Morgan Stanley

INVESTMENT MANAGEMENT

Morgan Stanley Global Balanced Sustainable Strategy

Stewardship Policy

MARKETING COMMUNICATION | **GLOBAL BALANCED RISK CONTROL TEAM** | APRIL 2022

We define “stewardship” as our overarching approach to monitoring, engaging and exercising our shareholder rights across our portfolios, to promote the long-term success of companies and create sustainable value for our clients while contributing to environmental and social challenges.

Relatedly, the Global Balanced Risk Control (GBaR) team believes that we have a duty to work with the firms in which we invest, to help improve their environmental, social and governance (ESG) performance. We fulfill this duty by engaging with the companies in which we invest and by effectively exercising our proxy voting and other rights as shareholders. These stewardship activities give us the opportunity to guide companies in which we invest toward better environmental, social and governance practices, which we believe produce attractive returns for our clients over the long term. We further believe a structured approach to engagement is a powerful tool for issuers to keep track of their commitments.

Our Approach to Engagement

Typically, the GBaR team’s main engagement priorities are guided by top-down, thematic-based research and our assessment of material ESG risks by our dedicated ESG analysts. We believe this is the best approach for our strategy, as researching risks to the global economy and global markets is integral to GBaR’s asset allocation process. ESG factors such as climate change definitively fall into the team’s definition of potential “risk events.” This approach therefore ensures that stewardship is seen as a natural extension of the team’s philosophy around risk control.

Our engagement strategy is based on three main components: risk, impact and quality. This allows the team to focus on thematic ESG issues that contribute to global sustainability imperatives as well as the performance of our portfolio.

Component I: Risk

As mentioned, our approach to engagement is a natural extension of our investment process' philosophy. Through our top-down prioritisation and bottom-up analysis, we hope to find the subset of thematic engagement issues where impact intersects with mitigating material risks or positive alpha opportunities for exposed companies. Through this combination, we hope we can benefit from demonstrating win-win opportunities with targeted companies, driving change, and supporting our fiduciary duties.

Component II: Impact

We believe engaging with our portfolio companies gives us a crucial lever for demonstrating additionality in our impact efforts. To ensure that we are contributing to overarching efforts in sustainability, we align our engagement's impact with internationally recognised and agreed-upon standards such as the U.N. Sustainable Development Goals (SDGs), or the Transition Pathway Initiative (TPI), when relevant. A particular focus is laid upon those standards where our portfolio holdings are most exposed to risks and impact opportunities.

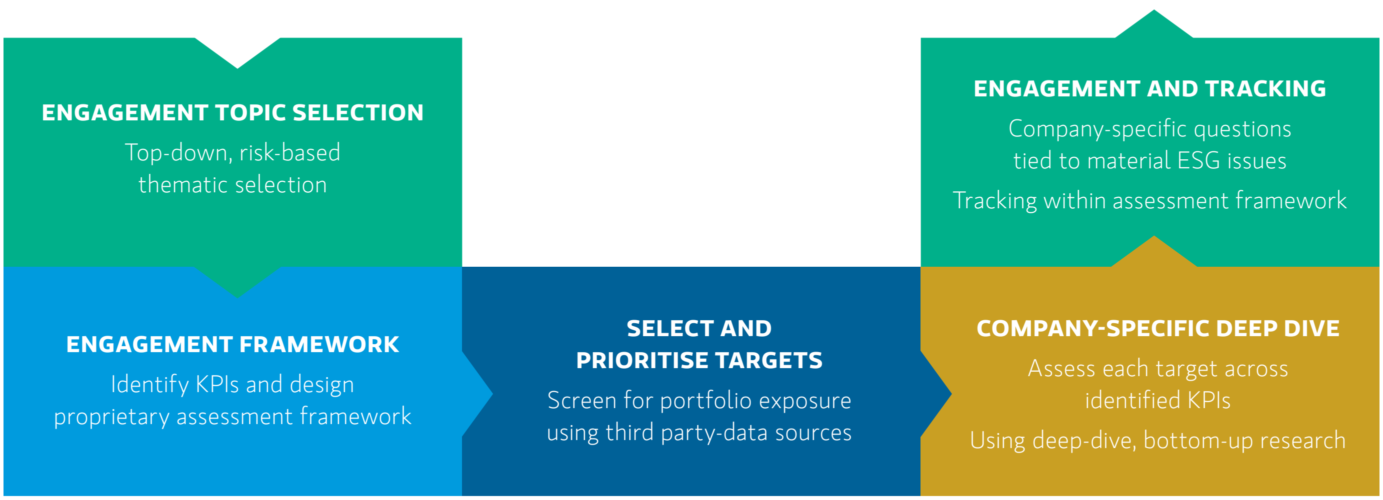
Our investment approach excludes those companies that we do not believe are receptive to engagement, such as tobacco and controversial weapons, thereby ensuring we focus our efforts on areas where we believe there is opportunity for change.

Component III: Quality

Our approach to engagement emphasises the quality of our engagements over the quantity, with a focus on materiality and intensive bottom-up research of the companies exposed to our top-down thematic prioritisation. Consequently, we spend our resources on the most promising engagement opportunities, assessing portfolio companies' idiosyncrasies such as exposure to financial or reputational concerns, capacity to implement changes and scope for improvement. We recognise that fruitful engagement takes time, and our thematic engagement approach typically consists of several engagements over a multiyear period in order to work and improve together.

