised. It also laid the foundation for an ongoing relationship, enabling continued dialogue as the government progresses through its NDC.
Outcome of the Engagement	Government representatives were receptive and acknowledged the importance of strengthening implementation planning to enhance credibility, noting that their departments play a key role in delivering effective implementation than setting ambition. The team recommended the sovereign build out the institutional infrastructure necessary to support delivery—ensuring appropriate resources and accountability mechanisms. In Q4 2025, the country published its NDC Investment Blueprint demonstrating concrete progress and clearer investment guidance, strongly aligned with the objective of this collaborative engagement. Australia also published its sector-specific emissions targets, offering greater accountability and direction for climate action. The engagement resulted in positive momentum, affirming that the sovereign is moving toward a more actionable and investor aligned climate strategy, and the team aims to continue to monitor the issuer's progress in implementing their NDC.

CERES PRIVATE EQUITY WORKING GROUP

The PC&E business is a member of Ceres' private equity working group. This group facilitates sessions that provide GPs and LPs with the latest climate-centric and sustainable investment practices, policies, frameworks and tools to assess, manage and mitigate finically material ESG and climate risks; adopt investment practices in alignment with the Net Zero Investment Framework; provide guidance on aligning environmental and social impacts of investments to support sustainable development and develop and implement investor climate action plans.

Principle 3: Engagement



Engagement Approach

MSIM is the steward of its clients' capital. MSIM believes this is best achieved through a decentralised approach toward investment management. This gives its public and private markets investment teams the autonomy to make informed, independent decisions based on their expertise and local market insights. As part of this responsibility, MSIM's investment teams may seek to engage[20] with selected entities they invest in, when such engagement is considered to be potentially financially material to the companies or the team's investment strategies.

Engagement gives investment teams the opportunity to seek information and help guide companies in which they invest toward better practices. They believe this may contribute to reducing risks or improving opportunities, ultimately producing attractive returns for their clients over the long-term. MSIM's investment teams are responsible for setting engagement objectives, where relevant, and determining the appropriate engagement methods depending on asset class, geography, investment style and strategy.[21]

Details around process, methods and approach to collaborative engagement are available in [MSIM's Engagement Approach.]

Monitoring Issuers

MSIM's investment teams are responsible for monitoring the performance of issuers throughout the investment process. The extent and frequency of monitoring varies across investment teams and is dependent on various factors, including the investment strategy and the size of interest held.

Some investment teams actively evaluate company fundamentals, financials and management to monitor at the stock level. Others approach portfolio construction using a top-down, macro approach to strategic asset allocation and undertake thematic engagements with select companies across the portfolio, as needed. Investment teams may take different approaches depending on asset class and type of security, and particular issues may be deemed more material for issuers in certain geographies.

Monitoring of issuers may include, but is not limited to:

- Reviewing and analysing relevant publicly published information from the issuer. This may include an issuer's quarterly financials, earnings calls, general company reporting and other relevant disclosures.
- Developing proprietary quantitative models to forecast performance, leveraging third-party data services.
- Conducting proprietary analysis and reviewing external research.
- Attending company presentations and analyst conferences.
- Engaging directly with companies where appropriate. This can include in-person meetings, conference calls and email correspondence with company executives and board members.
- Ongoing monitoring of external events that may impact company performance (for example, regulatory changes, news events).

[20] MSIM's engagement activities do not seek to change or influence the control of an issuer. MSIM's proxy voting decisions are not solely conditioned upon any particular company engagement. In addition, MSIM engages with companies for pecuniary reasons unless a client or product instructs otherwise.

[21] Certain investment teams may not conduct engagements where they have determined it is not currently feasible or appropriate to do so.

These monitoring activities can support ongoing identification of engagement targets and topics across the investment teams' portfolios.

Investment Team Approaches to Engagement

MSIM's investment teams are responsible for setting engagement objectives, where relevant, and determining the appropriate engagement methods depending on asset class, geography, investment style and strategy. The following examples demonstrate the different approaches of some of MSIM's investment teams.

High Conviction Equities

INTERNATIONAL EQUITY

The investment team is responsible for engaging directly with companies. As active managers running concentrated portfolios with a long-term investment horizon, the team believes it is well positioned to engage with management on potentially financially material topics, including ESG-related topics. A key characteristic of a compounder relates to the quality and focus of its management. Engaging with management is a valuable part of the team's research process. Franchise or brand abuse is an important consideration. It is also important that the temptation to meet short-term targets does not distract management from the long-term task of building and improving the company's intangible assets. Cuts to advertising and promotion or research and development budgets, either in absolute terms or as a percentage of sales, can have long-term negative consequences to franchise strength and brand recognition. Compounders enjoy sustainably high returns on operating capital employed, typically generated by a combination of recurring revenues, high gross margins and low capital intensity. This supports strong free cash flow generation, which the team wants to see management reinvest at high rates of return or distributed to shareholders.

The team's investment process is focused on understanding the long-term viability of a company's returns on operating capital, and engagement plays a vital role in this. It is an input in helping the team understand whether management can maintain returns while growing the business over the long term. Dialogue with companies on engagement topics can be prolonged and require multiple engagements. As shareholders with an owner's mindset, the team's engagement approach is aligned to its long-term investment horizon. The team's approach is principally stock specific, reflecting its bottom-up investment process.

In some cases, the team may also apply a thematic approach should it believe it is beneficial to engage with several companies on one topic. In 2025, the team engaged with companies on potentially financially material thematic risks and opportunities including supply chain resilience, cybersecurity, physical climate risk and responsible AI.

The team may occasionally choose to engage collaboratively on potentially financially material issues with select partners whose approach is complementary to the team's own and where a collective voice may be helpful. However, it is rare for the team to participate in collaborative initiatives due to its own access to companies and ongoing dialogue in general.

The method of engagement is usually determined on a case-by-case basis, depending on the topic and the timeframe. Engaging with companies can be an ongoing process, often requiring multiple interactions. Initial engagements may focus on fact-finding, building an understanding of the company's approach to a particular issue, and understanding the measures and policies already in place. This is often done through discussions with the company's sustainability and investor relations teams. If the team requires more information, it generally has good access to company senior executives and will engage directly with them where relevant and possible.

Progress may be monitored through additional virtual or face-to-face meetings, telephone calls or email correspondence. If the team does not see any progress, it may consider appropriate escalation. Given the high-quality nature of the team's companies, the regular cadence of its engagements and its position as a long-term active owner, the need for escalation is generally limited. However, if a company does not respond sufficiently to engagement, raising concerns with the company CEO is one form of escalation the team may use.

If, after regular engagement, voting and ongoing monitoring, the team believes that the company is not taking adequate steps, the team may choose to take investment actions which ultimately could include divestment. The team would consider a range of factors in making such a decision; ESG considerations alone are unlikely to be the sole reason for an investment decision.

DISPLAY 15

Case Study 1 – International Equity

The Issuer or Stakeholder Engaged	As part of a thematic engagement programme on responsible AI, the IE Team engaged with companies held in its portfolios. These were an animal health care company, a music company, a multinational electronics conglomerate and a credit agency.
A Summary of the Issue(s)	AI is reshaping business models across sectors, from health care and financial services to digital content and entertainment. While AI may bring meaningful opportunities to improve efficiency, product innovation and customer experience, it also raises questions around transparency, data governance, regulatory compliance and long-term value protection. All of this could pose potentially financially material risks to companies. The IE team's engagements illustrated how responsible AI considerations vary across sectors, and why robust oversight, disclosure and long-term planning are becoming increasingly important.
Engagement Objectives	The objective of the engagement series was to better understand how the companies were addressing potential AI risks. An example of one such engagement is provided. The team engaged with a credit bureau it holds. During the engagement, the company emphasised that generative AI is not used in lending decisions, a critical point given the regulatory sensitivity of credit assessments. The company described a structured internal approach to AI oversight across both business-to-consumer (B2C) and business-to-business operations, focusing on transparency, fairness and data protection. With the emerging EU AI Act and tightening global standards, the company's governance approach is increasingly relevant. The engagement explored how the company's internal AI governance aligns with upcoming regulatory frameworks and how its responsible-AI principles support product development, particularly in personalisation tools. The team assessed how the company balances innovation with safeguards that protect customer data and prevent unintended bias.
Participants	The investment team instigated the engagement as part of its thematic engagement programme; members of the investment team attended, meeting with the company's Chief Sustainability Officer and Investor Relations.
Progress of the Dialogue	Monitoring of the subject discussed with the company continues.
Outcome of the Engagement	The engagement provided the team with reassurance that the company's responsible AI architecture is mature, well-resourced and aligned with regulatory expectations. It strengthened the team's confidence in the company's B2C strategy, particularly its contribution to financial inclusion through accurate, ethically governed data tools. Continued transparency will remain an important area of monitoring as new regulations crystallise. The team continued to hold the company in its portfolios.

DISPLAY 16

Case Study 2 – International Equity

The Issuer or Stakeholder Engaged	As part of a thematic engagement on supply chain resilience, the IE Team engaged with semiconductor companies held in its portfolios.
A Summary of the Issue(s)	The semiconductor value chain remains a complex and globally interdependent manufacturing ecosystems. Recent geopolitical tensions, export controls, energy constraints, and post-pandemic logistics shocks have reinforced the need for robust, regionally diversified and technologically resilient supply chains.
Engagement Objectives	Against this backdrop, the team engaged to assess how leading companies are navigating these pressures. For example, one company the team engaged on this topic is navigating geopolitical risk, tariff exposure and shifting customer behaviour—particularly in automotive and industrial markets. The team engaged to evaluate how the company balances in-house manufacturing, outsourced production and regional diversification to maintain supply continuity. The company conducts a majority of production in-house, retaining power and sensor component manufacturing to protect intellectual property and maintain differentiation. Outsourced production is concentrated in connectivity chips and mature technologies. The company's fabrication plants in Europe and Asia provide meaningful operational redundancy. While concentration risks persist in some outsourced components, the company is participating in collaborative European initiatives to strengthen regional capacity for automotive and industrial chips
Participants	The investment team instigated the engagement as part of its thematic engagement programme. Members of the investment team met with one of the company's procurement specialists and its ESG IR lead.
Progress of the Dialogue	Monitoring of the subjects discussed with the company continues.
Outcome of the Engagement	While geopolitical uncertainties remain, the team believes that the company appears well-positioned through balanced sourcing, cautious capex allocation and alignment with regional industrial-policy initiatives. This was a constructive and informative engagement that did not materially change the team's investment rationale.

