



Type of engagement	Reason for interaction
Individual/ internal staff engagements	<input checked="" type="checkbox"/> To support investment decisionmaking in a company's material ESG issues <input checked="" type="checkbox"/> To enhance corporate transparency or identify the need for additional information <input checked="" type="checkbox"/> To engage investor ESG advisors <input type="checkbox"/> Other: specify _____ <input type="checkbox"/> We do not engage in internal staff
Collaborative engagements	<input type="checkbox"/> To support investment decisionmaking in a company's material ESG issues <input type="checkbox"/> To enhance corporate transparency or identify the need for additional information <input type="checkbox"/> Other: specify _____ <input type="checkbox"/> We do not engage in collaborative engagements
Service provider engagements	<input type="checkbox"/> To support investment decisionmaking in a company's material ESG issues <input type="checkbox"/> To enhance corporate transparency or identify the need for additional information <input type="checkbox"/> Other: specify _____ <input type="checkbox"/> We do not engage in service provider

# RI TRANSPARENCY REPORT

## 2020

Morgan Stanley Investment Management

## About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2020 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

## Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
Ⓜ	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

# Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO TG		🔒	n/a							
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	Asset mix disclosed in OO 06							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Fixed income AUM breakdown	✓	Private							✓
OO 08	Segregated mandates or pooled funds	🔒	n/a							✓
OO 09	Breakdown of AUM by market	✓	Public							✓
OO 10	Active ownership practices for listed assets	✓	Public							✓
OO 11	ESG incorporation practices for all assets	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓
OO LE 01	Breakdown of listed equity investments by passive and active strategies	✓	Public							✓
OO LE 02	Reporting on strategies that are <10% of actively managed listed equities	🔒	n/a							✓
OO FI 01	Breakdown of fixed income investments by passive and active strategies	✓	Public							✓
OO FI 02	Reporting on strategies that are <10% of actively managed fixed income	🔒	n/a							✓
OO FI 03	Fixed income breakdown by market and credit quality	✓	Public							✓
OO SAM 01	Breakdown of externally managed investments by passive and active strategies	🔒	n/a							✓
OO PE 01	Breakdown of private equity investments by strategy	✓	Public							✓
OO PE 02	Typical level of ownership in private equity investments	✓	Private							✓
OO PR 01	Breakdown of property investments	✓	Private							✓
OO PR 02	Breakdown of property assets by management	✓	Private							✓
OO PR 03	Largest property types	✓	Private							✓
OO INF 01	Breakdown of infrastructure investments	✓	Private							✓
OO INF 02	Breakdown of infrastructure assets by management	✓	Private							✓
OO INF 03	Largest infrastructure sectors	✓	Private							✓
OO HF 01	Breakdown of hedge funds investments by strategies	✓	Private							✓
OO End	Module confirmation page	✓	-							

CCStrategy and Governance				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SG 01	RI policy and coverage	✓	Public							✓
SG 01 CC	Climate risk	✓	Private							✓
SG 02	Publicly available RI policy or guidance documents	✓	Public						✓	
SG 03	Conflicts of interest	✓	Public							✓
SG 04	Identifying incidents occurring within portfolios	✓	Private							✓
SG 05	RI goals and objectives	✓	Public							✓
SG 06	Main goals/objectives this year	✓	Private							✓
SG 07	RI roles and responsibilities	✓	Public							✓
SG 07 CC	Climate-issues roles and responsibilities	✓	Private							✓
SG 08	RI in performance management, reward and/or personal development	✓	Private							✓
SG 09	Collaborative organisations / initiatives	✓	Public				✓	✓		
SG 09.2	Assets managed by PRI signatories	🔒	n/a	✓						
SG 10	Promoting RI independently	✓	Public				✓			
SG 11	Dialogue with public policy makers or standard setters	✓	Private				✓	✓	✓	
SG 12	Role of investment consultants/fiduciary managers	✓	Public				✓			
SG 13	ESG issues in strategic asset allocation	✓	Public	✓						
SG 13 CC		🔒	n/a							✓
SG 14	Long term investment risks and opportunity	✓	Private	✓						
SG 14 CC		✓	Private							✓
SG 15	Allocation of assets to environmental and social themed areas	✓	Private	✓						
SG 16	ESG issues for internally managed assets not reported in framework	✓	Public							✓
SG 17	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
SG 18	Innovative features of approach to RI	✓	Private							✓
SG 19	Communication	✓	Public		✓				✓	
SG End	Module confirmation page	✓	-							

Direct - Listed Equity Incorporation				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEI 01	Percentage of each incorporation strategy	✓	Public	✓						
LEI 02	Type of ESG information used in investment decision	✓	Private	✓						
LEI 03	Information from engagement and/or voting used in investment decision-making	✓	Private	✓						
LEI 04	Types of screening applied	✓	Public	✓						
LEI 05	Processes to ensure screening is based on robust analysis	✓	Public	✓						
LEI 06	Processes to ensure fund criteria are not breached	✓	Private	✓						
LEI 07	Types of sustainability thematic funds/mandates	🔒	n/a	✓						
LEI 08	Review ESG issues while researching companies/sectors	✓	Public	✓						
LEI 09	Processes to ensure integration is based on robust analysis	✓	Public	✓						
LEI 10	Aspects of analysis ESG information is integrated into	✓	Private	✓						
LEI 11	ESG issues in index construction	🔒	n/a	✓						
LEI 12	How ESG incorporation has influenced portfolio composition	✓	Private	✓						
LEI 13	Examples of ESG issues that affected your investment view / performance	✓	Private	✓						
LEI End	Module confirmation page	✓	-							

Direct - Listed Equity Active Ownership				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEA 01	Description of approach to engagement	✓	Public		✓					
LEA 02	Reasoning for interaction on ESG issues	✓	Public	✓	✓	✓				
LEA 03	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 04	Objectives for engagement activities	✓	Public		✓					
LEA 05	Process for identifying and prioritising collaborative engagement	✓	Public		✓					
LEA 06	Role in engagement process	✓	Public		✓		✓			
LEA 07	Share insights from engagements with internal/external managers	✓	Public	✓	✓					
LEA 08	Tracking number of engagements	✓	Public		✓					
LEA 09	Number of companies engaged with, intensity of engagement and effort	✓	Private		✓					
LEA 10	Engagement methods	✓	Private		✓					
LEA 11	Examples of ESG engagements	✓	Private		✓					
LEA 12	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 13	Percentage of voting recommendations reviewed	🔒	n/a		✓					
LEA 14	Securities lending programme	✓	Private		✓					
LEA 15	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 16	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 17	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 18	Proportion of ballot items that were for/against/abstentions	✓	Public		✓					
LEA 19	Proportion of ballot items that were for/against/abstentions	✓	Public		✓					
LEA 20	Shareholder resolutions	✓	Private		✓					
LEA 21	Examples of (proxy) voting activities	✓	Private		✓					
LEA End	Module confirmation page	✓	-							

Direct - Fixed Income				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
FI 01	Incorporation strategies applied	✓	Public	✓						
FI 02	ESG issues and issuer research	✓	Private	✓						
FI 03	Processes to ensure analysis is robust	✓	Public	✓						
FI 04	Types of screening applied	✓	Public	✓						
FI 05	Examples of ESG factors in screening process	✓	Private	✓						
FI 06	Screening - ensuring criteria are met	✓	Public	✓						
FI 07	Thematic investing - overview	✓	Private	✓						
FI 08	Thematic investing - themed bond processes	✓	Public	✓						
FI 09	Thematic investing - assessing impact	✓	Public	✓						
FI 10	Integration overview	✓	Public	✓						
FI 11	Integration - ESG information in investment processes	✓	Public	✓						
FI 12	Integration - E,S and G issues reviewed	✓	Public	✓						
FI 13	ESG incorporation in passive funds	🔒	n/a	✓						
FI 14	Engagement overview and coverage	✓	Private		✓					
FI 15	Engagement method	✓	Private	✓	✓					
FI 16	Engagement policy disclosure	✓	Private	✓	✓					
FI 17	Financial/ESG performance	✓	Private							✓
FI 18	Examples - ESG incorporation or engagement	✓	Private	✓	✓					
FI End	Module confirmation page	✓	-							



Direct - Property				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
PR 01	Responsible Property Investment (RPI) policy	✓	Public	✓					✓	
PR 02	Fund placement documents and RI	✓	Public	✓			✓		✓	
PR 03	Formal commitments to RI	✓	Private				✓			
PR 04	Incorporating ESG issues when selecting investments	✓	Public	✓						
PR 05	Types of ESG information considered in investment selection	✓	Private	✓		✓				
PR 06	ESG issues impact in selection process	✓	Public	✓						
PR 07	ESG issues in selection, appointment and monitoring of third-party property managers	✓	Public				✓			
PR 08	ESG issues in post-investment activities	✓	Public		✓					
PR 09	Proportion of assets with ESG targets that were set and monitored	✓	Public		✓	✓				
PR 10	Certification schemes, ratings and benchmarks	✓	Private		✓					
PR 11	Proportion of developments and refurbishments where ESG issues were considered	✓	Public		✓					
PR 12	Proportion of property occupiers that were engaged with	✓	Public		✓					
PR 13	Proportion of green leases or MOUs referencing ESG issues	✓	Private		✓					
PR 14	Proportion of assets engaged with on community issues	✓	Private		✓					
PR 15	ESG issues affected financial/ESG performance	✓	Private	✓	✓					
PR 16	Examples of ESG issues that affected your property investments	✓	Private	✓		✓				
PR End	Module confirmation page	✓	-							

Direct - Infrastructure				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
INF 01	Description of approach to RI	✓	Private	✓					✓	
INF 02	Responsible investment policy for infrastructure	✓	Public	✓					✓	
INF 03	Fund placement documents and RI	✓	Public	✓			✓		✓	
INF 04	Formal commitments to RI	✓	Private				✓			
INF 05	Incorporating ESG issues when selecting investments	✓	Public	✓						
INF 06	ESG advice and research when selecting investments	✓	Private	✓			✓			
INF 07	Examples of ESG issues in investment selection process	✓	Public	✓		✓				
INF 08	Types of ESG information considered in investment selection	✓	Private	✓		✓				
INF 09	ESG issues impact in selection process	✓	Private	✓						
INF 10	ESG issues in selection, appointment and monitoring of third-party operators	✓	Public				✓			
INF 11	ESG issues in post-investment activities	✓	Public		✓					
INF 12	Proportion of assets with ESG performance targets	✓	Public		✓					
INF 13	Proportion of portfolio companies with ESG/sustainability policy	✓	Public		✓					
INF 14	Type and frequency of reports received from investees	✓	Private		✓	✓				
INF 15	Proportion of maintenance projects where ESG issues were considered	✓	Public		✓					
INF 16	Proportion of stakeholders that were engaged with on ESG issues	✓	Private		✓					
INF 17	ESG issues affected financial/ESG performance	✓	Private	✓	✓					
INF 18	Examples of ESG issues that affected your infrastructure investments	✓	Private	✓		✓				
INF 19	Approach to disclosing ESG incidents	✓	Private						✓	
INF End	Module confirmation page	✓	-							

Confidence building measures				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
CM1 01	Assurance, verification, or review	✓	Public							✓
CM1 02	Assurance of last year's PRI data	✓	Public							✓
CM1 03	Other confidence building measures	✓	Public							✓
CM1 04	Assurance of this year's PRI data	✓	Public							✓
CM1 05	External assurance	🔒	n/a							✓
CM1 06	Assurance or internal audit	🔒	n/a							✓
CM1 07	Internal verification	🔒	n/a							✓
CM1 01 End	Module confirmation page	✓	-							

# Morgan Stanley Investment Management

## Reported Information

### Public version

### Organisational Overview

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Basic information

OO 01	Mandatory	Public	Gateway/Peering	General
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### OO 01.1 Select the services and funds you offer

Select the services and funds you offer	% of asset under management (AUM) in ranges
Fund management	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%
Fund of funds, manager of managers, sub-advised products	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Other	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Total 100%	

Further options (may be selected in addition to the above)

- Hedge funds
- Fund of hedge funds

OO 02	Mandatory	Public	Peering	General
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### OO 02.1 Select the location of your organisation's headquarters.

United States

### OO 02.2 Indicate the number of countries in which you have offices (including your headquarters).

- 1
- 2-5
- 6-10
- >10

**OO 02.3** Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

2100

**OO 03** **Mandatory** **Public** **Descriptive** **General**

**OO 03.1** Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

- Yes
- No

**OO 04** **Mandatory** **Public** **Gateway/Peering** **General**

**OO 04.1** Indicate the year end date for your reporting year.

31/12/2019

**OO 04.2** Indicate your total AUM at the end of your reporting year.

Include the AUM of subsidiaries, but exclude advisory/execution only assets, and exclude the assets of your PRI signatory subsidiaries that you have chosen not to report on in OO 03.2

	trillions	billions	millions	thousands	hundreds
Total AUM		551	921	167	530
Currency	USD				
Assets in USD		551	921	167	530

Not applicable as we are in the fund-raising process

**OO 04.4** Indicate the assets which are subject to an execution and/or advisory approach. Provide this figure based on the end of your reporting year

Not applicable as we do not have any assets under execution and/or advisory approach

OO 06.1	Select how you would like to disclose your asset class mix.
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- as percentage breakdown
- as broad ranges

	Internally managed (%)	Externally managed (%)
Listed equity	10-50%	0
Fixed income	10-50%	0
Private equity	<10%	0
Property	<10%	0
Infrastructure	<10%	0
Commodities	0	0
Hedge funds	0	0
Fund of hedge funds	<10%	0
Forestry	0	0

Farmland	0	0
Inclusive finance	0	0
Cash	0	0
Money market instruments	10-50%	0
Other (1), specify	<10%	0
Other (2), specify	0	0

Other (1) specified

Alternatives

**OO 06.2** Publish asset class mix as per attached image [Optional].

**OO 06.3** Indicate whether your organisation has any off-balance sheet assets [Optional].

- Yes
- No

**OO 06.5** Indicate whether your organisation uses fiduciary managers.

- Yes, we use a fiduciary manager and our response to OO 5.1 is reflective of their management of our assets.
- No, we do not use fiduciary managers.

**OO 09** **Mandatory** **Public** **Peering** **General**

**OO 09.1** Indicate the breakdown of your organisation's AUM by market.

Developed Markets

93.2

Emerging Markets

4.4

Frontier Markets

2.4

Other Markets

0

	Total 100%
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100%

**Asset class implementation gateway indicators**

<b>OO 10</b>	<b>Mandatory</b>	<b>Public</b>	<b>Gateway</b>	<b>General</b>
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**OO 10.1** Select the active ownership activities your organisation implemented in the reporting year.

