

# MS INVF American Resilience, Global Brands, Global Brands Equity Income, Global Quality Funds Restriction Screening Policy

INTERNATIONAL EQUITY TEAM | JANUARY 2023

## RESTRICTION SCREENING

This restriction screening policy relates to the Morgan Stanley Investment Fund (“MS INVF”) American Resilience, Global Brands, Global Brands Equity Income and Global Quality Funds (the “Funds”) which are managed by the International Equity team (the “Investment Team”). It also applies to some separate accounts, as agreed on a client by client basis. The Investment Team applies restriction screening to the Funds, as further detailed below.

Restriction screening refers to intentionally avoiding investments in certain sectors or issuers. When assessing the investment universe for the Funds, the below restrictions are applied pre-investment and are binding.

### 1. Climate-Related Sector/Industry Exclusions:

The Funds will exclude investments in any company that the Investment Team determines has any tie to fossil fuels<sup>1</sup> as classified by the MSCI ESG Business Involvement Screening Research (“MSCI ESG BISR”) database, or any company that has been assigned the following sectors or industries under the MSCI Global Industry Classification Standards (“MSCI GICS”):<sup>2</sup>

- *Construction Materials*
- *Energy*
- *Metals & Mining*
- *Utilities (excluding Renewable Electricity and Water Utilities)*<sup>3</sup>

### 2. Weapons-Related Sector/Industry Exclusions:

In addition to the above climate-related exclusions, the Investment Team immediately screens out any company that generates more than 10% of its revenue from any of the following areas according to the MSCI ESG BISR database:

- *Civilian firearms*
- *Weapons*

<sup>1</sup> Companies with a tie to fossil fuels (thermal coal, oil and gas), in particular reserve ownership, related revenues and power generation.

<sup>2</sup> GICS, is a four-tiered, hierarchical industry classification system. Companies are classified quantitatively and qualitatively. Each company is assigned a single GICS classification at the Sub-Industry level according to its principal business activity. MSCI and S&P Dow Jones Indices use revenues as a key factor in determining a firm's principal business activity. Earnings and market perception, however, are also recognized as important and relevant information for classification purposes, and are taken into account during the annual review process.

<sup>3</sup> Utilities (excluding Renewable Electricity and Water Utilities), including any company whose core business activity involves nuclear power generation and/or nuclear power trading.

### **3. Controversial Weapons Exclusions:**

The Funds will not invest in any company that is defined by the MSCI ESG BISR database to have any tie to controversial weapons. In addition, the Investment Team prohibits investment in companies that are 50% or more owned by a company with depleted uranium weapons involvement and companies that own 20% to 49.9% of a company with depleted uranium weapons involvement.

### **Restriction Policy Compliance**

This restriction screening policy applies to the investments held directly in the Funds. Investments that are held by the Funds but become restricted after they are acquired for the Funds, will be sold. Such sales will take place over a time period to be determined by the Investment Team, taking into account the best interests of the shareholders of the Funds. The Investment Team reviews this policy periodically and any changes will be reflected in this document. In addition to ongoing monitoring by the portfolio managers, Morgan Stanley Investment Management's Portfolio Surveillance team codes the restricted criteria into the firm's surveillance system, and uses an automated process to monitor adherence to investment guidelines, including pre- and post-trade guideline monitoring and exception-based screening, and informs the Investment Team of possible guideline violations for this policy.

### **Compliance with Minimum Standards and Safeguards**

Given our focus on high quality companies with high quality management, the Investment Team expects the issuers it invests in to comply with minimum standards and safeguards around human rights, labour rights, environment, business ethics and corruption as defined by international norms. The Investment Team monitors business practices on an ongoing basis, through data on ESG controversies and standards screening that the Investment Team sources from third-party providers, including UN Global Compact violations, as well as its own engagement with company management and research.

The Investment Team reviews securities of issuers where it believes a significant breach of the above standards and principles has occurred and typically excludes such issuers where, after conducting its research and/or engagement, the Investment Team believes the breach is material to the sustainability of returns on operating capital, poses significant financial and/or reputational risk and the issuer has not committed to appropriate remedial action. Such exclusions are determined by the Investment Team rather than solely by third-party data. The analysis may be supported by third-party ESG controversies analysis and business involvement metrics.