DISPLAY 17

Case Study 3 – International Equity

The Issuer or Stakeholder Engaged	Given the increasing risk and relevance of cybersecurity for companies in the IE Team's portfolios, and the potentially financially material consequences of a cyber-attack, the team conducted a thematic engagement programme to better understand how companies are managing the risk.
A Summary of the Issue(s)	Data security and privacy is a commonly identified risk when the team completes MRIs for companies in its portfolios. The risk is increasing as the severity and frequency of cyberattacks are on the rise. While companies need to focus on protecting themselves from this wave of attacks, no system is infallible. Breaches are inevitable, which means reducing the potential impact of a successful attack is equally as important as preventing them in the first place.
Engagement Objectives	As part of the team's thematic engagement programme on the subject, it engaged with an information and analytics company it holds to understand its attempts to mitigate cyberattack risks. During the engagement, the company explained it sees most attacks as indiscriminate, with phishing, malware and credential theft dominating, and therefore designs its architecture for containment rather than perfect prevention. This includes a zero-trust security model, network segmentation and multi-factor authentication for users and administrators. The engagement established that the company has shown strong third-party discipline, terminating vendors with weak practices and deciding against an acquisition on cybersecurity grounds. The team also discussed the company's biannual external audits, which have so far been clean, with user access controls being a recurring area of focus. No system is immune to a cyberattack, so the team believes it is important to be able to respond well, which the company demonstrated following a data breach in December 2024, clearly able to articulate the lessons learnt.
Participants	The investment team instigated the engagement as part of its thematic engagement programme. Members of the investment team met with the company's Chief Information Security Officer.
Progress of the Dialogue	Monitoring of the subjects discussed with the company continues.
Outcome of the Engagement	This engagement provided the team with a clear view of what mature cyber governance looks like. The additional insight it provided gave the team greater confidence that the company is appropriately managing cybersecurity risk. This was a constructive and informative engagement which did not materially change the team's investment rationale.

COUNTERPOINT GLOBAL

Counterpoint Global views engagement as a core element of stewardship and an integral part of its investment process, supporting its ability to deliver long-term value. Each company engagement is different depending on the issue and its relevance to the value of the investment. The team members focus on topics where there are clear enterprise value implications, such as expected dilution from share-based compensation. Other areas of focus include, but are not limited to, socioeconomic empowerment, inclusive communities, data governance, security and risk management.

The team's engagement process is iterative, with each company meeting providing new information that increases the team's knowledge about the company and its priorities, gaps and opportunities. In some cases, the team provides suggestions or recommendations to companies on their business practices and monitors their alignment with these suggestions over time. The team's approach to engagement tracking allows for effective monitoring and follow-up. For companies facing significant, ongoing challenges, the team will typically monitor the company's management of those issues over an extended period and discuss them in every subsequent engagement call. For other companies, engagement topics may change more frequently, along with the objectives and KPIs used to monitor them.

The team is increasingly finding that its global, all-sector, all-capitalisation, integrated sustainability research approach is novel to companies and presents an opportunity for partnership. The team shares strategies with companies to help them capitalise on the sustainability opportunities available to them. The team selectively offers companies access to its network of other operators or sustainability practitioners where it thinks doing so would create the opportunity for a mutually beneficial dialogue.

The team pays close attention to proxy voting, using its votes and other shareholder rights to promote long-term shareholder interests, with a particular focus on good corporate governance. The team's sustainability lead also works with GST to directly engage with portfolio companies.

Based on insights gathered through engagement, team members may create internal notes, referred to as sustainability research (SR) insights. These notes provide valuable context on risks and opportunities, facilitating deeper analysis, knowledge-sharing, and informed discussions in the team. On a quarterly basis, the team's sustainability lead highlights the most material and often out-of-consensus insights acquired through that quarter's engagements, which are discussed among the senior investors and may prompt new questions for future engagements. These insights are additive to the entire analysis of the company, providing senior investment decision-makers with a more complete view into the opportunities and risks facing the company.

DISPLAY 18

Case Study 1 – Counterpoint Global

The Issuer or Stakeholder Engaged	U.S.-based gaming platform
A Summary of the Issue(s)	User safety is a material driver to the business value since minors are a key demographic for the business' growth. If user safety is not addressed, it could potentially expose vulnerable users to harm or exploitation and could lead to additional regulatory oversight adding to user friction and hindering user growth.
Engagement Objectives	The team sought to understand what improvements are being made with regards to user safety, how the company is potentially using new technologies to address this issue, including AI, and what kind of impact these new safety-aligned technologies or processes could lead to.
Participants	Counterpoint Global engaged directly with several management leaders.
Progress of the Dialogue	The engagement is ongoing. No specific quantitative goals were set for the engagement, but the team aimed for a clearer understanding of the company's thought process, capital allocation strategy, and approach to leveraging new technologies and processes in addressing the issue.
Outcome of the Engagement	Engagements supported information gathering for the team. The team learned the company has taken several approaches to address these issues, including using large language model text-generation safety in-game, using sensitive personal information detection models, as well as incorporating facial recognition technology into account setup. As such, the team believes the company is taking appropriate action to address the issue and has decided to continue to hold the asset.

DISPLAY 19

Case Study 2 – Counterpoint Global

The Issuer or Stakeholder Engaged	U.S.-based land management company
A Summary of the Issue(s)	The company has exposure to the oil and gas industry given it is in the land management business. As the world shifts to a more sustainable economy and less reliance on carbon intensive sources of energy, this revenue exposure could be at risk.
Engagement Objectives	Counterpoint Global wanted to understand the company's growth and capital allocation strategy as it relates to this specific customer segment, and how the company plans to mitigate any respective risks. The investment team sought a better understanding of the company's investment plans toward oil and gas as compared to renewable sources of energy and how that mix may change over time.
Participants	Counterpoint Global directly engaged with several members of the management team.
Progress of the Dialogue	The engagement is ongoing. Counterpoint Global continues to monitor the company's revenue exposure to the oil and gas industry. No quantitative goals were set for the engagement, but directional progress is closely monitored.
Outcome of the Engagement	The company was receptive to the team's perspective, and shared that it has been actively looking to diversify away from oil and gas and into renewable sources of energy. Most of the company's competitors face challenges with subsurface rights. However, this company is a leader in the industry given its focus on surface rights, which provide the optionality of exposure to solar energy, energy storage and more sustainable businesses. As such, Counterpoint Global continues to hold shares in the company.

GLOBAL OPPORTUNITY

Global Opportunity is committed to knowing the companies in which the team invests. The team's investors meet with the management of its holdings individually, at conferences, and in occasional small group meetings sponsored by the company or a Wall Street firm. In any given year, the investment team typically participates in over 1,000 company meetings. Meetings and calls with management are typically conducted by the investor(s) with research responsibility for the company. Depending on company-specific or industry developments, the team may meet with company management several times before making an investment. The meetings generally focus on strategic issues, future capital spending plans, management incentives and how they tie to shareholder value creation. Global Opportunity believes it is crucial to invest in companies whose management has demonstrated a history of disciplined and efficient use of free cash flow. Therefore, the team seeks evidence of disciplined capital allocation and distribution practices as well as remuneration or incentive policies aligned with shareholders.

Global Opportunity engages company management on topics specific to each business with a focus on material sustainability opportunities and risks that may impact the value of a company's securities. Accordingly, engagement priorities differ by individual company and are not region specific. The team's research has identified both sustainability opportunities as well as risks that may diminish the investment thesis which impact investment decisions and resulted in the sale of (or decision not to invest in) a company's securities.

The following case studies provide a practical example of the team's engagement approach.

DISPLAY 20

Case Study 1 – Global Opportunity

The Issuer or Stakeholder Engaged	Ecommerce company in Latin America.
A Summary of the Issue(s)	Culture and financial inclusion.
Engagement Objectives	The team engaged senior management of a Latin American ecommerce and financial technology platform to discuss financial inclusion and preserving culture amid management transition.
Participants	Representatives from company management and Global Opportunity.
Progress of the Dialogue	Ongoing.
Outcome of the Engagement	Financial inclusion is still nascent across Latin America and key to Sustainable Development Goal (SDG) 8: decent work and economic growth. In Mexico, most consumers have never accessed a credit product, while in Brazil, most consumers bank with traditional financial institutions. The company believes that incumbent banks have opted not to serve certain segments of the population that are more difficult to serve, leaving a large segment of the population without access to products such as investments and loans. Low credit penetration creates a long runway for growth, and the company believes that the fintech opportunity is potentially larger than ecommerce. An example of their success in fintech driving financial inclusion is the business' history in Argentina. A few years ago, the company evaluated whether to remunerate deposits at a loss, at a time when just 1% (c.400,000 of 40 million) of Argentinians had an investment account, not unlike how traditional retailers viewed free shipping for online orders. The company now counts 18 million customers investing through its fintech platform which hosts the largest money market fund in the country. The company notes its focus on risk management and is cautious with funding strategy and carefully monitors nonperforming loans. Leadership is intensely focused on preserving the founder-led culture that has made the company unique. Cultural integrity is viewed as a strategic asset, reinforced by the founder's continued role as chairman and by formal systems designed to scale cultural norms across a significantly larger workforce. As personnel rapidly expanded from just 65 logistics employees to more than 70,000 in eight years, talent selection prioritised cultural fit over warehouse experience. Hiring decisions were made with extreme caution to ensure replication of the company's startup mindset. The organisation intentionally recruited first time workers seeking adherence to core behaviours such as openness, flexibility, problem-solving and constantly reinvesting in the way people work. Initial senior hires emphasised replicating culture as company grew with focus on people management as a priority, setting an example from founder to warehouse worker. To ensure culture is scalable, leadership requires visible example-setting and continual refinement of internal processes. Strategically, management remains committed to long-duration decision making, exemplified by lowering its free-shipping threshold to deepen long-term customer relationships and broaden addressable demand in low-ticket categories to solidify platform relevance for consumers over the next decade. The overarching mandate is to remain disruptive, uphold the startup mentality, and ensure operating systems can scale the organisation's distinctive culture. Global Opportunity continued to hold the investment.

DISPLAY 21

Case Study 2 – Global Opportunity

The Issuer or Stakeholder Engaged	Footwear company.
A Summary of the Issue(s)	Decarbonisation and responsible production in footwear.
Engagement Objectives	Global Opportunity engaged management of a footwear brand manufacturer to discuss corporate strategy and decarbonisation commitment.
Participants	Representatives from company management and Global Opportunity.
Progress of the Dialogue	Ongoing.
Outcome of the Engagement	The company exhibits alignment with SDG13: climate action, as it is committed to the Science Based Targets Initiative (SBTi) and measures progress as a key performance indicator. Every new product is categorised based on potential impact toward SBTi, using a colour-coding scheme of green, yellow or red. The company's goals are also aligned with SDG12: responsible consumption and production and it continues to innovate in the use of materials. As a result, the carbon intensity of the upper shoe materials has improved significantly in recent years due to increased use of recycled products and dyeing technology. The company is also focusing on the foam sole of shoes as a key point of discussion as this is an area where carbon intensity is more challenging to abate. A new product innovation, which combines material innovation and robotics to significantly reduce the number of manufacturing steps, has the potential to achieve 75% lower carbon intensity of the upper compared to existing shoe models and the company is currently working on deploying this technology across other models. This technology can exclusively be powered by renewable sources of electricity and is believed to be scalable which could further reduce carbon footprint as robots can be set up globally close to where products are sold, reducing shipping and associated emissions. Finally, the company remains committed to addressing sustainability and continues to publish annual updates to its impact report. Global Opportunity continued to hold the investment.