**Listed equity – engagement**

- We engage with companies on ESG factors via our staff, collaborations or service providers.
- We do not engage directly and do not require external managers to engage with companies on ESG factors.

**Listed equity – voting**

- We cast our (proxy) votes directly or via dedicated voting providers
- We do not cast our (proxy) votes directly and do not require external managers to vote on our behalf

**Fixed income SSA – engagement**

- We engage with SSA bond issuers on ESG factors via our staff, collaborations or service providers.
- We do not engage directly and do not require external managers to engage with SSA bond issuers on ESG factors. Please explain why you do not.

**Fixed income Corporate (financial) – engagement**

- We engage with companies on ESG factors via our staff, collaborations or service providers.
- We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.

**Fixed income Corporate (non-financial) – engagement**

- We engage with companies on ESG factors via our staff, collaborations or service providers.
- We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.

**Fixed income Corporate (securitised) – engagement**

- We engage with companies on ESG factors via our staff, collaborations or service providers.
- We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.

<b>OO 11</b>	<b>Mandatory</b>	<b>Public</b>	<b>Gateway</b>	<b>General</b>
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**OO 11.1**

Select the internally managed asset classes in which you addressed ESG incorporation into your investment decisions and/or your active ownership practices (during the reporting year).

**Listed equity**

- We address ESG incorporation.
- We do not do ESG incorporation.

**Fixed income - SSA**

- We address ESG incorporation.
- We do not do ESG incorporation.

**Fixed income - corporate (financial)**

- We address ESG incorporation.
- We do not do ESG incorporation.

**Fixed income - corporate (non-financial)**

- We address ESG incorporation.
- We do not do ESG incorporation.

**Fixed income - securitised**

- We address ESG incorporation.
- We do not do ESG incorporation.

**Private equity**

- We address ESG incorporation.
- We do not do ESG incorporation.

**Property**

- We address ESG incorporation.
- We do not do ESG incorporation.

**Infrastructure**

- We address ESG incorporation.
- We do not do ESG incorporation.

**Fund of hedge funds**

- We address ESG incorporation.
- We do not do ESG incorporation.

Money market instruments

- We address ESG incorporation.
- We do not do ESG incorporation.

Other (1)

- We address ESG incorporation.
- We do not do ESG incorporation.

Other (1) [as defined in OO 05]

Multi-Asset

OO 12	Mandatory	Public	Gateway	General
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**OO 12.1** Below are all applicable modules or sections you may report on. Those which are mandatory to report (asset classes representing 10% or more of your AUM) are already ticked and read-only. Those which are voluntary to report on can be opted into by ticking the box.

Core modules

- Organisational Overview
- Strategy and Governance

RI implementation directly or via service providers

Direct - Listed Equity incorporation

- Listed Equity incorporation

Direct - Listed Equity active ownership

- Engagements
- (Proxy) voting

Direct - Fixed Income

- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised

Direct - Other asset classes with dedicated modules

- Private Equity
- Property
- Infrastructure

Closing module

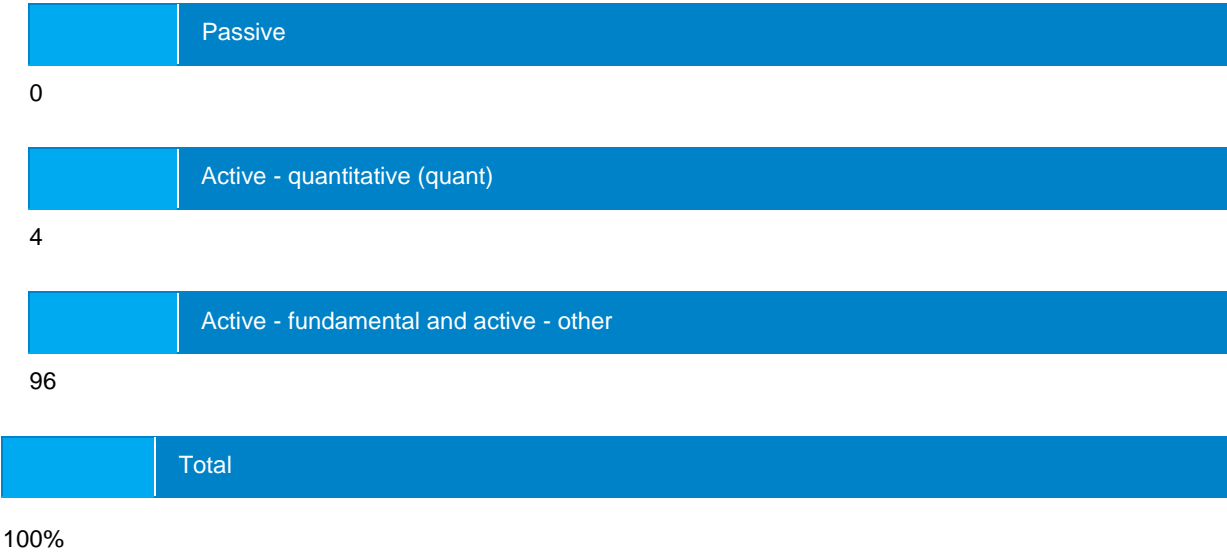
- Closing module

**Peering questions**

OO LE 01	Mandatory to Report Voluntary to Disclose	Public	Gateway	General
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**OO LE 01.1** Provide a breakdown of your internally managed listed equities by passive, active - quantitative (quant), active - fundamental and active - other strategies.

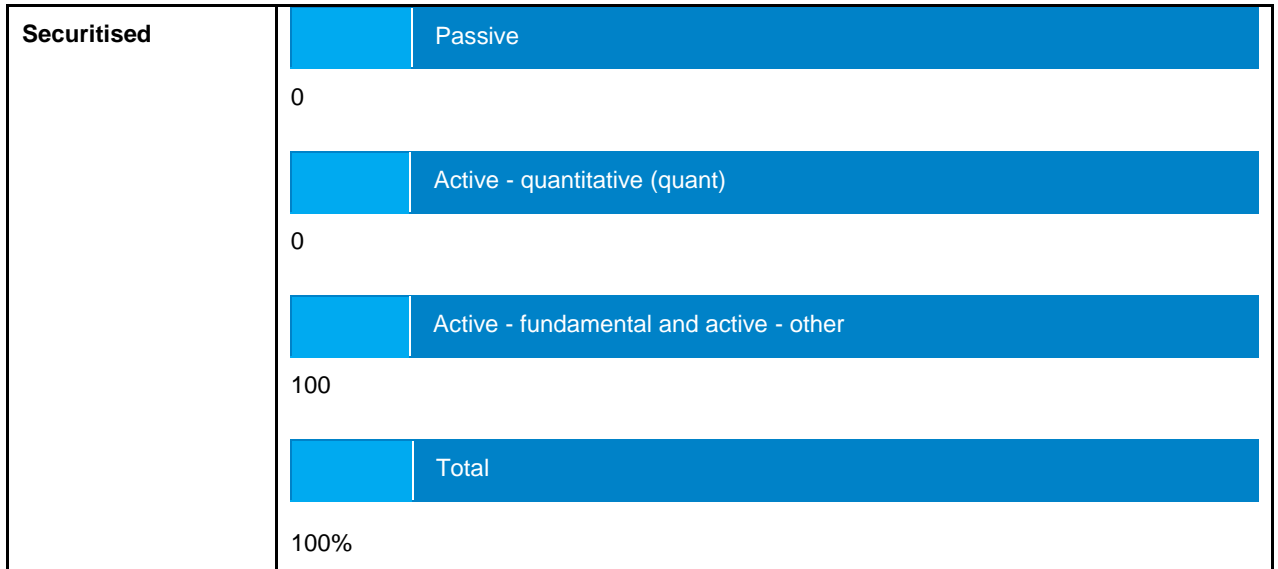
**Percentage of internally managed listed equities**



OO FI 01	Mandatory to Report Voluntary to Disclose	Public	Gateway	General
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**OO FI 01.1** Provide a breakdown of your internally managed fixed income securities by active and passive strategies

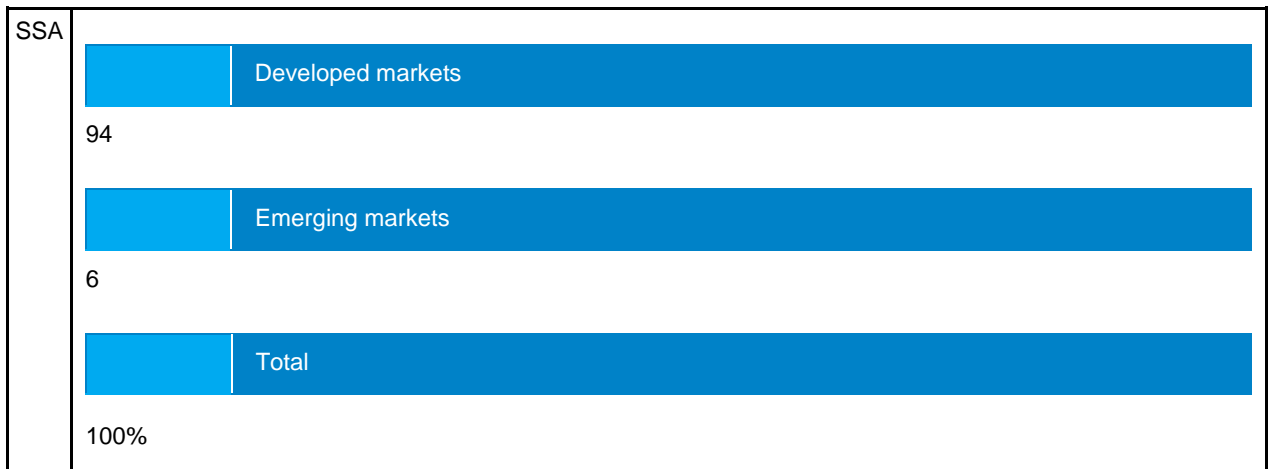
<b>SSA</b>	<p>Passive 0</p> <p>Active - quantitative (quant) 0</p> <p>Active - fundamental and active - other 100</p> <p>Total 100%</p>
<b>Corporate (financial)</b>	<p>Passive 0</p> <p>Active - quantitative (quant) 0</p> <p>Active - fundamental and active - other 100</p> <p>Total 100%</p>
<b>Corporate (non-financial)</b>	<p>Passive 0</p> <p>Active - quantitative (quant) 0</p> <p>Active - fundamental and active - other 100</p> <p>Total 100%</p>



<b>OO FI 03</b>	<b>Mandatory</b>	<b>Public</b>	<b>Descriptive</b>	<b>General</b>
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Update: this indicator has changed from "Mandatory to report, voluntary to disclose" to "Mandatory". **Your response to this indicator will be published in the Public Transparency Report.** This change is to enable improved analysis and peering.

**OO FI 03.1** Indicate the approximate (+/- 5%) breakdown of your SSA investments, by developed markets and emerging markets.



**OO FI 03.2** Indicate the approximate (+/- 5%) breakdown of your corporate and securitized investments by investment grade or high-yield securities.

Type	Investment grade (+/- 5%)	High-yield (+/- 5%)	Total internally managed
Corporate (financial)	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10% <input type="radio"/> 0%	<b>100%</b>
Corporate (non-financial)	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	<b>100%</b>
Securitised	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	<b>100%</b>

If you are invested in private debt and reporting on ratings is not relevant for you, please indicate below

OO FI 03.2 is not applicable as our internally managed fixed income assets are invested only in private debt.

<b>OO PE 01</b>	<b>Mandatory</b>	<b>Public</b>	<b>Descriptive</b>	<b>General</b>
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<b>OO PE 01.1</b>	Provide a breakdown of your organisation's internally managed private equity investments by investment strategy.
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Investment strategy	Percentage of your internally managed private equity holdings (in terms of AUM)
Venture capital	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Growth capital	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10% <input type="radio"/> 0%
(Leveraged) buy-out	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Distressed/Turnaround/Special Situations	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Secondaries	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Other investment strategy, specify (1)	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Other investment strategy, specify (2)	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Total 100%	

# Morgan Stanley Investment Management

## Reported Information

### Public version

### Strategy and Governance

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.



## Investment policy

SG 01

Mandatory

Public

Core Assessed

General

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

**SG 01.1**

Indicate if you have an investment policy that covers your responsible investment approach.

Yes

**SG 01.2**

Indicate the components/types and coverage of your policy.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input type="checkbox"/> Formalised guidelines on environmental factors <input type="checkbox"/> Formalised guidelines on social factors <input type="checkbox"/> Formalised guidelines on corporate governance factors <input type="checkbox"/> Fiduciary (or equivalent) duties <input type="checkbox"/> Asset class-specific RI guidelines <input type="checkbox"/> Sector specific RI guidelines <input type="checkbox"/> Screening / exclusions policy <input checked="" type="checkbox"/> Engagement policy <input checked="" type="checkbox"/> (Proxy) voting policy <input type="checkbox"/> Other, specify (1) <input type="checkbox"/> Other, specify(2)	<input type="radio"/> Applicable policies cover all AUM <input checked="" type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

**SG 01.3**

Indicate if the investment policy covers any of the following

- Your organisation's definition of ESG and/or responsible investment and it's relation to investments
- Your investment objectives that take ESG factors/real economy influence into account
- Time horizon of your investment
- Governance structure of organisational ESG responsibilities
- ESG incorporation approaches
- Active ownership approaches
- Reporting
- Climate change
- Understanding and incorporating client / beneficiary sustainability preferences
- Other RI considerations, specify (1)
- Other RI considerations, specify (2)

**SG 01.4**

Describe your organisation's investment principles and overall investment strategy, interpretation of fiduciary (or equivalent) duties, and how they consider ESG factors and real economy impact.

Morgan Stanley Investment Management's (MSIM) ESG Approach and Principles serve as a foundation for MSIM's investor-led approach to ESG integration which empowers individual investment teams to adopt ESG integration approaches that best suit their investing styles, strategies and asset classes.

The ESG Approach and Principles address our interpretation of fiduciary duty, which is embodied in the principle "Putting Our Clients First" where we state that "by reviewing and understanding a range of issues, such as ESG, and their impact on investments, we are better positioned to deliver consistent, long-term results for our clients." In addition, our principle "Identifying Relevant Issues" outlines our belief that relevant ESG issues can influence risk and return, which underscores our view that ESG factors can have a real economic impact. To determine relevant ESG issues, investment analysts conduct proprietary ESG research and may use additional resources, such as third party ESG data providers, to enhance their own analysis.