### **Promotional Environmental Characteristic and ESG Screening**

The Investment Team considers that the Funds promote environmental characteristics through the application of a binding climate-related restriction screening process (as outlined above) as well as through the investment decision-making process. A resulting feature of the Funds is that they may be significantly more carbon light than the broader market<sup>4</sup>. Further, as an essential and integrated part of the investment process, the Investment Team assesses relevant factors material to long-term sustainably high returns on operating capital including ESG factors, and seeks to engage with company management as part of this process, including on decarbonisation.

### **DATA SOURCES**

In undertaking the above restrictions screening, the Investment Team supplements its own analysis with data from third parties such as MSCI. The Investment Team will bear the costs in relation to the use of third-party data.

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<sup>4</sup> As at 30 September 2022. Updated annually. Source: Trucost. Trucost defines a company's carbon intensity as its carbon emissions (Scope 1 and 2) per \$1 million invested or per \$1 million of company sales. Portfolio-level carbon intensity is the weighted average of the companies held in the portfolio. For the MS INV Global Brands, Global Brands Equity Income, and Global Quality Funds, the broader market is defined as the MSCI World Index. For the MS INV American Resilience Fund, the broader market is defined as the S&P 500.

## APPENDIX

### Sector and Industry Definitions

The following table defines those exclusions covered by the Funds' restriction screening policy.

Type	Exclusion	Sub-Industry/ Factor Name	Definition
GICS	Construction Materials	Construction Materials	Manufacturers of construction materials including sand, clay, gypsum, lime, aggregates, cement, concrete and bricks. Other finished or semi-finished building materials are classified in the Building Products Sub-Industry.
GICS	Energy	Coal & Consumable Fuels	Companies primarily involved in the production and mining of coal, related products and other consumable fuels related to the generation of energy. Excludes companies primarily producing gases classified in the Industrial Gases Sub-Industry and companies primarily mining for metallurgical (coking) coal used for steel production.
GICS	Energy	Integrated Oil & Gas	Integrated oil companies engaged in the exploration & production of oil and gas, as well as at least one other significant activity in either refining, marketing and transportation, or chemicals.
GICS	Energy	Oil & Gas Drilling	Drilling contractors or owners of drilling rigs that contract their services for drilling wells.
GICS	Energy	Oil & Gas Equipment & Service	Manufacturers of equipment, including drilling rigs and equipment, and providers of supplies and services to companies involved in the drilling, evaluation and completion of oil and gas wells.
GICS	Energy	Oil & Gas Exploration & Production	Companies engaged in the exploration and production of oil and gas not classified elsewhere.
GICS	Energy	Oil & Gas Refining & Marketing	Companies engaged in the refining and marketing of oil, gas and/or refined products not classified in the Integrated Oil & Gas or Independent Power Producers & Energy Traders SubIndustries.
GICS	Energy	Oil & Gas Storage & Transportation	Companies engaged in the storage and/or transportation of oil, gas and/or refined products. Includes diversified midstream natural gas companies, oil and refined product pipelines, coal slurry pipelines and oil & gas shipping companies.
GICS	Metals & Mining	Aluminium	Producers of aluminium and related products, including companies that mine or process bauxite and companies that recycle aluminium to produce finished or semi-finished products. Excludes companies that primarily produce aluminium building materials classified in the Building Products Sub-Industry.
GICS	Metals & Mining	Copper	Companies involved primarily in copper ore mining.
GICS	Metals & Mining	Diversified Metals & Mining	Companies engaged in the diversified production or extraction of metals and minerals not classified elsewhere. Including, but not limited to, nonferrous metal mining (except bauxite), salt and borate mining, phosphate rock mining, and diversified mining operations. Excludes iron ore mining, classified in the Steel SubIndustry, bauxite mining, classified in the Aluminium Sub-Industry, and coal mining, classified in either the Steel or Coal & Consumable Fuels Sub-Industries.
GICS	Metals & Mining	Gold	Producers of gold and related products, including companies that mine or process gold and the South African finance houses which primarily invest in, but do not operate, gold mines.
GICS	Metals & Mining	Precious Metals & Minerals	Companies mining precious metals and minerals not classified in the Gold Sub-Industry. Includes companies primarily mining platinum.
GICS	Metals & Mining	Silver	Companies primarily mining silver. Excludes companies classified in the Gold or Precious Metals & Minerals SubIndustries.
GICS	Metals & Mining	Steel	Producers of iron and steel and related products, including metallurgical (coking) coal mining used for steel production.
GIC	Utilities	Electric Utilities	Companies that produce or distribute electricity. Includes both nuclear and non-nuclear facilities.