DISPLAY 22

Case Study 3 – Global Opportunity

The Issuer or Stakeholder Engaged	Energy management solutions company.
A Summary of the Issue(s)	Sustainability in energy management solutions.
Engagement Objectives	Global Opportunity met with the CEO of an energy management solutions company to discuss strategic priorities and the opportunity to address sustainability amid increasing energy demand.
Participants	Representatives from company management, including the CEO and Global Opportunity.
Progress of the Dialogue	Ongoing.
Outcome of the Engagement	The CEO highlighted the company's position at the centre of the global shift toward electrification, automation and digital energy management. While demand for sustainability continues to rise, structural forces including the rapid growth of China and India and the accelerating computational intensity of AI are increasing global energy consumption. These dynamics reinforce the need for advanced power, automation, and efficiency solutions that support SDG9: industry, innovation and infrastructure at the forefront of accelerated adoption of electrification technology. Management expects significant expansion of data centres and data processing over the next decade, alongside growing geopolitical fragmentation. Both trends require more agile, resilient and technology-driven energy systems. Strategic priorities focus on strengthening technology leadership in electrification, automation and intelligence; driving productivity and efficiency; and scaling higher-value digital services across the asset lifecycle. The company noted that semiconductor evolution to higher-power graphics processing units, will increase thermal and energy loads. Liquid cooling will become critical as chips run faster and hotter, with meaningful demand for associated equipment, even if power density plateaus over time. Rather than emphasising hardware volume, the company aims to expand software and digital services penetration, reinforcing a long-term "digital flywheel." The CEO emphasised a 20-year record of integrating sustainability into the business model. The company's sustainability strategy starts with the desire to be a responsible company and full consideration of the entire ecosystem in what they do. Management views responsible operations as essential to long-term profitability and intends to remain an impact company with consistent commitments across SDG13: climate action, social responsibility and governance. While no new disclosures were provided, the company plans to outline its next wave of sustainability commitments and how it will bring its broader ecosystem along in the energy transition. Global Opportunity continued to hold the investment.

EMERGING MARKETS EQUITY

To meet client goals and directives, the Emerging Markets Equity (EME) team emphasises active stewardship through company engagements and proxy voting, which are essential components of the team's investment process. The team conducts engagements alongside management meetings that evaluate financial health, strategic direction and growth potential of companies. Engagements allow the team an additional lens into the quality of the company. It also offers insights into their governance, culture and operations, efficiency, product quality, supply chain and the management of contingent risks and externalities.

The team being based regionally brings a local perspective to these conversations. The engagements spanned multiple countries, both in person and virtually.

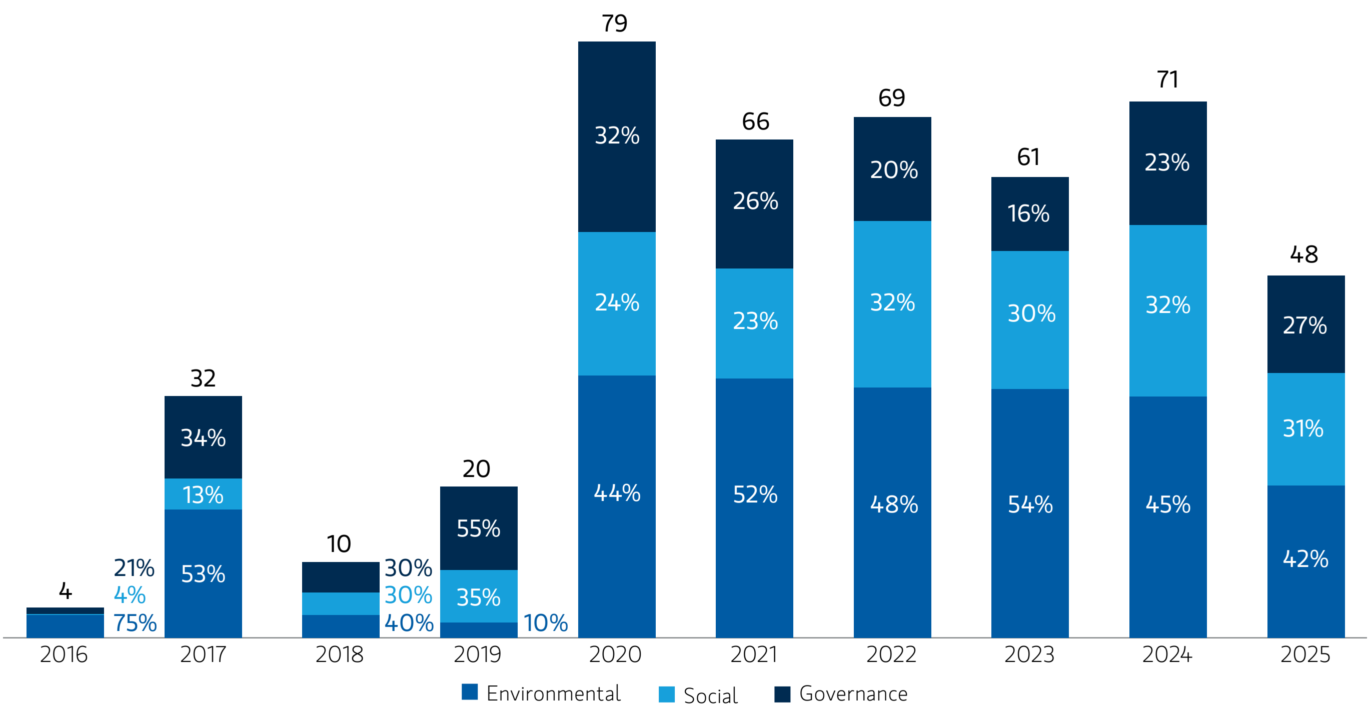
Engagements may span over multiple years, as long as the team remains invested in the company, since momentum takes time, effort and trust to build with companies.

Typically, the EME team will initially request a dedicated call with the company to discuss the financially material issue(s) identified and implications for, or negative effects on, the business. Where a company is not adequately addressing a risk, the team considers important to the business strategy over a relevant period, the team may re-evaluate the investment thesis in the context of this issue. Other approaches the team may use include following up with written best practices, suggestions for next steps for improvement on a particular issue or raising the issue further with senior management. The team will then monitor improvements at the company on an ongoing basis, where appropriate. Depending on the strategy, the team may consider divestment if they believe the issue could adversely affect the business model or stock price, or the team loses confidence in management.

In 2025, the team conducted 48 engagements with 41 companies:

- 32 were dedicated sustainability meetings, and 14 were collaborations, one was a letter and one was a combined sustainability and general management meeting.
- 44% were in person meetings, in Korea, China and Taiwan, where the team had dedicated sustainability trips.
- Most engagements followed-up on discussions to track progress, while 23% were initial conversations.
- In terms of objectives, the team focused on fact finding, disclosure improvement and improvement on a material issue and/or sharing best practices. The team had results related to its objectives in about 30% of its meetings.

DISPLAY 23
Total Engagements



The Emerging Markets Equity team counts each engagement interaction with management as one engagement. Environmental, social, and governance categories are assigned using the primary topic only. The total number of engagements for each period is shown on the top of each column.

The team travelled to three countries in 2025 for sustainability research and engagements:

- In November, they travelled to Korea for a corporate governance conference where they discussed both global and local governance topics. They also held dedicated engagements with nearly all portfolio companies in the country.
- In June, the team travelled to China and visited companies in five cities (Hong Kong, Shenzhen, Nanjing, Shanghai and Beijing) for dedicated in-person engagements, a few of which were conducted in Mandarin. This trip provided helpful local context and perspective, especially where there is not sufficient sustainability disclosure.
- In April, the team went to Taiwan for a dedicated sustainability delegation, which the team supplemented with its own dedicated engagements. In addition to the conference on sustainability topics, the team visited Hsinchu Science Park and many company headquarters in Taipei, as well as the Presidential Office where they had a meeting with government officials to discuss sustainable topics.

DISPLAY 24

Case Study 1: Emerging Markets Equity in partnership with Calvert

The Issuer or Stakeholder Engaged	Korean electronics company.
A Summary of the Issue(s)	The EME team held multiple discussions with this company during 2025, focused on supply chain management, worker safety and disclosure. These are material topics given the company exports to the U.S. and Europe, where border controls and regulations mandate transparency.
Engagement Objectives	The team sought to understand how the company was auditing its suppliers and conducting due diligence. The team also wanted confirmation that supply chain risks would not disrupt the investment thesis or create reputational risk. The company's clients have mandated a decarbonised supply chain, which the team wanted to understand the pathway for fulfilling.
Participants	MSIM EME Team, Calvert representatives and company representatives.
About Collaborative Engagement	An internal collaborative approach was appropriate to leverage the knowledge of the Calvert engagement team to enhance effectiveness.
About Escalation	In addition to meeting with the company in 2025, including many different subject matter experts over the year, the team and Calvert issued a letter to management.
Progress of the Dialogue	The team has been engaging with this company for many years. In recent years, the main focus of the dialogue has been supply chain management and the decarbonisation strategy. In 2025, the team met with the company three times. The first meeting was to discuss compensation disclosure ahead of its annual general meeting. The second meeting was to review supply chain objectives in detail and progress on divisional decarbonisation. During the third meeting the team raised progress toward the company's most stringent client requirements and discussed the letter to management issued by the team and Calvert with recommendations for additional disclosure.
Outcome of the Engagement	Overall, the team has found the company's disclosure continues to improve, exceeding the specific reporting requests of the team. The team continues to believe overall that the company is a leader, despite the complex nature of supply chain requirements and an uncertain decarbonisation pathway. The engagements have increased the EME team's confidence in the company's management.

FIXED INCOME AND LIQUIDITY

The Fixed Income organisation has a long history of credit-related engagement. Over the last several years, since the organisation first published its [MSIM Fixed Income Engagement Strategy], it has evolved its approach to engagement across corporates, securitised issuers, agencies and sovereigns.

The Fixed Income organisation believes it has an important role to play in building a constructive dialogue with debt issuers, with a unique position compared to their equity counterparts. This is due to their access to a broad range of entities beyond listed companies, such as governments, municipalities and privately held companies. Through engagement, the Fixed Income organisation also aims to enhance transparency in the market, improve price discovery of the proper cost of capital and ultimately help preserve the long-term value of holdings.

In 2025, the Fixed Income organisation updated its Engagement Strategy to better describe how the team categorises its engagements, distinguishing between integrated, targeted and thematic engagements:

- Integrated engagements: Credit analysts lead ongoing, financially material ESG engagements during regular interactions with issuers. The team prioritises focused, repeated follow-ups on key ESG issues to strengthen relationships and gather decision-relevant insights. These touchpoints can meaningfully influence investment decisions. For this reason, the Credit Research Team leads the fixed income engagement process, with the fixed income ESG Specialists contributing specific ESG expertise. They help set thematic priorities, ensuring consistency across engagements, and coordinate with the broader engagement ecosystem internally and externally. In cases where the fixed income ESG specialists identify significant sustainability risks or egregious conducts, they may conduct joint engagement with other investment teams to leverage MSIM broader business influence and address concerns and expectations in a coordinated manner.
- Targeted engagements: The team proactively requests meetings with issuers when there is a need to address a specific and financially material ESG matter. Using proprietary research, analysts compare how an issuer is managing financially material ESG issues against peers, and offers recommendations, such as improving public disclosures or policies, or remediating controversies. Alongside addressing laggards, the team aims to engage with issuers with improving ESG trajectories, whose progress might not yet be reflected in their public reporting and third-party ratings, as a potential source of alpha generation. The team engages with ESG leaders that already have advanced sustainability credentials, to encourage them to share best practices across their sectors, support the adoption of new disclosure standards and promote innovative sustainable solutions.
- On an annual basis, fixed income ESG specialists identify an engagement pipeline of issuers that they intend to meet or follow up with, based on factors such as:
  - Size of bondholding across portfolios, particularly in ESG-focused accounts
  - Poor sustainability performance, determined through proprietary ESG research
  - Inputs from fundamental credit analysts, including on feasibility of engagement
  - Severe controversies, such as violations of international norms.
- Thematic engagements: The team conducts thematic engagement series on sector-relevant ESG risks and opportunities, aligning with credit analysts' sector specialisation. These engagements help benchmark issuers, deliver targeted recommendations, and drive long-term improvement. Examples over 2024-2025, include physical climate risks for utilities, biodiversity risks for paper and packaging companies and supply-chain human rights practices in retail.