**SG 01.5**

Provide a brief description of the key elements, any variations or exceptions to your investment policy that covers your responsible investment approach. [Optional]

As stated above, our ESG Approach and Principles serve as a foundation for strategy and asset class specific ESG approaches. To date, several investment teams have published standalone documents outlining their individual approaches to incorporating ESG with regards to material issues identified, data and research sources used and the degree of customization offered. The ESG Approach and Principles are intended to support these team specific efforts.

No

**SG 02****Mandatory****Public****Core Assessed****PRI 6**

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

**SG 02.1**

Indicate which of your investment policy documents (if any) are publicly available. Provide a URL and an attachment of the document.

- Policy setting out your overall approach

URL/Attachment

URL

URL

<https://www.morganstanley.com/im/publication/resources/esg-approach-and-principles-us.pdf?1583425855970>

Attachment (will be made public)

Attachment

[File 1:esg-approach-and-principles-us.pdf](#)

Engagement policy

URL/Attachment

URL

URL

<https://www.morganstanley.com/im/publication/resources/engagement-and-stewardship-principals-us.pdf?1583425855970>

Attachment (will be made public)

Attachment

[File 1:engagement-and-stewardship-principals-us.pdf](#)

(Proxy) voting policy

URL/Attachment

URL

URL

[https://www.morganstanley.com/im/publication/resources/proxyvotingpolicy\\_msim\\_en.pdf?1583425855970](https://www.morganstanley.com/im/publication/resources/proxyvotingpolicy_msim_en.pdf?1583425855970)

Attachment (will be made public)

Attachment

[File 1:proxyvotingpolicy\\_msim\\_en.pdf](#)

We do not publicly disclose our investment policy documents

**SG 02.2** Indicate if any of your investment policy components are publicly available. Provide URL and an attachment of the document.

Your organisation's definition of ESG and/or responsible investment and it's relation to investments

URL/Attachment

URL

URL

<https://www.morganstanley.com/im/publication/resources/esg-approach-and-principles-us.pdf?1583425855970>

Attachment

File Attachment

[esg-approach-and-principles-us.pdf \[3948KB\]](#)

Your investment objectives that take ESG factors/real economy influence into account

URL/Attachment

URL

URL

<https://www.morganstanley.com/im/publication/resources/esg-approach-and-principles-us.pdf?1583425855970>

Attachment

File Attachment

[esg-approach-and-principles-us.pdf \[3948KB\]](#)

Time horizon of your investment

URL/Attachment

URL

URL

<https://www.morganstanley.com/im/publication/resources/esg-approach-and-principles-us.pdf?1583425855970>

Attachment

File Attachment

[esg-approach-and-principles-us.pdf \[3948KB\]](#)

Governance structure of organisational ESG responsibilities

URL/Attachment

URL

URL

<https://www.morganstanley.com/im/en-us/institutional-investor/about-us/sustainable-investing.html>

Attachment

File Attachment

[esg-approach-and-principles-us.pdf \[3948KB\]](#)

ESG incorporation approaches

URL/Attachment

URL

URL

<https://www.morganstanley.com/im/publication/resources/esg-approach-and-principles-us.pdf?1583425855970>

Attachment

File Attachment

[esg-approach-and-principles-us.pdf \[3948KB\]](#)

Active ownership approaches

URL/Attachment

URL

URL

<https://www.morganstanley.com/im/publication/resources/engagement-and-stewardship-principals-us.pdf?1583425855970>

Attachment

File Attachment

[engagement-and-stewardship-principals-us.pdf \[2338KB\]](#)

Reporting

URL/Attachment

URL

URL

<https://www.morganstanley.com/im/publication/resources/global-stewardship-report-us-2019.pdf?1585679534972>

Attachment

File Attachment

[global-stewglobal-stewardship-report-us-2019.pdf \[13564KB\]](#)

Climate change

URL/Attachment

URL

URL

<https://www.morganstanley.com/im/publication/resources/global-stewardship-report-us-2019.pdf?1585679534972>

Attachment

File Attachment

[global-stewglobal-stewardship-report-us-2019.pdf \[13564KB\]](#)

Understanding and incorporating client / beneficiary sustainability preferences

URL/Attachment

URL

URL

<https://www.morganstanley.com/im/publication/resources/esg-approach-and-principles-us.pdf?1583425855970>

Attachment

File Attachment

[esg-approach-and-principles-us.pdf \[3948KB\]](#)

We do not publicly disclose any investment policy components

SG 03	Mandatory	Public	Core Assessed	General
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SG 03.1	Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.
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Yes

SG 03.2	Describe your policy on managing potential conflicts of interest in the investment process.
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The MSIM process for identifying material conflicts of interest situations is addressed in the MSIM Proxy Policy and Procedures. MSIM's Global Stewardship team has a process for identifying potential conflicts of interest, which include votes at issuers that are MSIM clients; votes on merger and acquisition and related transactional items at issuers that have been advised on the transactions by Morgan Stanley; and votes on directors who also serve on the Morgan Stanley Board of Directors ("Boards"), affiliate Boards, or Boards of our mutual funds.

MSIM records and tracks the conflict of interest and how the issues were dealt with in its internal Proxy Voting Automation system. All such issues are also reported to the Proxy Voting Committee and, for their portfolio companies, to relevant mutual fund Boards, the latter on a quarterly basis.

MSIM's Engagement and Stewardship Principles also address conflicts of interest stating that MSIM does not seek or solicit insider information through its engagement efforts and instead uses engagements to clarify public disclosures and establish productive dialogue with company management and Boards. Like all MSIM employees, the Global Stewardship team and investment teams undergo regular compliance training on conflicts of interest and non-public information.

No

## Objectives and strategies

SG 05	Mandatory	Public	Gateway/Core Assessed	General
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**SG 05.1** Indicate if and how frequently your organisation sets and reviews objectives for its responsible investment activities.

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad-hoc basis
- It is not set/reviewed

**SG 05.2** Additional information. [Optional]

Our Sustainability Council reviews and sets MSIM ESG objectives and this council meets quarterly. Our ESG policy documents are reviewed and updated annually.

## Governance and human resources

SG 07	Mandatory	Public	Core Assessed	General
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**SG 07.1** Indicate the internal and/or external roles used by your organisation, and indicate for each whether they have oversight and/or implementation responsibilities for responsible investment.

Roles

- Board members or trustees
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Internal Roles (triggers other options)

Select from the below internal roles

- Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Operating Officer (COO), Investment Committee
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Other Chief-level staff or head of department, specify  
CIO , Solutions & Multi-Asset Group



- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment
- Portfolio managers
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Investment analysts
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Dedicated responsible investment staff
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Investor relations
- Other role, specify (1)
- Other role, specify (2)
- External managers or service providers

**SG 07.2**

For the roles for which you have RI oversight/accountability or implementation responsibilities, indicate how you execute these responsibilities.

**Oversight/Accountability**

As the Chairman of our board of directors, Morgan Stanley's CEO is kept abreast of sustainability updates along with the Nominating & Governance Committee. In addition, the full Board receives periodic sustainability updates from Morgan Stanley's Chief Sustainability Officer. Our Chairman & CEO also chairs the Morgan Stanley Institute for Sustainable Investing Advisory Board, which meets twice a year to review Morgan Stanley's overall sustainability performance, and help to ensure that the firmwide sustainability strategy, is comprehensive, rigorous and innovative.

Within MSIM, our investor-led approach to ESG is supported by the MSIM Sustainability Council, co-chaired by Ted Eliopoulos, Vice-Chairman and Head of Strategic Partnerships, and Rui De Figueiredo, Co-head and Chief Investment Officer of the Solutions & Multi-Asset Group. Council members, who are composed of portfolio managers and senior MSIM leaders, share approaches to integrating ESG into investment processes, product development, ESG measurement, education, client engagement and reporting. The Council is supported by MSIM's Global Stewardship team, which is comprised of ESG professionals who facilitate proxy voting and collaborate with our investment teams on company engagements and ESG integration. The Council is also supported by Morgan Stanley's Global Sustainable Finance group and the Morgan Stanley Institute for Sustainable Finance.

**Implementation**

MSIM's investment professionals (e.g., investment analysts and portfolio managers) are located across the globe and have a deep understanding of the companies and portfolios in which they invest. While the approach to considering ESG factors varies by investment team, most apply a bottom up investment analysis at the individual security level, which includes ESG factors. Some teams may also apply a top down investment analysis that incorporates ESG into the assessment of countries and sectors. To determine relevant ESG issues, investment analysts conduct proprietary ESG research and leverage additional resources, depending on the investment and strategy, to enhance their own analysis. Resources may include consultation with the Morgan Stanley's Environmental and Social Risk Management team, the use of ESG diligence providers, and the use of third party ESG research and data. Third party ESG tools may also be used to calculate the overall ESG or carbon performance of a portfolio against a benchmark.

**SG 07.3**

Indicate the number of dedicated responsible investment staff your organisation has.

Number

25

**SG 07.4**

Additional information. [Optional]

The above number is an approximation as ESG and responsible investment are the responsibility of many MSIM and Morgan Stanley staff. However, this specific number includes:

- MSIM's Global Stewardship team, which coordinates MSIM's proxy voting program and supports investment teams in portfolio company engagement and ESG integration initiatives, and is composed of five dedicated staff.
- ESG research leads that MSIM investment teams have appointed to spearhead integration efforts.
- Morgan Stanley's Global Sustainable Finance group and Institute for Sustainable Investing, which are staffed by 15 professionals.

## Promoting responsible investment

**SG 09****Mandatory****Public****Core Assessed****PRI 4,5****SG 09.1**

Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.

### Select all that apply

 Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Signatory since 2013

- Asian Corporate Governance Association
- Australian Council of Superannuation Investors
- AVCA: Sustainability Committee
- France Invest – La Commission ESG
- BVCA – Responsible Investment Advisory Board
- CDP Climate Change

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Morgan Stanley has submitted data to the CDP since 2006

- CDP Forests
- CDP Water
- CFA Institute Centre for Financial Market Integrity
- Climate Action 100+
- Code for Responsible Investment in SA (CRISA)
- Council of Institutional Investors (CII)
- Eumedion
- Extractive Industries Transparency Initiative (EITI)
- ESG Research Australia
- Invest Europe Responsible Investment Roundtable
- Global Investors Governance Network (GIGN)
- Global Impact Investing Network (GIIN)

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Morgan Stanley is a member of the GIIN's Investors Council and actively engages with the GIIN and is members on a variety of topics including impact measurement and management.

- Global Real Estate Sustainability Benchmark (GRESB)

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

MSIM is a consumer of GRESB data on the public equity side and a provider of GRESB data on the private equity side.

Green Bond Principles

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Morgan Stanley was a founding signatory of the Green Bond Principles. In 2019, we were chosen to join the newly established Green Bond Principles (GBP) and Social Bond Principles (SBP) Advisory Council. In addition, we joined three working groups to help advance practice in specific thematic areas: Green Projects Eligibility, Social Bonds, Impact Reporting and the Climate Transition Finance.

- HKVCA: ESG Committee
- Institutional Investors Group on Climate Change (IIGCC)
- Interfaith Center on Corporate Responsibility (ICCR)
- International Corporate Governance Network (ICGN)
- Investor Group on Climate Change, Australia/New Zealand (IGCC)
- International Integrated Reporting Council (IIRC)
- Investor Network on Climate Risk (INCR)/CERES

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

Morgan Stanley is a member of the Ceres Investor Network on Climate Risk and Sustainability, and the CEO of Ceres is a member of the Morgan Stanley Institute for Sustainable Investing Advisory Board.

- Local Authority Pension Fund Forum
- Principles for Financial Action in the 21st Century
- Principles for Sustainable Insurance
- Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify
- Responsible Finance Principles in Inclusive Finance
- Shareholder Association for Research and Education (Share)
- United Nations Environmental Program Finance Initiative (UNEP FI)
- United Nations Global Compact
- Other collaborative organisation/initiative, specify

UK Stewardship Code, Japan Stewardship Code, Hong Kong Stewardship Code

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced
- Other collaborative organisation/initiative, specify

SASB

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

SASB is dedicated to enhancing the efficiency of capital markets by fostering high-quality disclosure of material sustainability information that meets investor needs. Morgan Stanley's Chief Sustainability Officer is a board member of the SASB Foundation, helping ensure that emerging sustainability metrics are relevant to investors. In addition, MSIM participates in SASB's Investor Advisory Group (IAG), which is an asset owner and manager initiative to promote the SASB disclosure framework with corporate issuers.

- Other collaborative organisation/initiative, specify

One Planet Summit Asset Managers Initiative

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

MSIM is a member of the One Planet Summit asset manager initiative, which is aimed at supporting the One Planet Sovereign Wealth Fund Framework in accelerating the integration of climate change analysis into the management of large, long-term and diversified asset pools.

- Other collaborative organisation/initiative, specify  
EMPEA

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

EMPEA is a global industry association for private capital in emerging markets. MSIM's AIP team lead chairs the Impact Investing Council.

SG 10	Mandatory	Public	Core Assessed	PRI 4
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**SG 10.1** Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

- Yes

**SG 10.2** Indicate the actions your organisation has taken to promote responsible investment independently of collaborative initiatives. Provide a description of your role in contributing to the objectives of the selected action and the typical frequency of your participation/contribution.

- Provided or supported education or training programmes (this includes peer to peer RI support) Your education or training may be for clients, investment managers, actuaries, broker/dealers, investment consultants, legal advisers etc.)

Description

MSIM, in partnership with Morgan Stanley's Institute for Sustainable Investing, has provided education for clients on developing a sustainable investing strategy.

#### Frequency of contribution

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad hoc
- Other

Provided financial support for academic or industry research on responsible investment

#### Description

The Morgan Stanley Institute for Sustainable Investing helps develop the next generation of sustainable investing leaders through fellowships and strategic partnerships. These programs expose tomorrow's financial services executives to the power of capital market solutions to address sustainability challenges early in their careers. The Institute's two hallmark programs are the Sustainable Investing Fellowship and the Sustainable Investing Challenge.

The Fellowship places graduate students in sustainability functions in the Morgan Stanley Global Headquarters in New York City and London. In 2019, nearly 1,500 students applied for five positions. The selected candidates were placed in Global Sustainable Finance, Global Capital Markets, Wealth Management and Investment Management.

In April 2019, the Institute for Sustainable Investing hosted the ninth annual Kellogg-Morgan Stanley Sustainable Investing Challenge in Hong Kong. This highly competitive event invites graduate students worldwide to develop financial solutions to social and environmental challenges that can also achieve market-rate financial returns.