These components can broadly be summarised in the following process:

GBaR Engagement Process



Source: MSIM's GBaR team

This represents how the portfolio management team generally implements its investment process under normal market conditions.

Further details on our engagements can be found in our Stewardship Report

To maximise the effectiveness of our engagement, we collaborate with a number of colleagues, including MSIM's Global Stewardship team, with extensive experience in corporate governance and proxy voting. Additionally, we work closely with other investment teams within the firm, to ensure we have the loudest possible voice.

Escalation and Divestment

We will regularly touch base with our target companies to ensure they make progress on any agreed-upon actions. There are two cases where we may need to escalate our engagement:

1. Where we believe management is unreceptive or unresponsive to our recommendations
2. Where after an agreed-upon period of time, there has been no change

Typically, our engagement escalation will consist of meeting with either the chair of the board of directors, or the chair of the most relevant board committee.

If after meeting the chair, we remain unhappy with the progress, we will inform the company of our intention to vote against relevant board members and management proposals.

While it is unlikely, we may reduce our holding in a company or divest entirely for them in extreme cases.

Proxy Voting

We see proxy voting as an integral component of our normal monitoring and engagement activity. We seek to vote all shares held by our clients, unless the costs, or administrative burden, of doing so are excessive, such as in markets with share blocking. To promote consistency in voting proxies on behalf of our clients, we follow MSIM's Proxy Voting Policy.[1]

MSIM votes proxies in a prudent and diligent manner and in the best interest of our clients. MSIM has retained research providers to analyse proxy issues and to make vote recommendations on those issues. While we are aware of the recommendations of one or more research providers, we are in no way obligated to follow such recommendations. The investment teams vote all proxies based on MSIM's proxy voting policies in the best interests of each client.

Risk Considerations

There is no assurance that the Strategy will achieve its investment objective. Portfolios are subject to market risk, which is the possibility that the market values of securities owned by the portfolio will decline and that the value of portfolio shares may therefore be less than what you paid for them. Market values can change daily due to economic and other events (e.g. natural disasters, health crises, terrorism, conflicts and social unrest) that affect markets, countries, companies or governments. It is difficult to predict the timing, duration, and potential adverse effects (e.g. portfolio liquidity) of events. Accordingly, you can lose money investing in this portfolio. Please be aware that this strategy may be subject to certain additional risks. **ESG strategies** that incorporate impact investing and/or environmental, social and governance (ESG) factors could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favour in the market. As a result, there is no assurance ESG strategies could result in more favourable investment performance. There is the risk that the Adviser's **asset allocation methodology and assumptions** regarding the Underlying Portfolios may be incorrect in light of actual market conditions and the Portfolio may not achieve its investment objective. Share prices also tend to be volatile and there is a significant possibility of loss. The portfolio's investments in **commodity-linked notes** involve substantial risks, including risk of loss of a significant portion of their principal value. In addition to commodity risk, they may be subject to additional special risks, such as risk of loss of interest and principal, lack of secondary market and risk of greater volatility, that do not affect traditional equity and debt securities. **Currency fluctuations** could erase investment gains or add to investment losses. **Fixed-income securities** are subject to the ability of an issuer to make timely principal and interest payments (credit risk), changes in interest rates (interest-rate risk), the creditworthiness of the issuer and general market liquidity (market risk). In a rising interest-rate environment, bond prices may fall and may result in periods of volatility and increased portfolio redemptions. In a declining interest-rate environment, the portfolio may generate less income. Longer-term securities may be more sensitive to interest rate changes. **Equity and foreign securities** are generally more volatile than fixed income securities and are subject to currency, political, economic and market risks. Equity values fluctuate in response to activities specific to a company. Stocks of **small-capitalization companies** carry special risks, such as limited product lines, markets and financial resources, and greater market volatility than securities of larger, more established companies. The risks of investing in emerging market countries are greater than risks associated with investments in foreign developed markets. **Exchange traded funds (ETFs)** shares have many of the same risks as direct investments in common stocks or bonds and their market value will fluctuate as the value of the underlying index does. By investing in exchange traded funds ETFs and other **Investment Funds**, the portfolio absorbs both its own expenses and those of the ETFs and Investment Funds it invests in. Supply and demand for ETFs and Investment Funds may not be correlated to that of the underlying securities. **Derivative instruments** can be illiquid, may disproportionately increase losses and may have a potentially large negative impact on the portfolio's performance. A **currency forward** is a hedging tool that does not involve any upfront payment. The use of **leverage** may increase volatility in the Portfolio. **Diversification** does not protect you against a loss in a particular market; however, it allows you to spread that risk across various asset classes.

The description of the restrictive screening policy represent how the portfolio management team generally implements their investment process under normal market conditions.

[1] www.morganstanley.com/im/publication/resources/proxyvotingpolicy_msim_en.pdf

IMPORTANT INFORMATION

There is no guarantee that any investment strategy will work under all market conditions, and each investor should evaluate their ability to invest for the long-term, especially during periods of downturn in the market.

A separately managed account may not be appropriate for all investors. Separate accounts managed according to the Strategy include a number of securities and will not necessarily track the performance of any index. Please consider the investment objectives, risks and fees of the Strategy carefully before investing. A minimum asset level is required.

For important information about the investment managers, please refer to Form ADV Part 2.

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