Engagement expectations are tailored to the maturity of ESG practices and disclosure relevant to the sub asset class.

The Fixed Income organisation's predominant method of engagement is via direct meetings with senior representatives in a company or organisation. This includes chief financial officers (CFOs) and members of the treasury teams, heads of investor relations and senior representatives from the sustainability teams.

Progress on targeted engagements is monitored through the periodic assessment of selected metrics considered most important to the company and sector. If the team determines that a company is not adequately addressing specific financially material risks, it may escalate the issue. The teams use buy/sell decisions as a way of indicating sentiment to the company on its approach to sustainability. Any issues that are considered serious from a sustainability perspective may be raised to the MSIM Sustainability Team and, in extreme cases, to the Firm's Global Franchise Risk committees.

Spotlight: Strengthening Engagement-tracking Capabilities

In 2025, GST partnered closely with the MSIM Fixed Income organisation to develop a customised engagement tracking dashboard. The new engagement dashboard is tailored to the specific characteristics of Fixed Income Team engagements. It aims to improve governance, tracking of engagement themes and outcomes related to investment decision making.working group, which is aimed at supporting investors to better understand their potential exposure to physical climate risks.

The Fixed Income organisation identifies a target pipeline of key names with which to prioritise engagement. They include issuers that are severely lagging on a particular issue or where the team is a large bondholder. In cases where engagements do not have the desired outcome, for example, when recommendations are not taken on board, the team may escalate engagements. Since engagement priorities may differ based on sector and location, the factors influencing the teams' escalation approach may vary.

- *Example 1:* An energy or mining company operating and distributing mainly in a developed market persistently lacking a coal phase-out plan might trigger escalation in the engagement, given the risks associated with new low-carbon regulation. However, the Fixed Income organisation might concede a longer time buffer for a few reasons. For instance, if a company has most of their coal-related operations and distribution in emerging markets, has a lower transition risk or has other ESG considerations - such as access to affordable power - it might warrant a longer timeline.
- *Example 2:* The fixed income investment teams would not apply the same flexibility with respect to issues related to human and labour rights like they might on an environmental issue such as in example 1. The team, where appropriate, engages with issuers operating in global markets to aim to ensure robust human rights policies and processes are in place across regions and value chains.
- *Example 3:* Governance standards may also differ across geographies, with certain countries or regions being more prone to company family ownership, for example. In some instances that can be associated with less transparent remuneration practices. The fixed income investment teams have, on multiple occasions, escalated concerns around executive overcompensation, board entrenchment and family ownership in these types of companies. Some of these cases have led to sell decisions, following declining visibility and uncertainty around long-term strategy, largely due to private ownership.

Equity permitted ownership rights tend to permit better corporate access. Therefore, it also confers more options with respect to escalating engagements. In the fixed income context, voting against a bondholder resolution (although this is quite rare as an option) or, more often, raising relevant issues with other internal or external stakeholders are how the team typically escalates engagements.

Over the course of 2025, the Fixed Income organisation conducted more than 220 engagement meetings focused on sustainability topics. The Fixed Income organisation also conducted a series of thematic engagements.

THEMATIC ENGAGEMENTS SERIES—IMPACT REPORTING

The team engaged with a select list of labelled sustainable bond issuers, across sectors and regions, prioritising laggard performers as per the team's proprietary impact reporting quality assessment. The team recognises high-quality impact reporting as essential for assessing real-world outcomes and ensure capital promotes environmental and social benefits. Strong reporting increases the credibility of sustainable bonds, improves transparency for clients, and encourages market best practice.

THEMATIC ENGAGEMENTS SERIES—PHYSICAL RISK

The team recently launched a series focused on physical risk and resilience for real estate investment trusts and engaged with several utilities in 2025 on wildfire risk mitigation practices. Where relevant, insights were reflected into investment decisions. The core role the team's fundamental credit analysts play in engagement helped.

For instance, during an engagement, the team identified continued risks to a utility company that faced a wildfire earlier in 2025. They also encountered legislative uncertainty regarding the future of the wildfire insurance fund. Given this uncertainty, the team's fundamental analyst viewed the company incrementally more negative. While the company's bonds traded cheaply prior to the wildfire earlier in 2025, the team did not believe they were being sufficiently compensated for this risk. The team ended up reducing exposure across portfolio (with the company widening out versus other utilities).

Some of the Fixed Income organisation's engagement meetings, in particular with financial institutions, may also benefit the Liquidity Team. In some cases, the Liquidity Team may rely on the credit analysts and ESG analysts in the Fixed Income organisation to help conduct engagement meetings associated with their investment holdings.

ASSET CLASS AND REGIONAL DIFFERENCES

While investment-grade issuers tend to be the primary focus of the team's targeted engagements, as they generally have larger quantifiable externalities, the team has been aiming to grow its engagement with high-yield issuers. The close relationship between management and investor for smaller companies often creates an opportunity for constructive, ongoing dialogue, which clients often support, especially in the high-yield space. In addition, the team has been developing its strategy to engage with non-corporate debt issuers, including sovereigns, supranational and agency issuers. Engaging as part of collaborative initiatives, such as the PRI's Collaborative Sovereign Engagement on Climate Change, has contributed toward these developments.

The team has continued to conduct engagement meetings with sovereign, supranational and agency issuers. These dialogues covered topics such as government expenditures related to the expansion of access to renewables and nuclear energy, as well as upcoming revisions of Nationally Determined Contributions (NDCs) under the Paris Agreement to reduce country-level emissions. The insights the team gained from these meetings enabled analysts to deepen their understanding of the additionality of sustainable bonds to the issuers' goals.

The team has also continued to engage across a range of regions, although meetings with issuers based in the EMEA region comprised the majority of engagements.

DISPLAY 25

Fixed Income Engagements—Distribution Across Fixed Income Asset Classes[22]

FIXED INCOME SUB ASSET CLASS	ENGAGEMENT DISTRIBUTION (%)
Investment grade	58%
High yield	33%
Sovereign, supranational and agencies	8%
Securitised	1%

DISPLAY 26

Fixed Income Engagements—Geographical Distribution[23]

GEOGRAPHY	ENGAGEMENT DISTRIBUTION
EMEA	51%
APAC	2%
U.S. & Canada	47%

This was partially attributed to the presence of a more sophisticated sustainable debt capital market, and more developed sustainability strategies and resources, enabling more touchpoints with issuers.

DISPLAY 27

Case Study 1: Fixed Income

The Issuer or Stakeholder Engaged	The Fixed Income Team conducted a follow up engagement with a diversified metals and mining company with operations across North America, Oceania and Africa.
A Summary of the Issue(s)	The initial engagement two years earlier highlighted the company's dependence on high-level risk screening with limited depth or issue specific assessment. The team encouraged the introduction of a formal human rights due diligence process, including more robust monitoring systems, enhanced grievance mechanisms and the use of forward-looking goals for each part of its modern slavery strategy. The team followed up to assess whether the company had strengthened its human rights oversight and embedded a more systematic approach to identifying and managing modern slavery risks.
Engagement Objectives	The objectives throughout the engagement were to: ▪ Encourage a formalised, comprehensive human rights due diligence process aligned with international standards ▪ Promote improved transparency, including clearer reporting on risk assessments, audit findings and remediation processes ▪ Support the development of forward looking KPIs and goals to track progress across human rights and modern slavery initiatives ▪ Ensure the company moves beyond policy commitments to implementation across operations and supply chains
Participants	The MSIM Fixed Income Credit research and ESG research teams jointly conducted the engagement. The team engaged with senior representatives from the company's sustainability, supply chain and compliance functions, who oversee human rights and modern slavery reporting.
About Escalation	Escalation was not required. The company remained open to feedback and demonstrated willingness to strengthen its approach, reflecting commitment to improving human rights governance.

[22] Engagement refers to the MSIM's Fixed Income group meetings conducted over the 12-month period from January 2025 to December 2025.
[23] Engagement refers to the MSIM's Fixed Income group meetings conducted over the 12-month period from January 2025 to December 2025.

Case Study 1: Fixed Income (Cont'd)

Progress of the Dialogue	The engagement is ongoing, with meaningful progress demonstrated since initial discussions. The company has expanded its human rights due diligence to provide clearer definitions of scope and methodology, moving beyond descriptive commitments to a more structured assessment process. It has increased transparency through practical case studies that illustrate the types of risks encountered in operations and supply chains. A third-party audit programme has been introduced, grounded in recognised international standards such as those of the International Labour Organisation and the UN Guiding Principles on Business and Human Rights. The company has improved reporting on its grievance and remediation mechanisms, including examples of how specific concerns are resolved. It has also introduced measurable KPIs and forward-looking goals across the key components of its modern slavery strategy, allowing investors to more effectively track future progress.
Outcome of the Engagement	The company has implemented key recommendations the team put forward and significantly enhanced its approach to addressing human rights and modern slavery. This has included strengthening its risk management framework, expanding the scope of its efforts across its operations and supply chain and increasing the transparency of its disclosures. These actions have generated positive momentum throughout the engagement process. The team provided further suggestions to the company on best practices, such as reporting of salient year-over-year changes in human right risks identified via grievances, and Fixed Income aims to continue to monitor progress.

DISPLAY 28

Case Study 2: Fixed Income

The Issuer or Stakeholder Engaged	The Fixed Income Team engaged with a privately held European residential real estate company.
A Summary of the Issue(s)	The engagement was initiated because the issuer is privately owned and visibility into governance and parent subsidiary interactions was a central area of focus in addition to deteriorating ESG performance. Specifically: ▪ Limited disclosure around corporate structure, and weak reporting relative to sector peers ▪ On the climate front, the company majorly changed its portfolio in 2021 and appeared to not have re-balanced its emissions targets since then ▪ On the Human Capital front, little to no employee feedback is gathered While these measures reduced leverage in the short term, they significantly reduced transparency and increased uncertainty around the company's longer-term strategy. Spreads compressed toward peers, raising concerns for the team about adequate compensation given the increased risk.
Engagement Objectives	The team's objectives were to: ▪ Improve insight into governance practices and the influence of the parent company ▪ Encourage enhanced sustainability disclosure aligned with sector norms ▪ Assess human capital management practices, particularly considering high turnover ▪ Understand the credibility and relevance of the company's climate targets, and whether these had been updated to reflect portfolio changes. These objectives remained consistent throughout the engagement period
Participants	MSIM's Fixed Income Team and dedicated Fixed Income ESG research analysts jointly conducted the engagement. They met directly with company management, including representatives responsible for financial reporting and sustainability.
About Escalation	The Fixed Income Team reduced its exposure to the issuer across portfolios due to persistent concerns regarding transparency and the lack of updated sustainability disclosures. This decision was driven by: ▪ Limited responsiveness from the company compared to its peers ▪ The company's acknowledgement that its private ownership structure curtailed disclosure, with no clear commitment to improvement ▪ An increasing divergence between the issuer's governance and ESG reporting practices and sector expectations
Progress of the Dialogue	Limited progress was observed: ▪ The issuer confirmed it had not updated emissions targets despite substantial portfolio reallocations ▪ No employee feedback mechanisms existed despite high turnover ▪ The company did not indicate any intention to enhance ESG disclosure
Outcome of the Engagement	The team's assessment highlighted persistent concerns around governance, transparency and strategic clarity. Although leverage metrics improved, declining visibility and uncertainty around future capital actions offset these gains. With spreads tightening to levels more typical of transparent listed peers, the team determined that compensation for these risks had diminished. As a result, the Fixed Income Team sold its holdings across portfolios in Q3 2025. The engagement reinforced the importance of transparency in private real estate issuers and demonstrated that governance risks can outweigh improvements in headline credit metrics.