#### Frequency of contribution

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad hoc
- Other

Provided input and/or collaborated with academia on RI related work

Encouraged better transparency and disclosure of responsible investment practices across the investment industry

#### Description

As a member of SASB's Investor Advisory Group, MSIM conducts collaborative engagements with fellow asset managers to promote the adoption of the SASB reporting standards, which seek to improve the standardization and availability of ESG data published by issuers.

#### Frequency of contribution

- Quarterly or more frequently
  - Biannually
  - Annually
  - Less frequently than annually
  - Ad hoc
  - Other
- Spoke publicly at events and conferences to promote responsible investment

#### Description

The Global Stewardship team, portfolio managers, investment analysts, and members of Morgan Stanley's Global Sustainable Finance group and Institute for Sustainable Investing speak regularly at conferences on various ESG topics.

#### Frequency of contribution

- Quarterly or more frequently
  - Biannually
  - Annually
  - Less frequently than annually
  - Ad hoc
  - Other
- Wrote and published in-house research papers on responsible investment

#### Description

MSIM regularly publishes thought leadership on ESG and sustainable investing. Please see the Sustainable Investing section of our website for a full catalogue of our "Sustainable Insights".

#### Frequency of contribution

- Quarterly or more frequently
  - Biannually
  - Annually
  - Less frequently than annually
  - Ad hoc
  - Other
- Encouraged the adoption of the PRI
- Responded to RI related consultations by non-governmental organisations (OECD, FSB etc.)
- Wrote and published articles on responsible investment in the media

#### Description

In 2019, Morgan Stanley announced a firm-wide commitment to facilitate the prevention, reduction and removal of 50 million metric tons of plastic by 2030. This led to press coverage, including an interview with Morgan Stanley's Chief Sustainability Officer and Chief Marketing Officer on Bloomberg Media about



the importance of tackling plastic waste. The Head of ESG Research for MSIM's International Equity team also authored an article on plastic waste related investment risk and opportunities, which was published in Responsible Investor.

#### Frequency of contribution

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad hoc
- Other

A member of PRI advisory committees/ working groups, specify

#### Description

In late 2019, MSIM joined the PRI Working Group on the EU Taxonomy.

#### Frequency of contribution

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad hoc
- Other

On the Board of, or officially advising, other RI organisations (e.g. local SIFs)

#### Description

Morgan Stanley's Chief Sustainability Officer and Chief Marketing Officer is on the Board of the Sustainability Accounting Standards Board foundation.

#### Frequency of contribution

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad hoc
- Other

Other, specify

No

<b>SG 10.3</b>	Describe any additional actions and initiatives that your organisation has taken part in during the reporting year to promote responsible investment [Optional]
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One major, ongoing contribution to the responsible investment space, which does not align with the categorizations in 10.2 is the **Morgan Stanley Institute for Sustainable Investing**.

The Morgan Stanley Institute for Sustainable is chaired by Morgan Stanley's Chairman and CEO, James Gorman. The Institute works to accelerate the global adoption of sustainable investing and finance strategies. Its Advisory Board, comprised of corporate, sustainability, academic and philanthropic leaders, helps ensure that our approach to sustainability and sustainable investing is comprehensive, rigorous and innovative.

MSIM leverages and benefits from Morgan Stanley's decade-plus commitment to sustainable finance. Positioned at the nexus of the firm's business units and the broader sustainable finance market, the Morgan Stanley Institute for Sustainable Investing serves as a unique resource and partner on innovation, knowledge sharing and thought leadership.

## Outsourcing to fiduciary managers and investment consultants

<b>SG 12</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>PRI 4</b>
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**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

<b>SG 12.1</b>	Indicate whether your organisation uses investment consultants.
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- Yes, we use investment consultants
- No, we do not use investment consultants.

## ESG issues in asset allocation

<b>SG 13</b>	<b>Mandatory</b>	<b>Public</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>SG 13.1</b>	Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).
----------------	--

- Yes, in order to assess future ESG factors
- Yes, in order to assess future climate-related risks and opportunities
- No, our organisation does not currently carry out scenario analysis and/or modelling

<b>SG 13.3</b>	Additional information. [OPTIONAL]
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MSIM recognizes the important role scenario analysis plays in helping organizations understand the risks and opportunities associated with climate change and is actively exploring data and tools that will enable us to conduct scenario analysis of our portfolios.

## Asset class implementation not reported in other modules

SG 16	Mandatory	Public	Descriptive	General
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**SG 16.1** Describe how you address ESG issues for internally managed assets for which a specific PRI asset class module has yet to be developed or for which you are not required to report because your assets are below the minimum threshold.

Asset Class	Describe what processes are in place and the outputs or outcomes achieved
Private equity	MSIM's Private Credit and Equity business incorporates a risk management framework as well as an assessment of industry-specific material ESG issues into its evaluation and diligence of prospective investments. Once assets are acquired, the same principles are used with respect to its ongoing management. The business advocates and implements ESG practices often via Value Creation Plans (VCP) in order to improve the efficiency and management of the companies in which it invests. It seeks advice from Morgan Stanley's Environment and Social Risk Management ("ESRM") group to perform ESG-focused diligence on relevant transactions. North Haven Thai Private Equity also has an Environmental and Social Management System, that is based on IFC Performance Standards, International Labour Organization Core Labour Conventions, IFC Environmental, Health and Safety General Guidelines. Morgan Stanley AIP Private Markets has been focused on delivering proactive impact alongside strong commercial returns since 2014. The team incorporates ESG considerations as part of due diligence and monitoring process, both at the strategy and asset level, and in selecting third party managers. In addition, it operates a program for social impact investing in private markets, with the goal of addressing major global development challenges.
Money market instruments	MSIM's Fixed Income ESG Credit Scoring analysis framework is a fully integrated component of the Liquidity team's issuer and security selection process. In addition, the team repositioned an existing fund as an ESG focused fund in 2019 that uses the ESG Credit Scoring analysis to establish minimum ESG score thresholds to determine eligible issuers and securities for the fund. The minimum ESG scoring threshold aims to prioritize issuers that seek to contribute to a sound and sustainable financial system through more transparent governance and risk management practices. The Liquidity team will consider the inclusion of new issuers that score well within the MSIM ESG Credit Scoring framework. Securities and issuers that score above the minimum ESG threshold are then considered against a range of other considerations such as yield, liquidity, interest rate changes, credit quality and duration, to determine whether they are ultimately included in the fund. The fund also applies ESG exclusions such as firearms, thermal coal and fossil fuels in an effort to prioritize issuers that make a positive contribution to society and the environment through their products and services.
Other (1) [as defined in Organisational Overview module]	ESG integration in our multi-asset business varies by investment team. Some teams apply quantitative, factor-based approaches to integrating ESG and impact strategies across asset classes. For fund of funds, teams apply ESG and impact due diligence frameworks to manager selection. Many teams also engage with managers and issuers on ESG topics.

## Communication

SG 19	Mandatory	Public	Core Assessed	PRI 2, 6
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**SG 19.1**

Indicate whether your organisation typically discloses asset class specific information proactively. Select the frequency of the disclosure to clients/beneficiaries and the public, and provide a URL to the public information.

Listed equity - Incorporation

Do you disclose?

- We do not proactively disclose it to the public and/or clients/beneficiaries
- We disclose to clients/beneficiaries only.
- We disclose it publicly

The information disclosed to clients/beneficiaries is the same

- Yes
- No

<b>Disclosure to public and URL</b>	
Disclosure to public and URL	
<input type="radio"/> Broad approach to ESG incorporation	
<input checked="" type="radio"/> Detailed explanation of ESG incorporation strategy used	
Frequency	
<input type="checkbox"/> Quarterly or more frequently	
<input type="checkbox"/> Biannually	
<input checked="" type="checkbox"/> Annually	
<input type="checkbox"/> Less frequently than annually	
<input type="checkbox"/> Ad-hoc/when requested	
URL	
<a href="https://www.morganstanley.com/im/publication/resources/esg-approach-and-principles-us.pdf?1583446133240">https://www.morganstanley.com/im/publication/resources/esg-approach-and-principles-us.pdf?1583446133240</a>	

Listed equity - Engagement

Do you disclose?

- We do not disclose to either clients/beneficiaries or the public.
- We disclose to clients/beneficiaries only.
- We disclose to the public

The information disclosed to clients/beneficiaries is the same

- Yes
- No

<b>Disclosure to public and URL</b>	
Disclosure to public and URL	<input checked="" type="checkbox"/> Details on the overall engagement strategy <input type="checkbox"/> Details on the selection of engagement cases and definition of objectives of the selections, priorities and specific goals <input checked="" type="checkbox"/> Number of engagements undertaken <input checked="" type="checkbox"/> Breakdown of engagements by type/topic <input type="checkbox"/> Breakdown of engagements by region <input type="checkbox"/> An assessment of the current status of the progress achieved and outcomes against defined objectives <input checked="" type="checkbox"/> Examples of engagement cases <input checked="" type="checkbox"/> Details on eventual escalation strategy taken after the initial dialogue has been unsuccessful (i.e. filing resolutions, issuing a statement, voting against management, divestment etc.) <input type="checkbox"/> Details on whether the provided information has been externally assured <input checked="" type="checkbox"/> Outcomes that have been achieved from the engagement <input type="checkbox"/> Other information
Frequency	<input type="checkbox"/> Quarterly or more frequently <input type="checkbox"/> Biannually <input checked="" type="checkbox"/> Annually <input type="checkbox"/> Less frequently than annually <input type="checkbox"/> Ad-hoc/when requested
URL	<a href="https://www.morganstanley.com/im/publication/resources/global-stewardship-report-us.pdf?1583446293451">https://www.morganstanley.com/im/publication/resources/global-stewardship-report-us.pdf?1583446293451</a>
URL	<a href="https://www.morganstanley.com/im/publication/resources/global-stewardship-report-us-2019.pdf?1585679534972">https://www.morganstanley.com/im/publication/resources/global-stewardship-report-us-2019.pdf?1585679534972</a>

**Listed equity – (Proxy) Voting**

**Do you disclose?**

- We do not disclose to either clients/beneficiaries or the public.
- We disclose to clients/beneficiaries only.
- We disclose to the public

The information disclosed to clients/beneficiaries is the same

Yes

No

**Disclosure to public and URL**

Disclosure to public and URL

Disclose all voting decisions

Disclose some voting decisions

Only disclose abstentions and votes against management

Frequency

Quarterly or more frequently

Biannually

Annually

Less frequently than annually

Ad hoc/when requested

URL

<https://www.morganstanley.com/im/en-us/financial-advisor/about-us/proxy-voting/vote-summary-report.desktop.html>

Fixed income

Do you disclose?

We do not disclose to either clients/beneficiaries or the public.

We disclose to clients/beneficiaries only.

We disclose to the public

The information disclosed to clients/beneficiaries is the same

Yes

No

<b>Disclosure to public and URL</b>	
Disclosure to public and URL	<input type="radio"/> Broad approach to RI incorporation <input checked="" type="radio"/> Detailed explanation of RI incorporation strategy used
Frequency	<input type="checkbox"/> Quarterly <input type="checkbox"/> Biannually <input checked="" type="checkbox"/> Annually <input type="checkbox"/> Less frequently than annually <input type="checkbox"/> Ad hoc/when requested
URL	<a href="https://www.morganstanley.com/im/en-dk/institutional-investor/insights/articles/driving-value-in-fixed-income-through-esg.html">https://www.morganstanley.com/im/en-dk/institutional-investor/insights/articles/driving-value-in-fixed-income-through-esg.html</a>

**Property**

**Do you disclose?**

- We do not disclose to either clients/beneficiaries or the public.
- We disclose to clients/beneficiaries only.
- We disclose to the public



<b>Disclosure to clients/beneficiaries</b>	
	<p><b>Disclosure to clients/beneficiaries</b></p> <p><input checked="" type="checkbox"/> ESG information on how you select property investments</p> <p><input checked="" type="checkbox"/> ESG information on how you monitor and manage property investments</p> <p><input checked="" type="checkbox"/> Information on your property investments' ESG performance</p> <p><input type="checkbox"/> Other</p>
	<p><b>Frequency</b></p> <p><input checked="" type="checkbox"/> Quarterly or more frequently</p> <p><input type="checkbox"/> Biannually</p> <p><input type="checkbox"/> Annually</p> <p><input type="checkbox"/> Less frequently than annually</p> <p><input type="checkbox"/> Ad-hoc/when requested</p>

**Infrastructure**

**Do you disclose?**

- We do not disclose to either clients/beneficiaries or the public.
- We disclose to clients/beneficiaries only.
- We disclose to the public

<b>Disclosure to clients/beneficiaries</b>	
	<p><b>Disclosure to clients/beneficiaries</b></p> <p><input checked="" type="checkbox"/> ESG information on how you select infrastructure investments</p> <p><input checked="" type="checkbox"/> ESG information on how you monitor and manage infrastructure investments</p> <p><input checked="" type="checkbox"/> Information on your infrastructure investments' ESG performance</p>
	<p><b>Frequency</b></p> <p><input checked="" type="checkbox"/> Quarterly or more frequently</p> <p><input type="checkbox"/> Biannually</p> <p><input type="checkbox"/> Annually</p> <p><input type="checkbox"/> Less frequently than annually</p> <p><input type="checkbox"/> Ad-hoc/when requested</p>

# Morgan Stanley Investment Management

## Reported Information

### Public version

### Direct - Listed Equity Incorporation

## PRI disclaimer

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## ESG incorporation in actively managed listed equities

### Implementation processes

LEI 01	Mandatory	Public	Gateway	PRI 1
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LEI 01.1

Indicate which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities; and the breakdown of your actively managed listed equities by strategy or combination of strategies.

#### ESG incorporation strategy (select all that apply)

- Screening alone (i.e., not combined with any other strategies)

Percentage of active listed equity to which the strategy is applied — you may estimate +/- 5%	<p>0.4</p>
---	------------

- Thematic alone (i.e., not combined with any other strategies)
- Integration alone (i.e., not combined with any other strategies)

Percentage of active listed equity to which the strategy is applied — you may estimate +/- 5%	<p>90.3</p>
---	-------------

- Screening and integration strategies

Percentage of active listed equity to which the strategy is applied — you may estimate +/- 5%	<p>2.5</p>
---	------------

- Thematic and integration strategies
- Screening and thematic strategies
- All three strategies combined
- We do not apply incorporation strategies

Percentage of active listed equity to which the strategy is applied — you may estimate +/- 5%	<p>6.8</p>
---	------------

Total actively managed listed equities

100%

ESG integration at MSIM is investor led with each investment team setting its own differentiated approach for incorporating ESG factors into the investment process. MSIM empowers investment teams to design ESG approaches that best suit their strategies and investing styles. This investor-led approach allows for greater flexibility and enhances our ability to respond to clients' varied needs with a wide range of approaches - from screening out unwanted sectors to ESG integration and thematic and impact investing. Through our collective ESG efforts, our objective is to enhance market-rate financial returns, while driving positive social and/or environmental benefits and strong governance practices.

