

Morgan Stanley

INVESTMENT MANAGEMENT

Morgan Stanley Investment Management Engagement Principles

SEMI-ANNUAL REPORT | 2017



A key input in our investment selection process is a deep understanding of management quality. To develop that knowledge, Morgan Stanley Investment Management engages with company management at regular intervals, including active dialogues where positions are significant and issues are viewed as material. Our investment teams regularly monitor and engage with companies in the normal course of their investment process, and may make use of the Corporate Governance Team as needed.

The work of Morgan Stanley Investment Management's Corporate Governance Team underpins our dedication to ensuring shareholder engagement is effective and works in the best interests of clients to improve the long-term returns from the companies in which we invest on their behalf. The team works closely with Morgan Stanley Investment Management's investment personnel as needed on matters of proxy voting, environmental, social and governance analysis and engagement.

A majority of the Corporate Governance Team's engagements focuses on shareholder meetings and takes place during proxy season. Morgan Stanley Investment Management, company management and when appropriate, a member or members of the Board of Directors will participate in discussions concerning the company's proxy, including but not limited to executive compensation, board structure and shareholder proposals. Topics of routine engagements focus on governance best practices such as board independence, succession planning, and executive pay. Other topics of consideration include the company's sustainability initiatives and goals, shareholder proposals and culture. In the event an engagement is required outside the normal proxy process, for example due to a pending merger agreement or company event, Morgan Stanley Investment Management, and when appropriate, members of the Proxy Review Committee, may contact the company and request a meeting with the appropriate management team and/or a member or members of the Board of Directors. We selectively interact with company Boards of Directors when necessary and beneficial to enhance an ongoing dialogue with a company. We do not seek out conversations without substantive concern as we prefer that Boards remain focused on their core mandates of strategy, management and risk oversight.

Reporting

The Corporate Governance Team tracks engagements and proxy votes, and has an internal system for documenting vote rationale for votes requiring judgment. We track company interactions for internal purposes related to proxy voting. Fundamental portfolio managers engage portfolio companies frequently during the ordinary course of their investment management activities and we do not seek to document each routine interaction.

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.

Collective Engagement

Morgan Stanley Investment Management is supportive of collective engagement where such engagement appears necessary in order to materially enhance portfolio values and where we can do so in a manner that is in full compliance with applicable laws, regulations and judicial precedents with reference to such status. To date, Morgan Stanley Investment Management has not participated in a collective engagement with an individual company. We have neither approached or been approached by other investors to participate in such engagements. Morgan Stanley Investment Management frequently engages with portfolio companies and generally finds that these solo engagements are the best way to articulate our views to a company consistent with our clients' needs.

Morgan Stanley Investment Management's decision to participate in collective engagement will always consider the impact on our clients'. Other considerations include, but are not limited to: interests of Morgan Stanley, potential conflicts of interest, materiality of the issue, and probability of change.

Morgan Stanley Investment Management is also a signatory to the Principles for Responsible Investment and members of other international investor networks in which we can collectively engage when appropriate.

If you have any questions on this document, please contact Drew Hambly, Head of MSIM Corporate Governance at mbproxy@morganstanley.com.

Related Documents: publicly available by accessing the "About Us" section on our website – www.morganstanley.com/im;

- Morgan Stanley Investment Management's Proxy Voting Policy and Procedures
- Morgan Stanley Investment Management's Approach on Environmental, Social and Governance Factors
- Morgan Stanley Investment Management's Proxy Voting and Engagement Report

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