DISPLAY 29

Case Study 3: Fixed Income in Partnership with Calvert

The Issuer or Stakeholder Engaged	MSIM Fixed Income engaged with a high yield global elevator and escalator company.
A Summary of the Issue(s)	The first engagement in Q1 2025, focused on: ▪ Safety strategy and culture: how a decentralised structure resulted in inconsistent approaches to safety and reporting across regions, making it difficult to accurately assess its overall safety performance. Sector-wide standard safety practices are also lacking, compounding these challenges ▪ Disclosure and data quality: public safety reporting had been limited and centred on lagging indicators. Investors lacked consistent metrics to evaluate performance or assess the effectiveness of risk mitigation These issues presented material implications for workforce wellbeing, regulatory exposure, operational downtime and customer conversations. The second engagement in Q4 2025 built on the initial dialogue and examined the company's: ▪ Safety transformation programme, which was nearing completion after a multiyear rebuild, and more detail on safety metrics, including progress on both incident rates and emerging leading indicators ▪ Target-setting philosophy, particularly around the reliability of historic data and the shift toward culture-based and behavioural metrics Management demonstrated openness, accountability for past shortcomings and a willingness to improve performance on key issues.
Engagement Objectives	Across both engagements, the objectives were to: ▪ Promote stronger global safety governance, including senior leadership oversight and clear accountability structures across regions. ▪ Improve data robustness, including near-miss tracking, subcontractor safety performance and other forward-looking indicators. ▪ Support greater transparency, including commitments to improve disclosure.
Participants	On the company side, discussions included senior members of the global health and safety function, including the newly appointed safety lead who reports directly to top leadership. The engagement was conducted in joint collaboration between the MSIM Fixed Income and the Calvert Engagement teams, combining financial materiality analysis with ESG engagement expertise.
About Collaborative Engagement	An internal collaborative approach was appropriate to leverage the knowledge of the Calvert Engagement Team to enhance effectiveness.
About Escalation	As mentioned, the team conducted follow up engagement following the initial meeting in the first half of the year – following that meeting, no escalation was required, given that the company demonstrated: ▪ Willingness to address historic data issues ▪ Openness to investor input ▪ Clear commitment to a multiyear transformation already underway
Progress of the Dialogue	The engagement remains ongoing, with steady progress across governance, reporting and culture. Senior leaders expected to increase time in the field and are involved in internal workshops to reinforce expected behaviours from the top-down. The company is implementing a multiyear safety transformation replacing fragmented local practices with a single global framework with clearer critical risk controls. Internal reporting has become more consistent through the adoption of recognised safety classification standards, greater focus on leading indicators and the expansion of data collection to third-party labour. The team recommended the company disclose these metrics as disclosure maturity improves. Management was receptive to this recommendation but noted full implementation may take multiple reporting cycles. Shifting toward a more care-based safety culture and rising employee willingness to report hazards, with early improvements in incident trends support this. Alongside safety progress, the company is laying groundwork across broader ESG topics, including product quality, early steps to enhance cybersecurity and selective participation in industry safety dialogue.
Outcome of the Engagement	The engagements have contributed to the establishment of stronger and more consistent global safety governance. They have also led to improved visibility of day-to-day risks, as well as the emergence of early positive trends in leading safety indicators. The company has also made commitments to enhance external disclosure as its reporting capabilities continue to develop. As a result, there is now greater investor confidence in the company's direction and the seriousness of its safety transformation. Certain regions continue to present higher risks and require stronger leadership focus, while public disclosures must further improve to match the internal progress. The company's openness, investment in talent and systems, and willingness to overhaul legacy practices have had a positive impact on the Fixed Income Team's investment strategy, and they will aim to continue to monitor progress. they expect to broaden future engagement to additional ESG risk areas.

Spotlight: Human Rights and Labour Risk Management

Through the PRI Advance Collaborative Stewardship Initiative, the Fixed Income Team is a collaborating investor in an ongoing human rights and labour risk management engagement with a global mining company. This platform has enabled the team to gain unique insights that otherwise would have been less accessible.

For instance, in Q2 2025, the team participated in a meeting with non-governmental organisation (NGOs) to help clarify the key asks that the PRI Advance group could share with the company, and to highlight the mismatch between the corporate understanding of what is happening on the ground, and what is really happening, with respect to the company's mining operations.

The information gained from the NGOs helped the analyst reach a better understanding of the scope and nature of the company's sustainability-related controversies. The team also engaged directly with the issuer in Q2, in which the credit analyst and ESG specialists also covered the company's approach to coal phase out.

Alternative Investments

PRIVATE CREDIT AND EQUITY

As a private markets platform, PC&E relies on direct engagement with relevant stakeholders such as company management teams and, where applicable, other private equity sponsors or investment partners. This approach reflects the inherent characteristics of private markets, where prospective investments typically have limited publicly available disclosures, making stakeholder dialogue a critical source of information for understanding relevant risks, opportunities and engagement priorities.

ENGAGEMENT APPROACH

PC&E investment teams believe engaging with portfolio companies is an important element of their approach to investment management, especially considering the time horizons of their respective asset classes. However, due to the diverse strategies across the team, the ability to engage and obtain information pertaining to underlying portfolio companies will vary (for example control versus non-control, private equity versus private credit). To supplement internal findings and analysis, PC&E may also leverage third-party expertise during diligence or the holding period. There are many common considerations across portfolio companies (for example, board structure, independent board members, existence of employee policies). Investment teams recognise the presence of industry-specific risks that may include environmental risks, labour violations and other thematic topics that may warrant engagement.

VARIANCE IN APPROACHES ACROSS CONTROL AND NON-CONTROL SITUATIONS

Control situations enable a high level of regular and ongoing engagement and dialogue with portfolio company boards and management teams. Investment teams collaborate closely with portfolio company management teams in determining 100-day plans for improving operations, such as expanding business lines or implementing organisational changes. This is to precipitate growth and create long-term value. As a part of that process, sustainability-related KPIs may be identified, where investment teams seek to monitor progress on a regular basis throughout the holding period.

In comparison, non-control strategies are relatively limited in their ability to engage with management of portfolio companies. Accordingly, the team undertakes careful diligence and pre-investment engagement in these cases. With some non-control equity investments, teams may have board observer rights. This may provide investment teams with transparency but does not guarantee that they can influence company management in comparison to control situations. For credit investments, the sponsor or the borrower may provide teams with limited access to information. These are typically KPIs that are important for the investment team to consider a borrower's credit worthiness. Investment teams on the credit side will work with borrowers or sponsors, where applicable, to obtain ESG-related information, typically in the form of a predetermined ESG checklist. However, credit investments do not permit investment teams to influence company management. It is the private equity sponsor of the borrower that ultimately determines how material ESG risks and incidents are managed and what is disclosed to investors.

EXAMPLE: 1GT FUND, PRIVATE EQUITY SOLUTIONS

PC&E's Private Equity (PE) Solutions business is a diversified private equity investment platform. Given its breadth of PE strategies, the team may engage with investment partners to assess their competency, expertise and governance of sustainability-related factors. They may also work with portfolio company management to support the handling and stewardship of their policies, practices and adverse impacts.

In PE Solutions, 1GT is a climate fund that primarily seeks to make growth equity investments in companies that enable decarbonisation globally. 1GT maintains a broader decarbonisation target of enabling the avoidance of one gigaton of carbon emissions by 2050. As an impact fund, engagement activity for the 1GT team focuses on outcomes. It seeks to engage with the key influencers and decision-makers in a portfolio company to drive positive change, with whom the team typically have direct lines of communication. Key influencers will differ across portfolio companies, and the team therefore takes a flexible and tailored approach in terms of which issues are addressed specifically. They also recognise the importance of senior manager buy-in to drive commitments to sustainability-related initiatives from the top down. Engagement activity is tracked in the Fund's digital platform used for deal monitoring and recordkeeping.

The team may also engage with portfolio companies on a reactive basis following the identification of a controversy or risk event. The 1GT deal team may identify a situation where the portfolio company's management of one or more material ESG-related risks or opportunities does not meet satisfactory levels. They could also find a company has been identified as potentially causing significant harm through the impact of its operations on an ESG theme or principal adverse impact (PAI) indicator. In these cases, the team will typically enact an enhanced engagement protocol. Under this protocol, the portfolio company and deal team work to resolve this over the course of 12 months from the date of identification. The frequency of engagement activity will likely increase and may involve

DISPLAY 30

Case Study 1: 1GT

The Issuer or Stakeholder Engaged	A provider of in-transit supply chain management solutions.
A Summary of the Issue(s)	In October 2025, the 1GT Team engaged with the company to assess and deepen understanding of its existing and potential avoided emissions profile. This was with a particular focus on quantifying and validating how the company's theft-prevention solutions and modal-shift capabilities can generate measurable and defensible carbon-impact benefits. As a growth equity fund, the objective of this engagement was to serve as a constructive, value-additive dialogue—supporting the company in strengthening its impact measurement and reporting practices—while simultaneously contributing to 1GT's avoided emissions objectives alongside the realisation of tangible commercial and strategic benefits for the Company.
Engagement Objectives	This engagement was directly aligned with 1GT's portfolio-level avoided emissions target. Through this process, the team sought to discuss, synthesise and distil climate-related insights into clear takeaways. the takeaways included where climate impact is currently being generated and where additional avoided emissions could be realised over time. Establishing this level of clarity supports a more consistent and comparable understanding of avoided emissions across 1GT's portfolio companies, which collectively are intended to contribute to the achievement of 1GT's broader portfolio-wide emissions-avoidance objective.
Participants	1GT initiated the engagement based primarily on findings identified during pre-investment due diligence. The meeting included key external stakeholders from the company, including the chief executive officer, chief financial officer, chief marketing officer and chair of the board, alongside members of the 1GT investment team.
Progress of the Dialogue	The engagement is ongoing. Progress is monitored through the company's annual carbon emissions inventory and related modelling practices, which enable the team to track developments over time. As the Company is a relatively new investment, the team expects to continue assessing progress on an ongoing basis as data quality, methodologies and reporting maturity further develop.
Outcome of the Engagement	As an initial engagement with a relatively new portfolio company, the outcome was the establishment of clear and credible linkages between the Company's core operations and services and their potential to generate avoided emissions. The impact associated with theft-prevention solutions was validated, while the quantification of modal-shift–related impact was identified as an area requiring further methodological development and improved data precision. The engagement enabled important, constructive and substantive dialogue on climate-related topics that are directly aligned with the Fund's broader impact objectives. The Company has begun working across its sales and product management teams to integrate impact-related data into day-to-day operations, supporting more informed decision-making and strengthening the Company's ability to position itself as both a cost-effective and high-impact partner for its clients as a result.

other resources, such as MSIM's central sustainability resources or third-party specialists. At the end of this 12-month period, the team will typically review the situation and take appropriate next steps.[24]

PRIVATE REAL ESTATE

Morgan Stanley Real Estate Investing recognises that soliciting feedback and listening to the different perspectives of its stakeholders allows them to generate exceptional ideas and develop innovative solutions to complex issues. The MSREI engagement strategy focuses on collaborating with key stakeholders, including tenants and property managers, to drive sustainability performance, operational efficiency and long-term value creation. Each fund may have different nuances to its approach.