Our teams' strategies typically span the ESG approaches below and continually evolve to best deliver value to our clients. At the heart of our approach is portfolio company engagement. We see this as central to our role as active managers as well as a critical tool in promoting sustainable business practices.

- **Restriction Screening:** Intentionally avoiding investments in certain sectors or issuers based on values or risk-based criteria.
- **ESG Integration:** Considering ESG criteria alongside financial analysis to identify risks and opportunities throughout the investment process, which may lead to decisions to avoid or size certain investments.
- **Thematic Investments:** Tilting investments toward certain themes and sectors positioned to solve global sustainability-related challenges, includes 'Sustainable Fina's as defined by EU Taxonomy or other regulatory frameworks
- **Impact Investing:** Allocating to funds or enterprises intentionally structured to deliver specific and measurable set of positive social and/or environmental impacts alongside market-rate financial returns.

While each MSIM investment team takes a differentiated approach to ESG, there are common elements to the integration process. Teams typically begin by identifying relevant ESG issues at the sector, company and/or portfolio levels. Portfolio managers then integrate these issues into the investment process in a way that reflects each team's investment approach. Across the board, teams engage portfolio companies on relevant ESG issues to drive long-term value. The following four pillars describe common elements of our equity teams' approaches to integrating ESG:

1. *Identify material ESG issues, risks and opportunities* - To determine material ESG issues, investment analysts conduct proprietary ESG research and may use additional resources to enhance their own analysis. Such resources may include the use of third-party ESG research and data. Third-party ESG tools may also be used to calculate the overall ESG or carbon performance of a portfolio against a benchmark. While some investment teams may incorporate third party scores into investment decision making, others simply reference underlying ESG data as part of their own research process.
2. *Integrate ESG analysis into the investment process* - ESG factors play an increasing role in investors' decisions to buy, sell and size certain investments. In line with their investment processes, portfolio managers take bottom-up and/or top-down approaches to ESG research and consider ESG factors alongside traditional financial factors in the investment decision-making process.
3. *Engage with portfolio companies to influence performance on key ESG issues* - Engagement is the hallmark of our active ownership approach. In 2019, MSIM teams collectively conducted more than 600 ESG engagements.
4. *Inform clients, the marketplace and our own investment process through ESG research and thought leadership* - In 2019, MSIM teams published over 40 thought leadership pieces on ESG topics such as climate risk, plastic waste, water stress, and executive pay.

LEI 01.3

If assets are managed using a combination of ESG incorporation strategies, briefly describe how these combinations are used. [Optional]

MSIM's investment strategies often span the ESG integration approaches noted above. Some of our teams apply both an ESG integration approach and also restriction screening. For example, the International Equity team's Global Sustain strategy offers the same ESG integration and active ownership as the rest of the team's strategies, but also avoids investing in companies whose primary business interest include tobacco, alcohol, adult entertainment, gambling, controversial weapons or firearms, bulk commodities, fossil fuels, and gas or electric utilities.

In addition, many of our separately managed accounts apply restriction screens to ESG integration strategies based on particular client preferences and ESG objectives.

(A) Implementation: Screening

LEI 04

Mandatory

Public

Descriptive

PRI 1

LEI 04.1

Indicate and describe the type of screening you apply to your internally managed active listed equities.

Type of screening

Negative/exclusionary screening

Screened by

- Product
- Activity
- Sector
- Country/geographic region
- Environmental and social practices and performance
- Corporate governance

Description

Some clients with separately managed accounts wish to apply additional restriction screens to our strategies for ethical, values-based and other reasons. Our investment teams work closely with them to ensure our strategies meet their ESG criteria.

In addition, several of our mutual funds apply exclusions as an additional layer to their ESG integration approaches. Commonly excluded sectors in our registered funds include:

- Fossil fuel industries
- Thermal coal or coal fired power generation
- Landmines and cluster munitions
- Firearms and weapons
- Adult entertainment
- Alcohol
- Gambling
- Gas and electric utilities
- Tobacco

- Positive/best-in-class screening

**Screened by**

- Product
- Activity
- Sector
- Country/geographic region
- Environmental and social practices and performance
- Corporate governance

Description
-------------

Our ESG integrated strategies use a variety of methods to select companies with strong performance across a variety of ESG criteria and corporate governance factors such as executive pay. While most teams conduct this research on a fundamental, bottom up basis, some teams use third party ESG scores or frameworks, such as the Sustainability Accounting Standards Board materiality map, to tilt towards companies with better ESG practices than their peers.

- Norms-based screening

**Screened by**

- UN Global Compact Principles
- The UN Guiding Principles on Business and Human Rights
- International Labour Organization Conventions
- United Nations Convention Against Corruption
- OECD Guidelines for Multinational Enterprises
- Other, specify

Description
-------------

Some equity strategies apply norms-based screens based on the UN Global Compact Principles. Using third party ESG data, teams avoid investments in companies that have violated these principles according to third party data providers.

LEI 04.2	Describe how you notify clients and/or beneficiaries when changes are made to your screening criteria.
----------	--

In our separately managed account business, clients are informed regularly about how an accounts screens are being managed, reviewed and updated. For pooled vehicles, screens are communicated through fund prospectuses and fact cards.

We apply an exclusion list, provided by Sustainalytics, to every sub-fund of the Morgan Stanley Investment Funds (MS INVF) designed to comply with Luxembourg law of June 4, 2009 transposing the Oslo Convention on Cluster Munitions introduced in Article 3 a prohibition on the financing, with full knowledge, of cluster munitions and explosive sub-munitions.

LEI 05	Mandatory	Public	Core Assessed	PRI 1
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LEI 05.1	Indicate which processes your organisation uses to ensure ESG screening is based on robust analysis.
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- Comprehensive ESG research is undertaken or sourced to determine companies' activities and products.
- Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies.
- External research and data used to identify companies to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar.
- Third-party ESG ratings are updated regularly to ensure that portfolio holdings comply with fund policies.
- Trading platforms blocking / restricting flagged securities on the black list.
- A committee, body or similar with representatives independent of the individuals who conduct company research reviews some or all screening decisions.
- A periodic review of internal research is carried out.
- Review and evaluation of external research providers.
- Other; specify
- None of the above

LEI 05.3	Indicate how frequently third party ESG ratings are updated for screening purposes.
----------	---

- Quarterly or more frequently
- Bi-Annually
- Annually
- Less frequently than annually

LEI 05.4	Indicate how frequently you review internal research that builds your ESG screens.
----------	--

- Quarterly or more frequently
- Bi-Annually
- Annually
- Less frequently than annually

LEI 05.5	Additional information. [Optional]
----------	------------------------------------




The majority of our screens are guided by client demand using third party screening tools such as Sustainalytics and MSCI. Our Compliance and Portfolio Surveillance teams collaborate with investment teams to ensure that screening is robust, comprehensive and regularly monitored.

### (C) Implementation: Integration of ESG factors

LEI 08	Mandatory	Public	Core Assessed	PRI 1
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**LEI 08.1**

Indicate the proportion of actively managed listed equity portfolios where E, S and G factors are systematically researched as part of your investment analysis.

ESG issues	Proportion impacted by analysis
Environmental	 Environmental <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> 51-90% <input checked="" type="radio"/> >90%
Social	 Social <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> 51-90% <input checked="" type="radio"/> >90%
Corporate Governance	 Corporate Governance <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> 51-90% <input checked="" type="radio"/> >90%

**LEI 09**

**Mandatory**

**Public**

**Core Assessed**

**PRI 1**

**LEI 09.1**

Indicate which processes your organisation uses to ensure ESG integration is based on robust analysis.

- Comprehensive ESG research is undertaken or sourced to determine companies' activities and products
- Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- Third-party ESG ratings are updated regularly
- A periodic review of the internal research is carried out
- Structured, regular ESG specific meetings between responsible investment staff and the fund manager or within the investments team
- ESG risk profile of a portfolio against benchmark
- Analysis of the impact of ESG factors on investment risk and return performance
- Other; specify
- None of the above



**LEI 09.2**

Indicate the proportion of your actively managed listed equity portfolio that is subject to comprehensive ESG research as part your integration strategy.

- <10%
- 10-50%
- 51-90%
- >90%

**LEI 09.3**

Indicate how frequently third party ESG ratings that inform your ESG integration strategy are updated.

- Quarterly or more frequently
- Bi-Annually
- Annually
- Less frequently than annually

**LEI 09.4**

Indicate how frequently you review internal research that builds your ESG integration strategy.

- Quarterly or more frequently
- Bi-Annually
- Annually
- Less frequently than annually

**LEI 09.5**

Describe how ESG information is held and used by your portfolio managers.

- ESG information is held within centralised databases or tools, and it is accessible by all relevant staff
- ESG information or analysis is a standard section or aspect of all company research notes or industry/sector analysis generated by investment staff
- Systematic records are kept that capture how ESG information and research were incorporated into investment decisions
- Other; specify
- None of the above

# Morgan Stanley Investment Management

## Reported Information

### Public version

#### Direct - Listed Equity Active Ownership

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## Overview

LEA 01

Mandatory

Public

Core Assessed

PRI 2

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

LEA 01.1

Indicate whether your organisation has an active ownership policy (includes engagement and/or voting).

Yes

LEA 01.2

Attach or provide a URL to your active ownership policy.

Attachment provided:

URL provided:

URL

[https://www.morganstanley.com/im/publication/resources/proxyvotingpolicy\\_msim\\_en.pdf?1583844799689](https://www.morganstanley.com/im/publication/resources/proxyvotingpolicy_msim_en.pdf?1583844799689)

LEA 01.3

Indicate what your active engagement policy covers:

General approach to Active Ownership

- Conflicts of interest
- Alignment with national stewardship code requirements
- Assets/funds covered by active ownership policy
- Expectations and objectives
- Engagement approach

Engagement

- ESG issues
- Prioritisation of engagement
- Methods of engagement
- Transparency of engagement activities
- Due diligence and monitoring process
- Insider information
- Escalation strategies
- Service Provider specific criteria
- Other; (specify)

Our approach to engagement is outlined in 'Our Engagement and Stewardship Principles'.

(Proxy) voting approach

### Voting

- ESG issues
- Prioritisation and scope of voting activities
- Methods of voting
- Transparency of voting activities
- Regional voting practice approaches
- Filing or co-filing resolutions
- Company dialogue pre/post-vote
- Decision-making processes
- Securities lending processes
- Other; (specify)

Other

None of the above

No

**LEA 01.4**

Do you outsource any of your active ownership activities to service providers?

Yes

No

**LEA 01.6**

Additional information [optional]

MSIM obtains proxy research from Institutional Shareholder Services ("ISS") and Glass Lewis, but makes all voting decisions in-house. The firm has retained ISS as its proxy voting administrator.

## Engagement

**LEA 02**

**Mandatory**

**Public**

**Core Assessed**

**PRI 1,2,3**

**LEA 02.1**

Indicate the method of engagement, giving reasons for the interaction.

Type of engagement	Reason for interaction
Individual / Internal staff engagements	<input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence it) on ESG issues <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management <input type="checkbox"/> We do not engage via internal staff
Collaborative engagements	<input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence it) on ESG issues <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management <input type="checkbox"/> We do not engage via collaborative engagements
Service provider engagements	<input type="checkbox"/> To influence corporate practice (or identify the need to influence it) on ESG issues <input type="checkbox"/> To encourage improved/increased ESG disclosure <input type="checkbox"/> To gain an understanding of ESG strategy and/or management <input checked="" type="checkbox"/> We do not engage via service providers

**LEA 02.4**

Additional information. [Optional]

MSIM does not conduct service provider engagements, but it does perform due diligence reviews on the retained proxy advisors on an annual basis. The review is conducted onsite by members of the Global Stewardship Team and Compliance.

**LEA 03**

**Mandatory**

**Public**

**Core Assessed**

**PRI 2**

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

**LEA 03.1**

Indicate whether your organisation has a formal process for identifying and prioritising engagements.

Yes

**LEA 03.2**

Indicate the criteria used to identify and prioritise engagements for each type of engagement.

Type of engagement	Criteria used to identify/prioritise engagements
Individual / Internal staff engagements	<div style="background-color: #0070C0; color: white; padding: 5px; margin-bottom: 10px;">Individual / Internal staff engagements</div> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Geography/market of the companies</li> <li><input checked="" type="checkbox"/> Materiality of the ESG factors</li> <li><input checked="" type="checkbox"/> Exposure (size of holdings)</li> <li><input checked="" type="checkbox"/> Responses to ESG impacts that have already occurred</li> <li><input checked="" type="checkbox"/> Responses to divestment pressure</li> <li><input type="checkbox"/> Consultation with clients/beneficiaries</li> <li><input type="checkbox"/> Consultation with other stakeholders (e.g. NGOs, trade unions, etc.)</li> <li><input checked="" type="checkbox"/> Follow-up from a voting decision</li> <li><input checked="" type="checkbox"/> Client request</li> <li><input checked="" type="checkbox"/> Breaches of international norms</li> <li><input type="checkbox"/> Other; (specify)</li> <li><input type="checkbox"/> We do not outline engagement criteria for our individual engagements</li> </ul>
Collaborative engagements	<div style="background-color: #0070C0; color: white; padding: 5px; margin-bottom: 10px;">Collaborative engagements</div> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Potential to enhance knowledge of ESG issues through other investors</li> <li><input checked="" type="checkbox"/> Ability to have greater impact on ESG issues</li> <li><input checked="" type="checkbox"/> Ability to add value to the collaboration</li> <li><input checked="" type="checkbox"/> Geography/market of the companies targeted by the collaboration</li> <li><input checked="" type="checkbox"/> Materiality of the ESG factors addressed by the collaboration</li> <li><input checked="" type="checkbox"/> Exposure (size of holdings) to companies targeted by the collaboration</li> <li><input checked="" type="checkbox"/> Responses to ESG impacts addressed by the collaboration that have already occurred</li> <li><input checked="" type="checkbox"/> Responses to divestment pressure</li> <li><input checked="" type="checkbox"/> Follow-up from a voting decision</li> <li><input type="checkbox"/> Alleviate the resource burden of engagement</li> <li><input type="checkbox"/> Consultation with clients/beneficiaries</li> <li><input checked="" type="checkbox"/> Consultation with other stakeholders (e.g. NGOs, trade unions, etc.)</li> <li><input type="checkbox"/> Other; (specify)</li> <li><input type="checkbox"/> We do not outline engagement criteria for our collaborative engagement providers</li> </ul>

No

**LEA 03.3**

Additional information. [Optional]

MSIM investment teams conduct engagements directly with company management and boards. The prioritization of engagements varies across teams. For example, some teams take a thematic approach to engagement, based on ESG topics that they believe are material to their portfolios or the marketplace as a whole. Teams may also prioritize engagements based on exposure and position size, particularly when there is an ESG-related headline event (positive or negative). Investment teams may engage with a company in response to client interest in a particular issue or company as well. Morgan Stanley's Global Stewardship team also engages portfolio companies on ESG topics in response to shareholder proposals and proactively as part of thematic ESG research projects in partnership with investment teams.