GICS	Utilities	Gas Utilities	Companies whose main charter is to distribute and transmit natural and manufactured gas. Excludes companies primarily involved in gas exploration or production classified in the Oil & Gas Exploration & Production Sub-Industry. Also excludes companies engaged in the storage and/or transportation of oil, gas, and/or refined products classified in the Oil & Gas Storage & Transportation Sub-Industry.
GICS	Utilities	Independent Power Producers & Energy Traders	Companies that operate as Independent Power Producers (IPPs), Gas & Power Marketing & Trading Specialists and/or Integrated Energy Merchants. Excludes producers of electricity using renewable sources, such as solar power, hydropower, and wind power. Also excludes electric transmission companies and utility distribution companies classified in the Electric Utilities Sub-Industry.
GICS	Utilities	Multi-Utilities	Utility companies with significantly diversified activities in addition to core Electric Utility, Gas Utility and/or Water Utility operations.
BISR Revenue	Civilian Firearms	Civilian Firearms – Maximum Percentage of Revenue	The recent-year percentage of revenue, or maximum estimated percent, a company has derived from the manufacture and retail of civilian firearms and ammunition.
BISR Revenue	Weapons	Weapons – Maximum Percentage of Revenue	The recent-year percent of revenue, or maximum estimated percent, a company has derived from weapons systems, components, and support systems and services.
BISR Any Tie	Controversial Weapons	Controversial Weapons – Any Tie	Companies that have any ties to cluster munitions, landmines, biological / chemical weapons, depleted uranium weapons, blinding laser weapons, incendiary weapons, and/or non-detectable fragments.
BISR Any Tie	Depleted Uranium	Weapons – Depleted Uranium Manufacturer	Companies involved in the production of depleted uranium (DU) weapons, ammunition, and armor, including companies that manufacture armor piercing, fin stabilized, discarding sabot tracing rounds (APFSDS-T); Kinetic Energy Missiles made with DU penetrators; and DU-enhanced armor, including composite tank armor.
BISR Ownership	Depleted Uranium	Weapons – Ownership by a Depleted Uranium Weapons Company	Companies that are 50 percent or more owned by a company with depleted uranium weapons involvement.
BISR Ownership	Depleted Uranium	Weapons – Ownership of a Depleted Uranium Weapons Company	Companies that own 20 to 49.99 percent of a company with involvement. When a company owns 50 percent or more of a subsidiary with involvement, MSCI treats it as a consolidated subsidiary.
BISR Any Tie	Fossil Fuels	Fossil Fuels – Any Tie	Companies with a tie to fossil fuels (thermal coal, oil and gas), in particular reserve ownership, related revenues and power generation. It does not flag companies providing evidence of owning metallurgical coal reserves.

## Important Information

*Issued by MSIM Fund Management (Ireland) Limited. MSIM Fund Management (Ireland) Limited is regulated by the Central Bank of Ireland. MSIM Fund Management (Ireland) Limited is incorporated in Ireland as a private company limited by shares with company registration number 616661 and has its registered address at The Observatory, 7-11 Sir John Rogerson's Quay, Dublin 2, D02 VC42, Ireland.*

*This document supplements the information provided in the Prospectus. Investors should read the Key Investor Information Document and Prospectus before investing.*

*There is no assurance that a Fund will achieve its investment objective. Funds are subject to market risk, which is the possibility that the market values of securities owned by the Fund will decline. Accordingly, you can lose money investing in this Fund.*