Tenant engagement involves engaging tenants on sustainability topics, where possible, and encouraging sustainable behaviours. For example, select MSREI funds have implemented green lease clauses, where viable, and may conduct tenant engagement surveys for select assets across its portfolios. The team may work with tenants to obtain green building certifications or conduct energy audits, where appropriate.

Collaboration with property managers is necessary for executing on-site capex projects to enhance asset value and mitigate risks, such as implementing energy and water efficiency measures. For select funds, MSREI may conduct an annual property management survey to help assess risk, monitor asset sustainability criteria and track improvements.

DISPLAY 31

Case Study 2: 1GT

The Issuer or Stakeholder Engaged	A "sustainable nutrition" company that produces plant-based meals with minimal environmental impact.
A Summary of the Issue(s)	Multiple sustainability-related engagements took place with the Company during 2025, with the most recent engagement occurring in December 2025. These engagements focused on the company's continued progress toward achieving B Corp certification, which is widely regarded as one of the most rigorous and comprehensive sustainability-related assessments globally. Consistent with the objectives of a growth equity strategy, these engagements were intended to be constructive and value-additive in nature. They supported the company's sustainability ambitions while also contributing to 1GT's obligations as an Article 9 fund, with the potential to generate longer-term commercial and strategic benefits for the Company.
Engagement Objectives	Through this engagement, the 1GT team sought to support the completion of key actions required for the company to achieve B Corp certification, including the completion of a materiality assessment and progress across other identified areas for development. The engagement was designed to help the Company advance against the requirements of the B Corp framework in a structured and pragmatic manner.
Participants	1GT initiated the engagement based on insights identified through its ongoing monitoring and assessment processes. Engagement meetings involved a range of relevant stakeholders, including members of the company's board and its head of sustainability, to ensure appropriate senior-level oversight and alignment. 1GT also facilitated the involvement of external subject-matter experts with specific experience in B Corp certification, including a specialist sustainability consultancy, as well as independent auditors, to support the company's progress against certification requirements.
Progress of the Dialogue	The engagement is ongoing. Progress is assessed through regular, direct engagement with the company, and the collection and review of sustainability-related data on both a quarterly and annual basis. This approach supports the 1GT team's monitoring and oversight responsibilities as an impact investor.
Outcome of the Engagement	The engagement has resulted in meaningful progress to date. As part of the B Corp certification process, the company has advanced work on key requirements, including the completion of a comprehensive materiality assessment. The 1GT team believes this analysis has the potential to deliver both impact-related and commercial benefits by informing the Company's strategic planning and decision-making processes. While full B Corp certification remains in progress, interim milestones, such as the materiality assessment, are expected to be achieved in the near term. The company continues to allocate dedicated resources toward the certification process, and the 1GT team will maintain active oversight and monitoring through ongoing engagement with senior-level stakeholders to support continued progress.

[24] Please note that 1GT is not aware of any ESG-related incidents that have occurred during pre-investment or holding period that it would consider material to investment performance. Engagement with portfolio companies will first and foremost be undertaken individually, pursuant to the binding agreement between the Fund and the portfolio company. This is where the company management commits to engaging with the team and/or any third-party consultant or specialist that the Fund appoints in relation to ESG matters. However, the team recognises the benefits of other parties in the capital stack, the board being in alignment with plans for significant change and that collective engagements can be powerful drivers of this. As such, the Fund will, where escalation measures are deemed necessary, seek to work in conjunction with other investors in the capital stack to amplify the impact of the undertaken engagement and the chances of the objectives and targeted outcomes being achieved.

PRIVATE INFRASTRUCTURE

During acquisition and ownership, as part of its active asset management approach, Morgan Stanley Infrastructure Partners works with portfolio companies to support the sustainability initiatives which can help reduce risks and create value for the company. MSIP believes that embracing and institutionalising sustainability practices helps drive long-term value and results in higher-quality infrastructure assets.

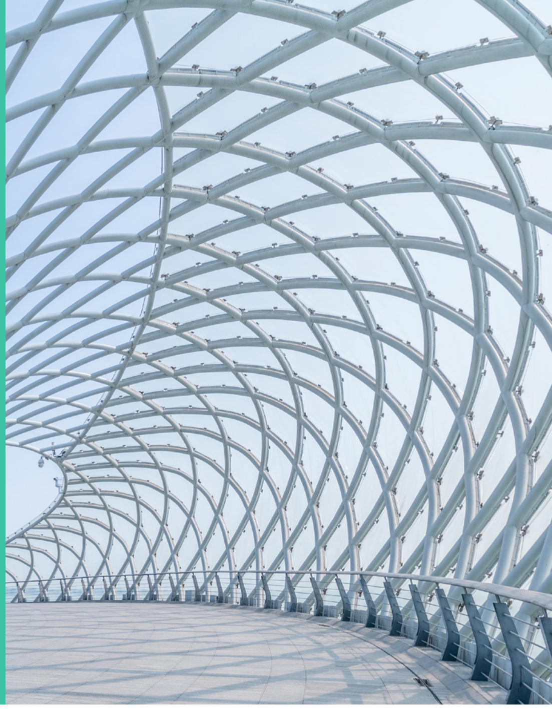
MSIP's engagement efforts include working with portfolio companies to report against the GRESB Infrastructure Assessment on an annual basis. Through this process, portfolio companies submit annual sustainability performance data as well as updates on their sustainability approach. MSIP also engages companies through portfolio company board-level reporting and internal, regular asset reviews.

MSIP also provides training on relevant topics to support portfolio companies' sustainability efforts. Training has been conducted for portfolio companies and MSIP team members on governance, regulatory and human rights topics.

DISPLAY 32

Case Study 1: Morgan Stanley Infrastructure Partners

The Issuer or Stakeholder Engaged	Through MSIP's board roles and as part of MSIP's active management approach, MSIP engaged with a digital infrastructure company in 2024 and 2025.
A Summary of the Issue(s)	The purpose of the engagement was to oversee delivery of its value-creation plan and help ensure the business is set up to scale sustainably. The company was carved out of a larger organisation. During the 2024 to 2025 period, the portfolio company began its strategic transformation that included modernising infrastructure to meet evolving customer, regulatory and sustainability expectations. This includes higher standards for energy efficiency, greater operational efficiency and the establishment of best-in-class customer experience. It also required building the capabilities needed to serve a wider set of clients reliably.
Engagement Objectives	The objectives of the engagement are to support value-creation and operational improvements for the company. Particular focus was given to enhancing governance and risk management standards and building out site capacity and future-proofing infrastructure. In terms of sustainability, MSIP supported the company's initiatives to collect relevant sustainability data to identify improvement areas, meet customer and regulatory sustainability-related requirements, establish management systems and policies and complete an initial submission to the GRESB Infrastructure Assessment.
Participants	As a majority shareholder, MSIP engages regularly with the Company through its governance and board roles. The team involves additional expertise as needed, including MSIP's head of sustainability regarding sustainability initiatives, MSIM's insurance team on insurance and risk topics and external consultants.
Progress of the Dialogue	MSIP maintains ongoing engagement with the company, regularly monitoring progress against the company's value-creation plan. Progress is tracked through board reporting and monthly performance reports covering both financial and operational key performance indicators.
Outcome of the Engagement	Progress to date has been positive. Although the Company is still in the midst of its strategic transformation, MSIP believes it has already positioned itself well in the market. MSIP also believes that its engagement has strengthened the Company's sustainability approach and performance through enhanced policies, formalised procedures and dedicated initiatives across Cyber Security, Sustainability and Risk & Compliance, resulting in early energy-efficiency gains and improved operating standards.



Principle 4: Exercising Rights and Responsibilities

Overview

As previously noted, MSIM's investment teams exercise the rights and responsibilities associated with the assets they manage in alignment with their respective investment strategies, considering factors such as asset type, risk assessments and investment convictions. At the forefront of this is MSIM's collective organisational purpose and Firm core value to seek to always put clients first and act in their best interests when managing their assets.

Throughout this report, MSIM has demonstrated how its decentralised business model allows investment teams to approach stewardship differently when exercising their rights and responsibilities. This is reflected throughout MSIM's Policy & Context Disclosure, as well as Principles 1, 3 and 6 across various investment teams, asset classes and geographies. MSIM's approach to exercising rights and responsibilities does not generally vary by region. MSIM leverages support, resources and expertise from across the organisation in exercising rights and responsibilities.

In 2025, MSIM continued to strengthen governance, oversight and processes to aim to ensure its stewardship approach remains aligned with evolving internal and external developments.

Information on internal and external assurance related to proxy voting is provided in Disclosure C in MSIM's Policy & Context Disclosure.

Conflict of Interests

The MSIM proxy voting policy[25] provides guidance to address potential conflicts resulting from its own commercial or other relationships and to manage conflicts of interests so that proxies are voted in accordance with the client proxy standard defined in Disclosure D of MSIM's Policy and Context Disclosure.

From 1 January 2025 to 31 December 2025, all identified potential conflicts of interest related to proxy voting were considered and resolved with application of the MSIM proxy voting policy. There were no policy overrides identified at meetings as involving a potential conflict of interest.

DISPLAY 33
Spotlight: Conflict of Interest Resolution Action

Conflict	MSIM voting on proposals pertaining to a Morgan Stanley issued security.
Conflict Description	If MSIM in its capacity as investment manager of client portfolios is invested in a Morgan Stanley issued security in any year, there is a potential conflict. This is due to the perceived risk that the interests of the Firm would motivate the vote. When this conflict arises, it is identified as part of the standard shareholder meeting review process.
Management	To manage this risk, MSIM will typically echo vote where permissible or otherwise take no action. This method eliminates undue influence and works to ensure that the voting power truly reflects investor intent. This approach is in accordance with the MSIM Proxy Voting Policy.
Conflict Owner(s)	GST

[25] The MSIM Proxy Voting Policy was updated as of January 2026. As such, the description herein reflects the proxy voting policy during the reporting period.

Equity Voting Statistics,[26] Select Topics and Case Studies

Between 1 January 2025 and 31 December 2025, MSIM voted 99% of the ballots in which it was eligible to vote. The residual 1% not voted was generally due to various issues that arose from voting proxies of companies located in certain overseas jurisdictions that often restrict or prevent the ability to vote such proxies, or they entail significant costs. These problems include, but are not limited to: (i) proxy statements and ballots being written in a language other than English; (ii) untimely or inadequate notice of shareholder meetings; (iii) restrictions on the ability of holders outside the issuer's jurisdiction of organisation to exercise votes; (iv) requirements to vote proxies in person; (v) the imposition of restrictions on the sale of the securities for a period of time in proximity to the shareholder meeting; or (vi) requirements to provide local agents with power of attorney to facilitate voting instructions. In some regions, MSIM votes clients' proxies on a best-efforts basis as a result, after weighing the costs and benefits.

