

An aerial photograph of a dense, vibrant green mangrove forest. A winding river, with a light blue-green hue, meanders through the forest, creating a complex network of channels and islands. The perspective is from directly above, looking down on the canopy of the trees.

Morgan Stanley

INVESTMENT MANAGEMENT

Our Approach on Environmental, Social and Governance Factors

2018



Morgan Stanley Investment Management appreciates that environmental, social and governance (“ESG”) factors can impact long-term performance. Our investment teams have a variety of methods for considering such factors, including analysis of reputational risks and litigation and other exposures as an element of fundamental analysis. Our portfolio managers review governance at portfolio companies through diligent attention to proxy voting responsibilities and engagement, for which Morgan Stanley Investment Management’s Corporate Governance Team provides central support.

Morgan Stanley Investment Management uses an investor-led investment approach to achieve long-term returns on behalf of our clients. We consider good corporate governance central to our business model. As active owners, part of our investment approach focuses on well-governed companies with long-term, sustainable business models. Portfolio managers are responsible for evaluating risks and opportunities for each investment, both at an industry level and company level. As we believe that ESG issues can influence risk and return, we consider these factors, when relevant, in evaluating and engaging with portfolio companies. The work of Morgan Stanley Investment Management’s Corporate Governance Team demonstrates our dedication to proxy voting and shareholder engagement as part of overall good governance. The team works closely with the investment teams on matters of proxy voting, governance analysis and engagement, as well as related social and environmental issues.

Morgan Stanley Investment Management is a signatory of the UN Principles for Responsible Investing (“UNPRI”) and a signatory to the U.K. Stewardship Code.

Morgan Stanley Investment Management Sustainability Council

The Morgan Stanley Investment Management Sustainability Council is a cross-functional team of leaders committed to delivering value across multiple dimensions by promoting a disciplined approach to integrating ESG factors into the investment process. The Council drives Investment Management’s global effort by promoting an overall framework for integrating ESG and ESG standards into investment processes, product development, measurement, education, client engagement and reporting. The Council relies on an Advisory Committee, comprised of senior investors and subject matter experts within the Firm, for relevant insights and perspectives.

Process and Engagement

Equity analysts and portfolio managers evaluate relevant factors, such as ESG, as part of the research process. These professionals, located across the globe, have a deep understanding of the companies in which we invest. This approach fosters long-term relationships between investment teams and company management teams, some of which have lasted for more than a decade. Our regular contact allows for ongoing dialogue with respect to issues that could affect long-term returns. External research and data help to frame any ESG issues for our investment teams. This research aids in distilling which ESG issues may impact long-term value.

A key input in our investment selection process is a deep understanding of management quality. To develop that knowledge we often engage with company management, including participating in active dialogues where positions are significant and issues are viewed as material. Our investment teams regularly monitor and engage with companies in the normal course of their investment process. In addition, they selectively interact with company boards of directors when necessary and beneficial for shareholder value.

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

Proxy Voting

Morgan Stanley Investment Management views proxy voting as an integral part of the investment process and post-buy oversight. All proxy voting decisions are made in-house based on collaboration

between members of the investment team and the corporate governance team, and do not automatically support management recommendations. The Corporate Governance Team has an internal system for documenting vote rationale. We combine the in-depth knowledge of the investment teams with the global governance expertise of the Corporate Governance Team to make informed voting decisions, rather than relying on external advisory firms or making proxy voting a rote, box-ticking exercise. The Corporate Governance Team oversees the proxy voting process to ensure a consistent set of policies and procedures are applied across our global portfolios.

Controls are in place to help ensure that all meetings are voted on in a timely manner and are consistent with our policies across global portfolios. In most cases, we do not view attendance at portfolio company annual general meetings as productive.

Reporting

The Corporate Governance Team provides clients with proxy voting records relating to votes held and voted on their behalf. In addition, we publish voting records for our 1940 Act registered open-end and closed-end mutual funds annually, through N-PX filings in the U.S. and for our SICAV funds on our website in the U.K. in relation to the U.K. Stewardship Code. For a number of years, MSIM has obtained an independent audit opinion on proxy voting processes in SSAE-16 reviews.