Our regular touchpoints with company management provide an opportunity to monitor and track the performance of our investments. Both investment teams and the Global Stewardship Team regularly monitor and engage with companies throughout the investment process and maintain engagement records to track progress and to allow engagement insights to be incorporated in investment and proxy voting decisions. Given the regular cadence of our engagements, and our position as long-term owners, the need for escalation is generally limited. Further, we appreciate that in some cases it can take years to resolve certain issues.

We consider an engagement successful when a company is receptive to our viewpoints and suggestions and takes concrete steps to implement them. In cases where a company is not receptive or where our engagements do not lead to desired results, we may cast votes against management, request meetings with board members, or write letters to boards and management. In some cases, repeated, unsuccessful engagements may contribute to a decision to decrease or exit a holding. Additionally, we may consider collective engagement as an escalation method. Ultimately, portfolio managers are responsible for interpreting and integrating information gained through engagements into their investment decision-making process, as appropriate.

Morgan Stanley Investment Management frequently engages with portfolio companies and generally finds that these one on one discussions are the most effective way to articulate our views to a company's management. However, we are 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. For example, we occasionally participate in collective engagements organized by issuers, which provide an open forum for investors. In addition, as a signatory to the Principles for Responsible Investment (UNPRI) and members of other international investor networks, we have the ability to collectively engage when appropriate. For example, as a member of the Sustainability Accounting Standards Board (SASB) Investor Advisory Group, we engage with fellow investors to promote the SASB reporting standards. 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: potential conflicts of interest, materiality of the issue, and probability of change. In addition, the Global Stewardship team joins selective collaborative efforts to enhance our understanding of a company or amplify our message, as well as broader initiatives that promote the sustainability of the global financial system.

LEA 04	Mandatory	Public	Core Assessed	PRI 2
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**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

LEA 04.1	Indicate whether you define specific objectives for your organisation's engagement activities.
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Individual / Internal staff engagements	<input checked="" type="radio"/> All engagement activities <input type="radio"/> Majority of engagement activities <input type="radio"/> Minority of engagement activities <input type="radio"/> We do not define specific objectives for engagement activities carried out by internal staff
Collaborative engagements	<input checked="" type="radio"/> All engagement activities <input type="radio"/> Majority of engagement activities <input type="radio"/> Minority of engagement activities <input type="radio"/> We do not define specific objectives for engagement activities carried out through collaboration

**LEA 04.2** Additional information. [Optional]

Given the time and effort required to engage with companies, we are incentivized to make our process as targeted as possible. Investment teams have specific objectives for each engagement that usually involve gaining greater clarity around a company's strategy, financial and non-financial performance, risk management, sustainability initiatives, and capital structure. In some cases, investment teams also have specific outcome oriented objectives that involve influencing a company's business practices. The Global Stewardship team's engagements are also targeted and generally involve gaining greater clarity of a company's proxy statement in order to make informed voting decisions. In some cases, the Global Stewardship team may also set objectives that involve encouraging a company to adopt or modify a certain business practice. Additionally, the Global Stewardship team conducts targeted thematic ESG research of holdings that involves proactively engaging companies on pre-determined ESG issues. Ultimately, objectives vary greatly by company, and investment team, but all engagements are deliberate and outcomes focused.

**Global Stewardship team example of a targeted, objective-oriented engagement:** In 2019, the Global Stewardship team undertook an engagement series on early childhood development based on client interest in the topic. The primary objective of this engagement series was to use the investment portfolio as a platform for promote greater corporate awareness of and investment in early childhood development. A secondary objective was to encourage companies to align with the UN Sustainable Development Goal (SDG) 3 'Ensure healthy lives and promote well-being for all at all ages', which includes sub-goals on newborn and child health. Given the volume of scientific evidence demonstrating how extended parental leave contributes to positive early childhood development outcomes, and the growing importance corporations place on their diversity and inclusion programs, MSIM positioned early childhood development as part of the business case for extended paid parental leave. To select companies for engagement, MSIM reviewed the portfolio's holdings against leading gender equality indexes and rankings that track parental leave such as the Bloomberg Gender Equality Index and Working Mother Best 100 Places to Work. Through the engagements series the team found that companies with longer leave tended to have a stronger narrative and understanding of how paid parental leave can promote positive development outcomes for newborns and infants. The team also noted that companies that engaged with and solicited feedback from employee resource groups for working families tended to have a better appreciation for early childhood development. For those companies that were lagging in terms of amount of paid leave offered, the Global Stewardship team suggested they revisit their policies in consultation with employee resource groups and in line with peers. None of the companies the team spoke to had considered the role they can play in supporting UN SDG 3 through paid parental leave, but all were open to considering it based on the Global Stewardship team's suggestion.

**Investment team example of targeted, objective-oriented engagement:**

In 2019, the International Equity team engaged with CSR/senior management of eleven of our fast moving consumer goods (FMCG) holdings, including those in beverages and household and personal care, with the objective of assessing companies' risk exposure to plastic waste and also promoting innovation in plastic waste management.

The team concluded that most of its consumer holdings are likely to lead the rest of the FMCG industry in terms of focus, allocated resources and public commitments to reduce plastic waste. Although meeting these commitments may result in somewhat higher costs in the near term, they are manageable and should protect the companies from potentially elevated risks including increased regulation, such as taxes on virgin plastic, higher waste management costs or plastic bans.

During the engagements the team discussed company-specific strategies and targets as well as the hurdles to achieving them.



In the case of FMCG companies, the most practical near-term solution is increasing the percentage of recycled content in their packaging. This should increase demand for recycled plastic and encourage badly needed investments in the collection and recycling infrastructure. Most of the team's consumer holdings exposed to plastic packaging have now publicly committed to significantly increase recycled content, from less than 10% in most cases to 20-50% by 2025-30.

Other initiatives undertaken by the team's holdings include partnerships with, and investments into, innovative start-ups that explore breakthrough technologies in chemical recycling, work on circular/refillable packaging, or try to find new ways to improve plastic waste capture in emerging markets. They also continue to work on simplifying and reducing the weight of their packaging and increasing its recyclability.

The team encouraged the management of one of the beverage companies it holds to allocate a greater proportion of their sizeable annual charity donations towards projects related to tackling plastic waste in emerging markets. The team also encouraged three household and personal care companies to join plastic reduction initiatives and disclose more data on their plastic use.

The team tried to assess the cost impact of this move to a more sustainable, circular plastic supply chain. The team believes that the cumulative impact is likely to be limited to low single-digit percentage of sales. Another finding was that more companies are starting to use circular plastic as a marketing tool by converting certain brands' packaging to 100% recycled plastic, and advertising this on the pack and in the media. The team believes this is important for the long-term health of their brands as more consumers, particularly younger ones, make brand choices based on sustainability credentials.

LEA 05	Mandatory	Public	Core Assessed	PRI 2
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<b>LEA 05.1</b>	Indicate whether you monitor and/or review engagement outcomes.
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Individual / Internal staff engagements	<input type="radio"/> Yes, in all cases <input checked="" type="radio"/> Yes, in a majority of cases <input type="radio"/> Yes, in a minority of cases <input type="radio"/> We do not monitor, or review engagement outcomes when the engagement is carried out by our internal staff.
Collaborative engagements	<input type="radio"/> Yes, in all cases <input checked="" type="radio"/> Yes, in a majority of cases <input type="radio"/> Yes, in a minority of cases <input type="radio"/> We do not monitor, or review engagement outcomes when the engagement is carried out through collaboration.

<b>LEA 05.2</b>	Indicate whether you do any of the following to monitor and/or review the progress of engagement activities.
-----------------	--

Individual / Internal staff engagements	<input type="checkbox"/> Define timelines/milestones for your objectives <input checked="" type="checkbox"/> Track and/or monitor progress against defined objectives and/or KPIs <input checked="" type="checkbox"/> Track and/or monitor the progress of action taken when original objectives are not met <input checked="" type="checkbox"/> Revisit and, if necessary, revise objectives on a continuous basis <input type="checkbox"/> Other; specify
Collaborative engagements	<input type="checkbox"/> Define timelines/milestones for your objectives <input checked="" type="checkbox"/> Track and/or monitor progress against defined objectives and/or KPIs <input checked="" type="checkbox"/> Track and/or monitor the progress of action taken when original objectives are not met <input checked="" type="checkbox"/> Revisit and, if necessary, revise objectives on a continuous basis <input type="checkbox"/> Other; specify

<b>LEA 05.3</b>	Additional information. [Optional]
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As long-term investors, and active owners, we believe we have a duty to be good stewards of the capital we manage. We fulfill this duty by engaging with the companies in which we are invested and by exercising our proxy voting rights. These stewardship activities give us the opportunity to guide companies in which we invest toward better governance practices, which we believe produce long-term, sustainable returns. Given our position as active, long term owners we have regular touchpoints with investee companies and have formed relationships with company management. This means that our engagement process is iterative with each engagement providing new information that enhances our view of the company and what we view as its priorities, gaps and opportunities. When we have pointed suggestions or recommendations for companies on their business practices, we monitor the company's alignment with these suggestions overtime. Our engagement tracking notes allow us to flag issues for follow up and for monitoring throughout the investment process. We often go into engagements with pre-defined topics to discuss with a company, but in some cases we uncover additional issues through an engagement, which then become new issues to monitor moving forward. For companies with significant, ongoing ESG challenges, we may monitor a company's management of the same issue over several years and discuss that issue in every engagement call. For other companies, the topics of engagement may change frequently along with the KPIs and objectives we use to monitor them.

<b>LEA 06</b>	<b>Mandatory</b>	<b>Public</b>	<b>Additional Assessed</b>	<b>PRI 2,4</b>
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<b>LEA 06.1</b>	Indicate whether your organisation has an escalation strategy when engagements are unsuccessful.
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Yes

**LEA 06.2**

Indicate the escalation strategies used at your organisation following unsuccessful engagements.

- Collaborating with other investors
  - Issuing a public statement
  - Filing/submitting a shareholder resolution
  - Voting against the re-election of the relevant directors
  - Voting against the board of directors or the annual financial report
  - Submitting nominations for election to the board
  - Seeking legal remedy / litigation
  - Reducing exposure (size of holdings)
  - Divestment
  - Other; specify
- No

**LEA 06.3**

Additional information. [Optional]

We consider an engagement successful when a company is receptive to our viewpoints and suggestions and takes concrete steps to implement them. In cases where a company is not receptive or where our engagements do not lead to desired results, we may cast votes against management, request meetings with board members, or write letters to boards and management. In some cases, repeated, unsuccessful engagements may contribute to a decision to decrease or exit a holding. Additionally, we may consider collective engagement as an escalation method. Ultimately, portfolio managers are responsible for interpreting and integrating information gained through engagements into their investment decision-making process, as appropriate.

<b>LEA 07</b>	<b>Voluntary</b>	<b>Public</b>	<b>Additional Assessed</b>	<b>PRI 1,2</b>
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**LEA 07.1**

Indicate whether insights gained from your organisation`s engagements are shared with investment decision-makers.

Type of engagement	Insights shared
<b>Individual / Internal staff engagements</b>	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No
<b>Collaborative engagements</b>	<input type="radio"/> Yes, systematically <input checked="" type="radio"/> Yes, occasionally <input type="radio"/> No

**LEA 07.2** Indicate the practices used to ensure that information and insights gained through engagements are shared with investment decision-makers.

- Involving investment decision-makers when developing an engagement programme
- Holding investment team meetings and/or presentations
- Using IT platforms/systems that enable data sharing
- Internal process that requires portfolio managers to re-balance holdings based on interaction and outcome levels
- Other; specify
- None

**LEA 07.3** Indicate whether insights gained from your organisation's engagements are shared with your clients/beneficiaries.

Type of engagement	Insights shared
<b>Individual/Internal staff engagements</b>	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No
<b>Collaborative engagements</b>	<input type="radio"/> Yes, systematically <input checked="" type="radio"/> Yes, occasionally <input type="radio"/> No

**LEA 07.4** Additional information. [Optional]

A large number of MSIM's ESG engagements are carried out directly by investment teams. As active owners, engagement is a critical input into our investment process and engagement insights play a significant role in shaping a team's view of a company or issue. In addition, the Global Stewardship Team and portfolio teams track engagements to inform investment and proxy voting decisions, and future engagements. Investment teams share insights gained through engagement directly with clients or in public facing ESG reports such as the International Equity team's biannual 'Engage' report. Investment teams also contribute engagement case studies to the firm-level ESG report, which is shared with clients.

Engagements conducted by the Global Stewardship Team, which often directly involve investment teams, are noted in a centralized database, which portfolio teams can access. In addition, MSIM's annual ESG report compiles engagement case studies from across the firm.

<b>LEA 08</b>	<b>Mandatory</b>	<b>Public</b>	<b>Gateway</b>	<b>PRI 2</b>
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**LEA 08.1** Indicate whether you track the number of your engagement activities.

Type of engagement	Tracking engagements
<b>Individual/Internal staff engagements</b>	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> We do not track
<b>Collaborative engagements</b>	<input checked="" type="radio"/> Yes, we track the number of collaborative engagements in full <input type="radio"/> Yes, we partially track the number of our collaborative engagements <input type="radio"/> We do not track

**LEA 08.2** Additional information. [Optional]

As stated previously, all engagements are tracked by the Global Stewardship Team and individual investment teams, including collaborative engagements.

**(Proxy) voting and shareholder resolutions**

<b>LEA 12</b>	<b>Mandatory</b>	<b>Public</b>	<b>Descriptive</b>	<b>PRI 2</b>
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**LEA 12.1** Indicate how you typically make your (proxy) voting decisions.

**Approach**

- We use our own research or voting team and make voting decisions without the use of service providers.
- We hire service providers who make voting recommendations and/or provide research that we use to guide our voting decisions.