MSIM provides rationales for votes against key resolutions such as re-elections of directors and approval of executive remuneration and rationales for voting decisions on shareholder resolutions. MSIM discloses vote rationales in all cases to clients upon request. For disclosure of how MSIM voted, visit MSIM's [website for voting records,] which are updated on a rolling 12-month basis.[27]

Shareholders in the U.S. and certain other markets may submit proposals encouraging changes in company disclosure and practices related to sustainability issues. MSIM's investment teams, with support from the GST as required, consider how to vote on such proposals on a case-by-case basis. They determine the relevance of the issues identified in the proposal and their likely impacts on shareholder value. Investment teams may also take account of a company's current disclosures and their understanding of its management of potentially financially material ESG issues in comparison to peers.

Investment teams generally seek to balance concerns about reputational and other financially material risks that may underlie a proposal against costs of implementation.

DISPLAY 34

Overall Voting Statistics

Total number of meetings voted	~5,800
Total proposals	~67,000
Number out of the total that were shareholder proposals	974
Number of markets voted	74
% of meetings with at least one vote against management	~50%
% of votes against management	11%
% with management	89%

DISPLAY 35

Shareholder Proposals by Region

REGION	NUMBER OF SHAREHOLDER PROPOSALS	NUMBER OF VOTES SUPPORTING SHAREHOLDER PROPOSALS	% OF VOTES SUPPORTING SHAREHOLDER PROPOSALS
Asia	249	67	27%
EMEA	84	15	18%
North America	607	292	48%
South America	0	0	0%
Rest of World	34	4	12%
Total	974	378	39%

Teams may abstain from voting on proposals that do not have a readily determinable impact on shareholder value. They may oppose proposals that intrude excessively on management prerogatives or board discretion. Investment teams generally vote against proposals requesting reports or actions that they believe are duplicative, related to matters not material to the business or that would impose unnecessary or excessive costs. Investment teams typically do not support proposals where, as a result of their analysis, they concluded the company has sufficiently addressed the requirement.

Between 1 January 2025 and 31 December 2025, MSIM's investment teams supported 39% of shareholder proposals and abstained on 0.7% of shareholder proposals. When assessing shareholder proposals, MSIM's investment teams apply their expertise and

[26] MSIM aims to exclude shareholder proposals the GST determines to be related to routine management items from its reporting of voting on shareholder proposals.

[27] MSIM publishes its proxy voting record for the Morgan Stanley Investment Funds quarterly and publishes its proxy voting record for funds registered under the U.S. Investment Company Act of 1940 annually.

judgment in assessing the financial materiality of risks and opportunities. Proposals were not generally supported where the relevant team believed the company had already met the requested disclosure requirements, where the proposals were considered overly prescriptive or were not clearly linked to enhancing long-term shareholder value.

VOTING BY THEME

ENVIRONMENTAL ISSUES

MSIM's investment teams supported 39% of environmental-related shareholder proposals. MSIM's investment teams generally supported proposals seeking enhanced transparency and disclosure on potentially financially material environmental issues and where improved disclosure was considered helpful for managing potential financial or reputational risks. Types of proposals often supported by the investment teams included those seeking enhanced disclosure of the financial impacts of climate-related risks. Other frequently supported proposals sought improved transparency through food waste management reporting, where it was considered that these issues may potentially impact companies' long-term value. In these instances, additional disclosure was viewed as beneficial in enabling shareholders to better assess companies' exposure to material environmental risks, the effectiveness of mitigation strategies and alignment with stated sustainability commitments.

SOCIAL ISSUES

MSIM's investment teams supported 38% of social-related shareholder proposals. MSIM's investment teams generally supported proposals aimed at strengthening transparency around companies' potentially financially material practices. These included proposals focused on political contributions and expenditures, reflecting shareholder interest in understanding how companies' political activities connect to their long-term strategies. MSIM investment teams also saw continued emphasis on reporting and assessing human rights-related risks. A broader range of other social proposals also emerged, particularly those encouraging companies to provide clearer insight into how they manage social considerations related to data use and online safety.

GOVERNANCE ISSUES

MSIM's investment teams supported 39% of governance-related shareholder proposals. MSIM's investment teams have a long history of focusing on corporate governance. They share the belief that good corporate governance is a signal of quality management and that well-managed companies should produce long-term returns for clients.

MSIM's investment teams observed a continued rise in proposals focused on emerging technology and data-related risks, including an increasing number calling on companies to adopt voluntary codes of conduct for advanced generative AI systems. AI-related shareholder proposals almost doubled from 2024 to 2025.

The teams generally support proposals that enhance corporate accountability, strengthen oversight and safeguard shareholder rights. These included proposals related to shareholders' ability to call special meetings at reasonable ownership thresholds, since such mechanisms can strengthen corporate accountability and safeguard shareholder rights. The teams have also generally supported proposals to adopt simple majority vote requirements, recognising that majority voting enhances shareholders' say on board composition. Similarly, proposals to declassify boards have generally been supported. This is because a classified board structure potentially limits shareholders' ability to regularly evaluate and influence board composition, which can reduce accountability and impact long-term shareholder value creation.

Corporate Governance and Executive Compensation

Executive compensation is an important indicator of effective board oversight. MSIM's investment teams consider advisory votes on remuneration on a case-by-case basis and may evaluate the alignment between executive remuneration and performance. This assessment may consider operating trends and total shareholder return across multiple performance periods. In addition, investment teams may review remuneration structures and potential poor-pay practices, including relative magnitude of pay, discretionary bonus awards, poorly defined target metrics, tax gross-ups, change-in-control features and internal pay equity. As long-term investors, teams are most likely to support remuneration policies that are aligned with long-term shareholder value creation.

Between 1 January 2025 and 31 December 2025, MSIM's investment teams supported 75% of say-on-pay proposals and voted against 25% of proposals. They voted against say-on-pay proposals primarily due to pay-performance misalignment, and poor pay practices.

DISPLAY 36

Votes on Executive Remuneration by Region[28]

REGION	NUMBER OF PROPOSALS	NUMBER OF VOTES AGAINST	% OF VOTES AGAINST
Asia	2	0	0%
EMEA	1,515	474	31%
North America	2,111	443	21%
South America	0	0	0%
Rest of World	118	32	27%
Total	3,746	949	25%

EQUITY INVESTMENT TEAM EXECUTIVE COMPENSATION VOTING CASE STUDIES

INTERNATIONAL EQUITY

The International Equity Team takes executive compensation seriously, grounded in its belief that incentives drive outcomes. As long-term investors, the team wants the companies its clients own to have pay plans in place that encourage long-term thinking over short-term opportunism. The team's fear is that the wrong incentives, for instance excessive focus on earnings per share (EPS), can encourage management to take decisions that boost profits in the short run at the expense of their companies' ability to compound over the long run. This may be a consumer company cutting advertising, or a firm making large acquisitions that, while they boost short-term EPS, deploy a large amount of capital at low returns. However, when compensation is managed effectively, it aligns key decision-makers' behaviours with the company's objectives, encouraging better performance and long-term returns to shareholders. The team prefers pay plans based on performance metrics linked to company fundamentals such as organic growth, margin and free cash flow, with a particular focus on return on invested capital or return on operating capital employed.

The team uses its proprietary Pay X-Ray scoring framework to evaluate pay schemes where relevant and possible, engaging with companies to encourage improvement and voting against them where the team is unhappy with the structures. In 2025, the team voted against 31% of management compensation-related proposals and at least once at 52% of meetings which included any such proposal. Typical issues the team saw were:

- Use of non-performance-based delivery instruments including options and restricted share units (RSUs).
- Poor disclosure of metrics and targets.
- Overreliance on EPS and relative total shareholder return (TSR).
- Short vesting periods.
- Special one-time awards.

In several cases, the team voted against compensation committee members where there had been limited improvement year over year to escalate their concerns. The team does not discuss its voting intentions with companies as part of engagement activity.

CASE STUDY 1 - INTERNATIONAL EQUITY

The team voted against the executive remuneration plan of a household products company for two main reasons. Firstly, the company does not disclose the majority of the targets, actual achievements or weightings for the individual metrics in the annual bonus. Secondly, 50% of the long-term incentive plan (LTIP) is delivered in RSUs and non-performance-linked options. The team prefers performance shares (PSUs), which require management to hit targets to get rewarded, rather than RSUs—or "pay for stay"—where management merely has to avoid being fired to benefit. The team also prefers companies to issue PSUs rather than options, as the asymmetry of options can favour excessive risk-taking, particularly once they are out of the money. Given the team has voted against the plan every year since 2021, it also voted against the chair of the remuneration committee, as it did in 2024.

CASE STUDY 2 - INTERNATIONAL EQUITY

The team voted against the executive remuneration plan of an industrial company. The advisory vote received 61% dissidence, which a special $25 million retention award

[28] This only covers say-on-pay votes as categorised by the proxy service provider.

granted to the CEO drove. The team voted against given a significant portion of the award (40%) was pay for stay, while the performance-based element of the one-time award relied on the same metrics as the regular LTIP. This offered no additional stretch target despite the size of the grant.

The team has voted against the company's pay plan every year since 2022 due to persistent concerns over weak metrics (heavy reliance on net income and EPS), poor delivery instruments (large use of RSUs and non-performance-linked options) and insufficient target rigor. While the company's use of organic revenue as a metric is a positive, these structural issues outweigh it still. Given the lack of progress over multiple years, the team also voted against the chair of the compensation committee.

CASE STUDY - GLOBAL STEWARDSHIP TEAM

In 2025, MSIM had to vote its proxies on a large, publicly traded U.S. technology enterprise specialising in advanced cloud-based analytics and security solutions for modern, large-scale digital infrastructure. The GST had concerns around executive compensation. GST expects executive compensation programmes to be transparent, performance-linked, and aligned with long-term shareholder value creation. The team's compensation evaluation focuses not only on total pay levels, but also on the design of the plan and the rigor and transparency around performance metrics. The company demonstrated strong long-term shareholder returns, outperforming many of its industry peers. However, GST identified several concerns in the compensation design:

- The company provides limited transparency on incentive plan payout scales. This makes it difficult for shareholders to ascertain if pay outcomes are genuinely earned. Further, it offers the compensation committee a broad discretionary latitude to adjust pay and may dilute performance accountability.
- The company utilises short performance periods for long-term equity awards. Long-term equity incentives are intended to foster multi-year value creation. However, performance for equity awards was measured over a single year. This structure risks encouraging short-term decision-making. Executives may focus on short-term financial metrics or tactical gains rather than building sustainable competitive advantages.
- The company allowed for ratable vesting of equity awards over short periods. This structure may diminish long-term alignment and reduce the effectiveness of equity as a retention and value-creation tool.
- The total payout for four of the five named Executive Officers (CEO, CTO, CFO and Chief Product Officer) was higher than the median CEO pay for industry peers. When several executives are paid at or above CEO-level market benchmarks, it raises questions about whether the compensation program appropriately differentiates roles, responsibilities, and impact. This could be a potential signal an overly permissive compensation committee, especially when this occurs alongside limited transparency and short performance horizons.