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

Deep Understanding of Good Governance

- Proxy voting
- Governance analysis and engagement
- Social and environmental issues

Our Goal

Morgan Stanley Investment Management’s goal is to add value to clients by meeting their investment objectives and providing a comprehensive array of investment services, competitive results and enduring client relationships. By reviewing and understanding the range of potential issues, such as ESG, and their impact on investments, in addition to the myriad of other investment factors, we are well positioned to deliver consistent, long-term results for our clients. **If you have any questions about this document, please contact Drew Hambly, Head of MSIM Corporate Governance, at mbproxy@morganstanley.com.**

Related Documents are publically available by accessing the “About Us” section on our website at www.morganstanley.com/im:

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

DISTRIBUTION

This communication is only intended for and will only be distributed to persons resident in jurisdictions where such distribution or availability would not be contrary to local laws or regulations.

United Kingdom: Morgan Stanley Investment Management Limited is authorised and regulated by the Financial Conduct Authority. Registered in England. Registered No. 1981121. Registered Office: 25 Cabot Square, Canary Wharf, London E14 4QA, authorised and regulated by the Financial Conduct Authority. **Dubai:** Morgan Stanley Investment Management Limited (Representative Office, Unit Precinct 3-7th Floor-Unit 701 and 702, Level 7, Gate Precinct Building 3, Dubai International Financial Centre, Dubai, 506501, United Arab Emirates. Telephone: +97 (0)14 709 7158). **Germany:** Morgan Stanley Investment Management Limited Niederlassung Deutschland Junghofstrasse 13-15 60311 Frankfurt Deutschland (Gattung: Zweigniederlassung (FDI) gem. § 53b KWG). **Italy:** Morgan Stanley Investment Management Limited, Milan Branch (Sede Secondaria di Milano) is a branch of Morgan Stanley Investment Management Limited, a company registered in the U.K., authorised and regulated by the Financial Conduct Authority (FCA), and whose registered office is at 25 Cabot Square, Canary Wharf, London, E14 4QA. Morgan Stanley Investment Management Limited Milan Branch (Sede Secondaria di Milano) with seat in Palazzo Serbelloni Corso Venezia, 16 20121 Milano, Italy, is registered in Italy with company number and VAT number 08829360968. **The Netherlands:** Morgan Stanley Investment Management, Rembrandt Tower, 11th Floor Amstelplein 1 1096HA, Netherlands. Telephone: 31 2-0462-1300. Morgan Stanley Investment Management is a branch office of Morgan Stanley Investment Management Limited. Morgan Stanley Investment Management Limited is authorised and regulated by the Financial Conduct Authority in the United Kingdom. **Switzerland:** Morgan Stanley & Co. International plc, London, Zurich Branch Authorised and regulated by the Eidgenössische Finanzmarktaufsicht ("FINMA"). Registered with the Register of Commerce

Zurich CHE-115.415.770. Registered Office: Beethovenstrasse 33, 8002 Zurich, Switzerland, Telephone +41 (0) 44 588 1000. Facsimile Fax: +41 (0) 44 588 1074.

U.S.

**NOT FDIC INSURED | OFFER NO BANK GUARANTEE | MAY LOSE VALUE
NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY | NOT A DEPOSIT**

IMPORTANT INFORMATION

EMEA: This communication has been issued by Morgan Stanley Investment Management Limited ("MSIM"). Authorised and regulated by the Financial Conduct Authority. Registered in England No. 1981121. Registered Office: 25 Cabot Square, Canary Wharf, London E14 4QA.

This material is a general communication that is not impartial, and all information provided has been prepared solely for informational and educational purposes and does not constitute an offer or a recommendation to buy or sell any particular security or to adopt any specific investment strategy. The information herein has not been based on a consideration of any individual investor circumstances and is not investment advice, nor should it be construed in any way as tax, accounting, legal or regulatory advice. To that end, investors should seek independent legal and financial advice, including advice as to tax consequences, before making any investment decision.

The whole or any part of this work may not be reproduced, copied or transmitted or any of its contents disclosed to third parties without MSIM's express written consent.

All information contained herein is proprietary and is protected under copyright law.

Morgan Stanley Investment Management is the asset management division of Morgan Stanley.

Explore our site at
www.morganstanley.com/im