**Based on**

- The service-provider voting policy we sign off on
- Our own voting policy
- Our clients` requests or policies
- Other (explain)
- We hire service providers who make voting decisions on our behalf, except in some pre-defined scenarios where we review and make voting decisions.
- We hire service providers who make voting decisions on our behalf.

**LEA 12.2** Provide an overview of how you ensure that your agreed-upon voting policy is adhered to, giving details of your approach when exceptions to the policy are made.

MSIM's Global Stewardship Team is responsible for consistently applying the MSIM Proxy Voting Policy and Procedures to proxy votes at issuer shareholder meetings.

MSIM's voting process directly involves portfolio teams. Our internal voting platform notifies portfolio managers when there is a meeting for one of their holdings and they are given the opportunity to input on the Stewardship team's analysis and voting recommendations. This interactive process facilitates ongoing discussion between the governance team and portfolio teams about a holding's material ESG issues. Generally, the voting process is as follows:

- GST first flags companies for which MSIM may have a potential conflict of interest, for its own use in managing the process to ensure that potential conflicts are managed appropriately so that all ballots are voted in the best interest of the relevant clients.
- GST then reviews research from our third party research providers (presently ISS and Glass Lewis) and other sources as appropriate and provides its own recommendations and analysis in light of the MSIM Proxy Voting Policy. The GST escalates meetings to portfolio managers for their review and input.
- Portfolio managers review voting decisions and provide feedback to GST. GST makes the final decisions on votes, reflecting portfolio manager views. When difference of opinion arises, GST works with portfolio managers to reach consensus.
- The MSIM Proxy Review Committee ratifies votes involving a conflict of interest. If the GST concludes the conflict of interest is material, and there is a difference in view among our research providers and/or MSIM managers and GST, the vote decision is escalated to a Special Committee that includes a representative from MSIM Compliance and Legal.

Our Proxy Voting Policy and Procedures allow for enough flexibility and case by case analysis that we have not found the need to make exceptions to this policy in our voting decisions.

<b>LEA 12.3</b>	Additional information.[Optional]
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MSIM obtains information on corporate governance, proxy voting and selected social issues, and uses research from a variety of sources to inform its proxy voting decisions; these sources include: Institutional Shareholder Services ("ISS") and Glass Lewis. The firm has retained ISS as its proxy voting administrator.

<b>LEA 15</b>	<b>Mandatory</b>	<b>Public</b>	<b>Descriptive</b>	<b>PRI 2</b>
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<b>LEA 15.1</b>	Indicate the proportion of votes participated in within the reporting year in which where you or the service providers acting on your behalf raised concerns with companies ahead of voting.
-----------------	--

- 100%
- 99-75%
- 74-50%
- 49-25%
- 24-1%
- Neither we nor our service provider(s) raise concerns with companies ahead of voting

<b>LEA 15.2</b>	Indicate the reasons for raising your concerns with these companies ahead of voting.
-----------------	--

- Vote(s) concerned selected markets
- Vote(s) concerned selected sectors
- Vote(s) concerned certain ESG issues
- Vote(s) concerned companies exposed to controversy on specific ESG issues
- Vote(s) concerned significant shareholdings
- Client request
- Other

**LEA 15.3**

Additional information. [Optional]

Throughout the year, we receive many requests from issuers to engage on their proxy statement before an upcoming annual general meeting (AGM). We make our best effort to engage with those companies that have shareholder or management proposals relating to material ESG issues or companies for which we have a significant shareholding. While many of these engagements are incoming requests during proxy season, we also make outgoing engagement requests before a company's AGM if we have not received a request to engage and if we have concerns about upcoming votes related to material ESG or other issues. We do not share voting decisions with companies ahead of voting, but we are always happy to provide our rationale after the meeting.

**LEA 16****Mandatory****Public****Core Assessed****PRI 2****LEA 16.1**

Indicate the proportion of votes where you, and/or the service provider(s) acting on your behalf, communicated the rationale to companies for abstaining or voting against management recommendations. Indicate this as a percentage out of all eligible votes.

- 100%
- 99-75%
- 74-50%
- 49-25%
- 24-1%
- We do not communicate the rationale to companies
- Not applicable because we and/or our service providers did not abstain or vote against management recommendations

**LEA 16.2**

Indicate the reasons why your organisation would communicate to companies, the rationale for abstaining or voting against management recommendations.

- Vote(s) concern selected markets
- Vote(s) concern selected sectors
- Vote(s) concern certain ESG issues
- Vote(s) concern companies exposed to controversy on specific ESG issues
- Vote(s) concern significant shareholdings
- Client request
- Other

	Explain
--	---------

We communicate voting rationale upon request (of companies or clients), after annual meetings voting results are publicly disclosed.

**LEA 16.3**

In cases where your organisation does communicate the rationale for abstaining or voting against management recommendations, indicate whether this rationale is made public.

- Yes
- No

<b>LEA 16.4</b>	Additional information. [Optional]
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The Global Stewardship 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 United States; for our SICAV funds on our website in the United Kingdom in relation to the UK Stewardship Code; and we publish voting records online in accordance with the Japan Stewardship Code. For a number of years, MSIM has obtained an independent audit opinion on proxy voting processes in SSAE-18 reviews.

<b>LEA 17</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>PRI 2</b>
---------------	------------------	---------------	----------------------	--------------

<b>LEA 17.1</b>	For listed equities in which you or your service provider have the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.
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We do track or collect this information

	Votes cast (to the nearest 1%)
--	--------------------------------

	%
--	---

99

	Specify the basis on which this percentage is calculated
--	--

- Of the total number of ballot items on which you could have issued instructions
- Of the total number of company meetings at which you could have voted
- Of the total value of your listed equity holdings on which you could have voted
- We do not track or collect this information

<b>LEA 17.2</b>	Explain your reason(s) for not voting on certain holdings
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- Shares were blocked
- Notice, ballots or materials not received on time
- Missed deadline
- Geographical restrictions (non-home market)
- Cost
- Conflicts of interest
- Holdings deemed too small
- Administrative impediments (e.g., power of attorney requirements, ineligibility due to participation in share placement)
- Client request
- Other (explain)




<b>LEA 18</b>	<b>Voluntary</b>	<b>Public</b>	<b>Additional Assessed</b>	<b>PRI 2</b>
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**LEA 18.1** | Indicate whether you track the voting instructions that you or your service provider on your behalf have issued.

Yes, we track this information

**LEA 18.2** | Of the voting instructions that you and/or third parties on your behalf have issued, indicate the proportion of ballot items that were:

Voting instructions	Breakdown as percentage of votes cast
For (supporting) management recommendations	 <p>91</p>
Against (opposing) management recommendations	 <p>7.7</p>
Abstentions	 <p>1.3</p>

100%

No, we do not track this information

**LEA 18.3** | In cases where your organisation voted against management recommendations, indicate the percentage of companies which you have engaged.

20

**LEA 19** | **Mandatory** | **Public** | **Core Assessed** | **PRI 2**

**LEA 19.1** | Indicate whether your organisation has a formal escalation strategy following unsuccessful voting.

Yes

No

**LEA 19.2**

Indicate the escalation strategies used at your organisation following abstentions and/or votes against management.

- Contacting the company's board
- Contacting the company's senior management
- Issuing a public statement explaining the rationale
- Initiating individual/collaborative engagement
- Directing service providers to engage
- Reducing exposure (holdings) / divestment
- Other

Specify

Repeated votes against management

**LEA 19.3**

Additional information. [Optional]

In cases where a company is not receptive or where our engagements do not lead to desired results, we may cast votes against management, request meetings with board members, or write letters to boards and management. In some cases, repeated, unsuccessful engagements may contribute to a decision to decrease or exit a holding. Additionally, we may consider collective engagement as an escalation method. Ultimately, portfolio managers are responsible for interpreting and integrating information gained through engagements into their investment decision-making process, as appropriate.

# Morgan Stanley Investment Management

## Reported Information

### Public version

### Direct - Fixed Income

## PRI disclaimer

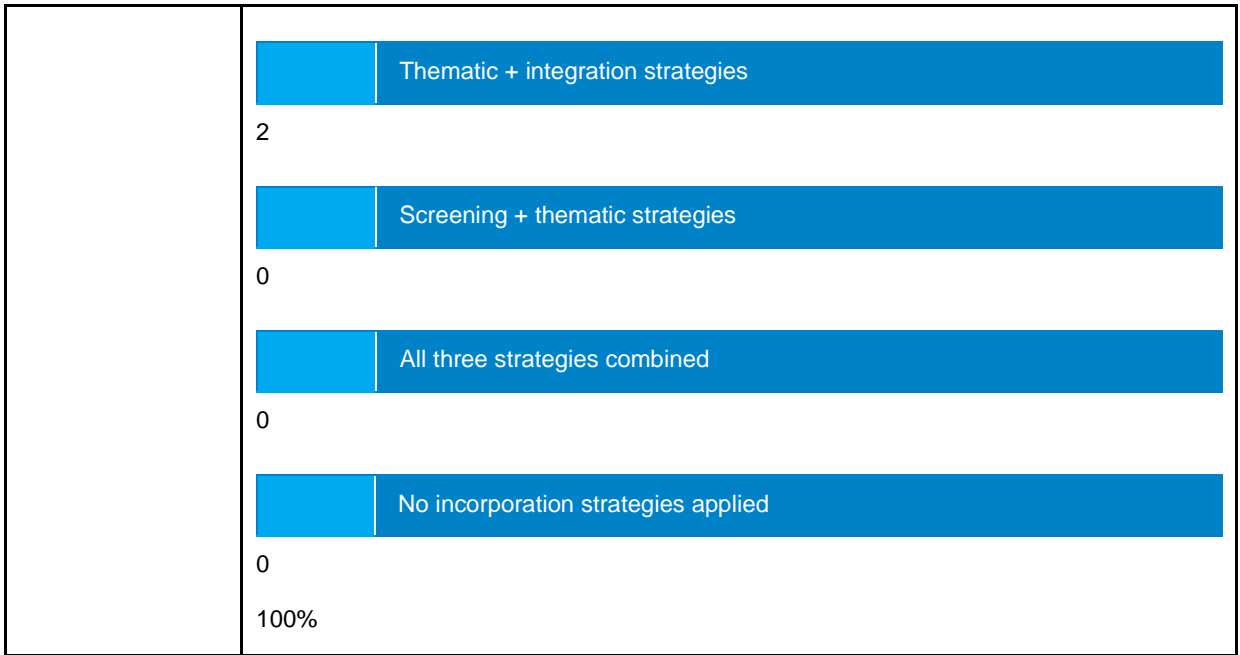
This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## ESG incorporation in actively managed fixed income

### Implementation processes

FI 01	Mandatory	Public	Gateway	PRI 1
FI 01.1	Indicate (1) Which ESG incorporation strategy and/or combination of strategies you apply to your actively managed fixed income investments; and (2) The proportion (+/- 5%) of your total actively managed fixed income investments each strategy applies to.			

SSA	<table border="1"> <thead> <tr> <th>Strategy</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Screening alone</td> <td>0</td> </tr> <tr> <td>Thematic alone</td> <td>0</td> </tr> <tr> <td>Integration alone</td> <td>0</td> </tr> <tr> <td>Screening + integration strategies</td> <td>100</td> </tr> <tr> <td>Thematic + integration strategies</td> <td>0</td> </tr> <tr> <td>Screening + thematic strategies</td> <td>0</td> </tr> <tr> <td>All three strategies combined</td> <td>0</td> </tr> <tr> <td>No incorporation strategies applied</td> <td>0</td> </tr> <tr> <td><b>Total</b></td> <td><b>100%</b></td> </tr> </tbody> </table>	Strategy	Percentage	Screening alone	0	Thematic alone	0	Integration alone	0	Screening + integration strategies	100	Thematic + integration strategies	0	Screening + thematic strategies	0	All three strategies combined	0	No incorporation strategies applied	0	<b>Total</b>	<b>100%</b>
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Strategy	Percentage																				
Screening alone	0																				
Thematic alone	0																				
Integration alone	0																				
Screening + integration strategies	98																				



Corporate (non-financial)	Screening alone	0
	Thematic alone	0
	Integration alone	0
	Screening + integration strategies	98
	Thematic + integration strategies	2
	Screening + thematic strategies	0
	All three strategies combined	0
	No incorporation strategies applied	0
		100%
Securitized	Screening alone	0
	Thematic alone	0
	Integration alone	0
	Screening + integration strategies	99

	Thematic + integration strategies	1
	Screening + thematic strategies	0
	All three strategies combined	0
	No incorporation strategies applied	0
		100%

**FI 01.2** Describe your reasons for choosing a particular ESG incorporation strategy and how combinations of strategies are used.

MSIM's Fixed Income team has adopted approaches to integrating ESG across sovereign, credit and securitized sectors. Please see description of our approaches below and continued in FI 01.3.

**Credit**

ESG considerations have always been implicit in our investment analysis. Given the asymmetric nature of price moves in fixed income, minimizing defaults is crucial-and we find that more responsible entities tend to have fewer defaults. We believe that ESG factors have the ability to impact the fundamental risk of a bond and, in turn, its price, which is why we have chosen to integrate ESG across our credit research process through an in-house ESG scoring methodology and through ESG engagements led by our credit research analysts

**FI 01.3** Additional information [Optional].

**Credit (cont'd)**

*In-House credit scoring methodology*

For corporate bonds, controversies and negative ESG-related headlines can hinder investors' ability to transact in a bond over the short term. However, ESG research is not typically designed for fixed income investors. As a result, the MSIM Fixed Income team has created a proprietary ESG-scoring methodology that explicitly considers the risks and opportunities ESG factors pose to corporate bonds. We marry third party ESG data with proprietary sector views, allowing us to create a unique but also scalable approach that works across the thousands of issuers in the credit space. The final output is a numerical score that is comparable across sectors and used as one of many inputs into the final investment decision on a security-by-security basis.

**Engagement:**

Whereas at many firms, corporate engagement on ESG issues is conducted by a separate team, the MSIM Global Fixed Income team sees value from having consistency across all credit research factors.

Engagement is undertaken directly by the credit sector specialists who are the experts on a given industry. Engagement for the fixed income team includes working closely with the broad organization to ensure all engagement is as effective as possible. To this end, the MSIM Global Fixed Income team has an engagement liaison officer who coordinates our effort with the broader firm.