Given these concerns, the GST recommended that MSIM investment team(s) holding the company vote against the Say on Pay proposal to communicate dissatisfaction with the compensation framework. Addressing these concerns, particularly enhancing transparency, strengthening performance rigor, and applying multiyear evaluation periods for long-term incentives would materially improve alignment with long term shareholder interests. The active investment team(s) holding the company each agreed with the GST recommendation and voted against the Say on Pay proposal for this company.

Fixed Income: Exercising Rights and Responsibilities

APPROACH TO SEEKING AMENDMENTS IN TERMS AND CONDITIONS, CONTRACTS AND OTHER LEGAL DOCUMENTATION

The Fixed Income organisation exercises its rights and responsibilities through good stewardship efforts both at the pre-investment stage and throughout the holding period for a security. It uses engagement and escalation to inform investment decisions as needed, which ultimately can have an impact on issuers.

Prior to investment, credit analysts conduct due diligence across a wide range of factors, including material ESG issues, and may request to engage with an issuer to obtain additional insights. The team draws upon a variety of data sources for ESG-related information pre-investment, including both third-party and proprietary analysis. Engagement is also used as an opportunity to provide granular feedback to issuers on the structure of their deals.

The Fixed Income organisation's approach to seeking amendments to terms and conditions, contracts and other legal documentation depends on the issue in question, type of security held, investment strategy and its fiduciary duty to act in clients' best interests. Credit analysts work closely with the ESG analysts, with several training sessions over the course of the reporting period, to enhance credit analysts' understanding of the ESG research and engagement process. Additional training opportunities are available from rating agencies, law firms and associations, such as the European Leveraged Finance Association (Principle 2). MSIM's in-house legal team also provides support and in-depth analysis where needed, especially in ESG-related areas when evaluating the terms of any potential transaction.

The following are examples of different approaches based on different types of fixed income securities:

1. **Green/labelled Sustainable Bonds: Transparency and Reporting**

In the context of green and other labelled sustainable bonds, the team may organise one-to-one dialogues with management where reporting and transparency practices do not align with commitments outlined in labelled bond frameworks. The team advises issuers to commit to annual reporting where relevant and possible. However, as part of the monitoring process, the team may engage with issuers that do not fulfil these criteria.

For example, as part of the team's targeted engagement series on impact reporting, they engaged with a telecoms issuer on their green financing allocation and impact report. The company had significantly improved its sustainable financing framework and allocation report (detailing how use of proceeds are distributed amongst eligible projects) in recent years, but the team identified several areas for improvement. In the engagement, the team asked the company to start disclosing the share of financing versus refinancing, as well as share of capital expenditure versus operating expenses/R&D. The team also asked the issuer to include a formal exclusion policy for temporarily unallocated proceeds. The company was eager to receive feedback and industry best-practices, and the Fixed Income team plan to re-engage after the next sustainability financing framework and allocation report are published.

2. **Sustainability-linked Bonds: Sustainable Targets and Potential Coupon Step-ups and Call Dates/prices**

In the case of sustainability-linked bonds associated with specific targets and potential coupon step-ups, the Fixed Income organisation may engage with issuers ahead of the transaction through one-to-one meetings or group roadshow calls. They provide their views on the appropriateness of the trigger event date and the size of the step-up, and request changes if necessary to increase the level of ambition and accountability.

As mentioned in Principle 2, the Fixed Income organisation collaborated with industry organisations such as ICMA to establish more detailed guidance on best practices around the issuance of these bonds. The working group provided updates to Q&As in the sustainability-linked bond section of ICMA's guidance handbook, to ensure the guidance was properly adapted for sovereign issuers, and to review the definition of secondary KPIs.

3. High-yield Prospectus Review: Bond Structure and Covenants

In broad relation to high-yield issuance, investors tend to receive a prospectus a few days in advance. The credit research analysts review each prospectus. Using a combination of in-house expertise (several team members have either investment banking or loan experience) and Covenant Review (legal research available via a paid subscription), the High Yield Investment Team determines whether covenants or structures are too aggressive. In cases where the team thinks the documentation is too aggressive, they provide written feedback directly to the syndicate desks involved in marketing the bond deal. If there is significant pushback from the investor base, either the documentation is tightened up, or the pricing of the deal makes up for the looseness of the documentation. Loose documentation does not preclude the team from participating in a deal if they believe it is being appropriately compensated on the issuance level.

4. Securitisations: Loan Collection and Modification Policies and Conditions

For securitisations, the Mortgage and Securitised Investment Team constructs and then monitors portfolios with the aim of avoiding exposure to predatory lending practices, severe malpractices in payment collections or breaches of consumer protection standards. All of these can increase the probability of default of the involved lenders or servicers. Over the past year, the team continued to engage with securitisation issuers to assess their loan originators and servicers' collection and loan modification policies, and the conditions imposed on borrowers.

Alternatives

PRIVATE DEBT

Given the limitations of private credit strategies with respect to voting rights and direct influence over portfolio company sustainability initiatives or performance, Morgan Stanley European Private Credit Team focuses its stewardship approach on incentivising and promoting positive sustainability-related outcomes through alternative mechanisms. In particular, the strategy seeks to incorporate sustainability-linked loans (SLLs) on a case-by-case basis. This is subject to the transactional dynamics of each investment, including sponsor willingness to embed sustainability-related terms in credit agreements, as well as insights derived from preliminary screening and ESG due diligence. The Team considers SLLs to be an effective stewardship tool, as they incentivise borrowers to strengthen existing sustainability practices and address identified areas of underperformance. In doing so, these structures can also support improvements in operational efficiency, financial resilience and overall creditworthiness, aligning sustainability objectives with long-term value creation for both borrowers and lenders.

Principle 6: Monitoring Service Providers

MSIM adheres to both Morgan Stanley and MSIM-specific policies to select, assess and monitor service providers seeking to ensure MSIM can deliver best-in-class investment solutions and client servicing standards. These processes reflect a strong focus on data quality, assurance and vendor standards.

As part of MSIM's ongoing oversight of third-party providers, MSIM performs periodic due diligence on service providers used to support MSIM's stewardship activities. Topics of the reviews include, but are not limited to, conflicts of interest, research methodologies and their resourcing. Where necessary or appropriate, MSIM also conducts on-site or virtual due diligence meetings and meets with research staff, compliance and information technology teams to review policies and procedures.

Proxy Service Providers

MSIM uses third-party service providers to support the operational execution and research inputs associated with proxy voting, while retaining full responsibility for voting decisions. The GST monitors these providers through a series of automated and manual controls, including reconciliation of voting data feeds, end-of-day vote matching between MSIM and provider systems, review of monthly vote audit reports and ex-post testing to confirm that voting instructions have been implemented accurately.

The GST and Compliance teams conduct annual due diligence reviews to complement the oversight of proxy service providers, either onsite or virtually. These reviews focus on the timeliness, quality and accuracy of vote execution and underlying research, including coverage of emerging sustainability topics. Although MSIM does not rely on voting recommendations from service providers, it expects high standards of research accuracy and engages directly with providers to escalate identified errors, seek remediation and provide feedback on service quality. In 2025, this monitoring and due diligence process did not uncover any significant issues.

Sustainability Data Providers

MSIM assesses sustainability data providers on factors such as relevance, quality, coverage, transparency and materiality. Due diligence is performed in close collaboration with investment teams. Findings from these assessments enable MSIM to make informed decisions on vendor solutions, address vendor challenges, and ensure products align with investment and engagement objectives.

To support the availability and consistent use of high-quality sustainability data across MSIM, a sustainability data stack has been established. This stack includes datasets spanning various sustainability approaches, asset classes and providers. The MSIM Sustainability Team reviews the stack regularly to help ensure MSIM leverages the best vendors and incorporates new datasets where:

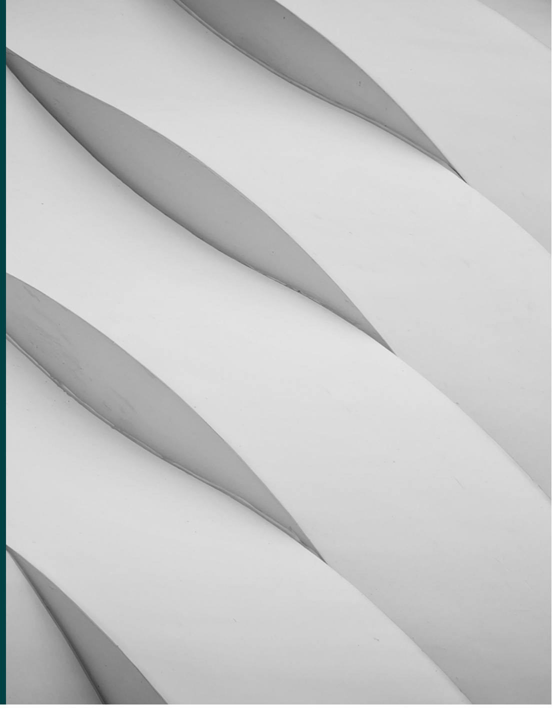
- New sources of data emerge (e.g., asset class expansion or thematic areas like climate risk or biodiversity).
- Coverage can be enhanced.
- More transparent or granular datasets become available.
- Methodological improvements are identified.

In 2025, MSIM continued to assess and monitor sustainability data providers on factors such as relevance, quality, coverage, transparency and materiality. Due diligence was performed in close collaboration with investment teams, as needed. When quality-control checks identified potential issues, the central Sustainability Data Team at Morgan Stanley, which maintains supplier relationships, helped to engage the data provider in a timely manner with the aim of ensuring that it provides revised data or an explanation regarding the issue.

In 2025, where monitoring of sustainability data providers identified issues, they were resolved promptly and satisfactorily. A few examples are noted below:

- A data vendor implemented a change to sustainability data methodology without sufficient advance notice, which had the potential to disrupt downstream processes. MSIM requested the provider continue to supply the data under the prior methodology while internal systems and controls were updated to address the issue.
- It was identified that a green revenue metric for a real estate issuer had not been refreshed in line with expected update cycles, and the provider subsequently prioritised the data refresh following outreach from MSIM.
- The MSIM team identified a missing data point while reviewing of green capital expenditure metrics from a third-party provider even though the issuer had reported it. MSIM escalated the issue to the provider who confirmed it was an accidental omission and populated the data set, allowing the missing data point to be incorporated.

Appendix



MSIM Sustainability and Stewardship-related Memberships and Affiliations

MSIM and Morgan Stanley participate in or belong to several sustainability and stewardship-related initiatives and organisations.

Notwithstanding participation in, and collaboration with, stewardship and sustainability-related initiatives, MSIM and Morgan Stanley make all decisions without external influence, on a case-by-case basis, according to the specific financial risks and opportunities present in each case.

MSIM's external stewardship and sustainability-related initiatives and organisations include, but are not limited to, the following:

- 30% Club - UK Investor Group.
- Better Building Partnerships (BBP).
- CERES.
- Council for Institutional Investors (CII).
- Emerging Markets Investors Alliance (EMIA) .
- European Leveraged Finance Association (ELFA).
- Farm Animal Investment Risk and Return (FAIRR).
- Institutional Limited Partners Associations (ILPA).
- International Capital Markets Association (ICMA) .
- International Financial Reporting Standards (IFRS) Sustainability Alliance / Sustainability Investor Advisory Group.
- One Planet Summit Asset Managers Initiative.
- Principles for Responsible Investment (PRI).
- World Benchmarking Alliance.

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