**Sovereign**

From a sovereign perspective, the MSIM Global Fixed Income team believes ESG integration adds value to the investment process, and as such has chosen to integrate ESG across sovereign portfolios and investments. MSIM has developed a framework for benchmarking sovereign ESG factors that allows investment teams to



quantify and compare ESG performance across the entire array of emerging and developed markets. MSIM sovereign ESG scores start with the underlying environmental, social, and governance scores provided by third parties, but equal weight the E, S and G scores to give a more holistic sustainability factor. Also to give the Environmental score more weight as the social and governance scores are so highly correlated for sovereigns it makes sense to decrease their collective weight. Scores are also adjusted by a momentum factor, which is determined by third party data and an MSIM sovereign analyst's analysis of the ESG development of a country in the last 12-18 months. Lastly, because ESG scores are so highly correlated to a country's level of wealth, they are normalized by GDP per capital using a linear regression. This allows the team to quantitatively benchmark countries against their income-predicted ESG performance.

### Securitized

The team has developed an ESG scoring system for securitized investments that is used across all portfolios. The ESG factors analyzed vary by underlying sector.

For residential mortgage-backed securities (RMBS) and consumer loan asset-backed securities (ABS), we primarily focus on the loan originators' and servicers' best practices. For all consumer loan ABS and subprime auto loan ABS securitizations, one of our standard due diligence questions involves asking about the lender's current status with the Consumer Financial Protection Bureau (CFPB) and all other regulatory agencies. We find that ABS bonds with lender's with pending regulatory action underperform those with clean slates over the medium- to long-term. For lenders, we consider predatory lending issues and loan underwriting standards as part of our analysis. When underwriting standards are weak and/or if predatory lending is occurring, loans usually have a higher risk of default. For on-going loan servicing, we evaluate payment collection processes and foreclosure practices. Aggressive payment collection processes and foreclosure practices can lead to more defaults and prepayments. Additionally, we monitor the status of both lenders and servicers with the various federal and state regulatory agencies. Regulatory oversight of lenders has increased considerably since the Financial Crisis, and our ability to monitor lending and servicing practices has improved meaningfully. Servicers facing regulatory issues carry greater risks of potential disruptions in loan servicing activity which can have a negative impact on loan performance. We view strong (or poor) lending and servicing practices as a meaningful factor affecting the performance of a bond.

For commercial mortgage-backed securities (CMBS), our focus is more on the underlying commercial properties with particular emphasis on properties with potential environmental issues. Properties with potential environmental issues carry greater legal, default and liquidity risks. Conversely, we view LEED certified buildings, which is an award bestowed on properties based on an assessment of their energy and water efficiency and other environmental characteristics, in a more favorable light. We also monitor the behaviour of the property owners and assess potential risks from their business practices and legal standing. A pattern of poor business practices can indicate fraudulent behavior and a heightened probability of legal action, leading to underperformance.

FI 03	Mandatory	Public	Additional Assessed	PRI 1
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FI 03.1	Indicate how you ensure that your ESG research process is robust:
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- Comprehensive ESG research is undertaken internally to determine companies' activities; and products and/or services
- Issuers are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- Issuer information and/or ESG ratings are updated regularly to ensure ESG research is accurate
- Internal audits and regular reviews of ESG research are undertaken in a systematic way.
- A materiality/sustainability framework is created and regularly updated that includes all the key ESG risks and opportunities for each sector/country.
- Other, specify

specify description
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Regular issuer engagement

None of the above

**FI 03.2** Describe how your ESG information or analysis is shared among your investment team.

- ESG information is held within a centralised database and is accessible to all investment staff
- ESG information is displayed on front office research platforms
- ESG information is a standard item on all individual issuer summaries, research notes, ‘tear sheets’, or similar documents
- Investment staff are required to discuss ESG information on issuers as a standard item during investment committee meetings
- Records capture how ESG information and research was incorporated into investment decisions
- Other, specify

ESG considerations are constantly shared within the investment team as part of our collegiate debate when selecting issuers in the portfolio

None of the above

**(A) Implementation: Screening**

<b>FI 04</b>	<b>Mandatory</b>	<b>Public</b>	<b>Gateway</b>	<b>PRI 1</b>
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**FI 04.1** Indicate the type of screening you conduct.

Select all that apply

	<b>SSA</b>	<b>Corporate (financial)</b>	<b>Corporate (non-financial)</b>	<b>Securitised</b>
Negative/exclusionary screening	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Positive/best-in-class screening	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Norms-based screening	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

**FI 04.2** Describe your approach to screening for internally managed active fixed income

Negative/exclusionary screening and Norms-based screening: As a result of local Luxembourg law derived from the Oslo Convention, MSIM fixed income excludes companies involved in the production and distribution of cluster munitions across our MS INV F fund range. We have expanded the scope of this exclusion list to include companies involved in the production and distribution of anti-personnel mines, and now apply this exclusion list across all fixed income funds and portfolios. We employ a third party vendor, Sustainalytics, to provide us with a list of issuers on a quarterly basis, who are deemed to manufacture and distribute key components of cluster munitions and anti-personnel mines. Please see more details on our screening process below in FI 04.3

FI 04.3	Additional information. [Optional]
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Additionally, Morgan Stanley Investment Management's Fixed Income team has extensive experience customizing client portfolios, and manages a number of portfolios with client-directed SRI exclusion lists. The team also manages portfolios that positively tilt ESG factors in the portfolio construction process.

Positive/best-in-class screening is also used for portfolios with objectives that stipulate they must have better ESG scores than their index or investment universe. The team manages single sector as well as multi-sector portfolios with the aim of not only outperforming their index from a portfolio return perspective, but also from an ESG score perspective.

FI 06	Mandatory	Public	Core Assessed	PRI 1
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FI 06.1	Indicate which systems your organisation has to ensure that fund screening criteria are not breached in fixed income investments.
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Type of screening	Checks
<b>Negative/exclusionary screening</b>	<input checked="" type="checkbox"/> Analysis is performed to ensure that issuers meet screening criteria <input checked="" type="checkbox"/> We ensure that data used for the screening criteria is updated at least once a year. <input checked="" type="checkbox"/> Automated IT systems prevent our portfolio managers from investing in excluded issuers or bonds that do not meet screening criteria <input checked="" type="checkbox"/> Audits of fund holdings are undertaken yearly by internal audit or compliance functions <input type="checkbox"/> Other, specify <input type="checkbox"/> None of the above
<b>Positive/best-in-class screening</b>	<input checked="" type="checkbox"/> Analysis is performed to ensure that issuers meet screening criteria <input checked="" type="checkbox"/> We ensure that data used for the screening criteria is updated at least once a year. <input checked="" type="checkbox"/> Automated IT systems prevent our portfolio managers from investing in excluded issuers or bonds that do not meet screening criteria <input checked="" type="checkbox"/> Audits of fund holdings are undertaken yearly by internal audit or compliance functions <input type="checkbox"/> Other, specify <input type="checkbox"/> None of the above
<b>Norms-based screening</b>	<input checked="" type="checkbox"/> Analysis is performed to ensure that issuers meet screening criteria <input checked="" type="checkbox"/> We ensure that data used for the screening criteria is updated at least once a year. <input checked="" type="checkbox"/> Automated IT systems prevent our portfolio managers from investing in excluded issuers or bonds that do not meet screening criteria <input checked="" type="checkbox"/> Audits of fund holdings are undertaken yearly by internal audit or compliance functions <input type="checkbox"/> Other, specify <input type="checkbox"/> None of the above

## (B) Implementation: Thematic

FI 08	Mandatory	Public	Core Assessed	PRI 1
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FI 08.1	Indicate whether you encourage transparency and disclosure relating to the issuance of themed bonds as per the Green Bonds Principles, Social Bond Principles, or Sustainability Bond Guidelines..
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- We require that themed bond proceeds are only allocated to environmentally or socially beneficial projects
- We require the issuer (or 3rd party assurer) to demonstrate a process which determines the eligibility of projects to which themed bond proceeds are allocated
- We require issuers to demonstrate a systematic and transparent process of disbursing themed bond proceeds to eligible projects until all funds are allocated
- We require issuers to report at least once per year on the projects to which proceeds have been allocated including a description of those projects
- Other, specify
- None of the above

FI 08.2	Describe the actions you take when issuers do not disburse bond proceeds as described in the offering documents.
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We consider divestment when issuers behavior does not correspond with their offering documents.

FI 09	Mandatory	Public	Additional Assessed	PRI 1
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FI 09.1	Indicate how you assess the environmental or social impact of your thematic investments.
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- We require issuers to report at least once per year on specific environmental or social impacts resulting from our themed investments
- We ensure independent audits are conducted on the environmental or social impact of our investments
- We have a proprietary system to measure environmental and social impact
- We measure the impact of our themed bond investments on specific ESG factors such as carbon emissions or human rights
- Other, specify
- None of the above

## (C) Implementation: Integration

FI 10	Mandatory	Public	Descriptive	PRI 1
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FI 10.1	Describe your approach to integrating ESG into traditional financial analysis.
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As mentioned below, ESG analysis is used to adjust the internal credit assessments of issuers and adjust forecasted financials and future cash flow estimates. We are more likely not to invest/or negatively adjust forecasted cash-flows of a non ESG-friendly issuer which is more likely to face penalties. The weight we place on an ESG factor is determined by the size of the risk the ESG factor represents to the cash flows of the bond, and the ESG objectives of our clients.

ESG analysis plays an integral role in assessing the creditworthiness of an entity. ESG risks are integrated into the investment recommendation by considering how they will impact the future cash payments of the bond.

## SSA

From a sovereign perspective, the MSIM Global Fixed Income team believes ESG integration adds value to the investment process, and as such has chosen to integrate ESG across sovereign portfolios and investments. MSIM has developed a framework for benchmarking sovereign ESG factors that allows investment teams to quantify and compare ESG performance across the entire array of emerging and developed markets—from Papua New Guinea to Portugal.

The MSIM approach rewards countries for positive ESG progress by incorporating timely expert judgement, and corrects for the systematic bias against developing countries by controlling for a country's level of wealth. The result is a framework for quantifying ESG performance that we believe is more aligned with investors' sustainability goals, but also provides for genuine diversification and opportunities.

MSIM sovereign ESG scores start with the underlying environmental, social, and governance scores provided by third parties. While our past research has primarily linked changes in governance to changes in asset prices, we choose to equally weight the environmental, social, and governance scores for two reasons. First, we believe that this simple approach best fits investors' desire to incorporate a more holistic sustainability factor into the investment process. Second, we have increased the weighting of the environmental score from 25% because the social and governance factors are so highly correlated with each other that we believe it makes sense to decrease their collective weight.

Since we prioritize change at the margin for ESG factors, we adjust scores by a momentum factor. This factor consists of two parts. The first part is provided by a third party and is based on momentum in the existing data. The second part is a momentum factor based on an MSIM sovereign analyst's subjective analysis of the environmental, social, and governance developments in a country over the past 12-18 months. This is important both because we believe that change at the margin is often what moves asset prices, and the underlying data used by third parties often comes with a significant lag.<sup>7</sup> These analyst-provided momentum scores can help incorporate key changes in a timelier manner, as well as allow for flexibility to incorporate expert views about the issues that matter in a given country that may not be fully reflected in the scoring methodology.

Finally, because sovereign ESG scores are so highly correlated with a country's level of wealth, we normalize by GDP per capita using linear regression. The result is a score that allows us to quantitatively benchmark countries against their income-predicted ESG performance.

## Corporate (financial)

ESG considerations have always been implicit in our investment analysis. Given the asymmetric nature of price moves in fixed income, minimizing defaults is crucial—and we find that more responsible entities tend to have fewer defaults. We believe that ESG factors have the ability to impact the fundamental risk of a bond and, in turn, its price, which is why we have chosen to integrate ESG across our credit research process through an in-house ESG scoring methodology and through ESG engagements led by our credit research analysts.

In house scoring methodology:

For corporate bonds, controversies and negative ESG-related headlines can hinder investors' ability to transact in a bond over the short term. However, ESG research is not typically designed for fixed income investors. As a result, the MSIM Fixed Income team has created a proprietary ESG-scoring methodology that explicitly considers the risks and opportunities ESG factors pose to corporate bonds. We marry third party ESG data with proprietary sector views, allowing us to create a unique but also scalable approach that works across the thousands of issuers in the credit space. The final output is a numerical score that is comparable across sectors and used as one of many inputs into the final investment decision on a security-by-security basis.

Engagement:

Whereas at many firms, corporate engagement on ESG issues is conducted by a separate team, the MSIM Global Fixed Income team sees value from having consistency across all credit research factors.

Engagement is undertaken directly by the credit sector specialists who are the experts on a given industry. Engagement for the fixed income team includes working closely with the broad organization to ensure all

engagement is as effective as possible. To this end, the MSIM Global Fixed Income team has an engagement liaison officer who coordinates our effort with the broader firm.

**Corporate (non-financial)**

Same process as corporate (financial) above.

**Securitized**

Within Securitized products, our consideration of ESG issues varies by underlying sector. For residential mortgage-backed securities (RMBS) and consumer loan asset-backed securities (ABS), we primarily focus on the loan originators' and servicers' best practices.

For all consumer loan ABS and subprime auto loan ABS securitizations, one of our standard due diligence questions involves asking about the lender's current status with the CFSB and all other regulatory agencies. We find that ABS bonds with lender's with pending regulatory action underperform those with clean slates over the medium- to long-term. For lenders, we consider predatory lending issues and loan underwriting standards as part of our analysis. When underwriting standards are weak and/or if predatory lending is occurring, loans usually have a higher risk of default. For on-going loan servicing, we evaluate payment collection processes and foreclosure practices. Aggressive payment collection processes and foreclosure practices can lead to more defaults and prepayments. Additionally, we monitor the status of both lenders and servicers with the various federal and state regulatory agencies. Regulatory oversight of lenders has increased considerably since the Financial Crisis, and our ability to monitor lending and servicing practices has improved meaningfully. Servicers facing regulatory issues carry greater risks of potential disruptions in loan servicing activity which can have a negative impact on loan performance. We view strong (or poor) lending and servicing practices as a meaningful factor affecting the performance of a bond.

For commercial mortgage-backed securities (CMBS), our focus is more on the underlying commercial properties with particular emphasis on properties with potential environmental issues. Properties with potential environmental issues carry greater legal, default and liquidity risks. We also monitor the behaviour of the property owners and assess potential risks from their business practices and legal standing. A pattern of poor business practices can indicate fraudulent behavior and a heightened probability of legal action, leading to underperformance.

**FI 10.3** Additional information [OPTIONAL]

ESG integration is incorporated into all of the portfolios managed by the MSIM Global Fixed Income team.

**FI 11** **Mandatory** **Public** **Core Assessed** **PRI 1**

**FI 11.1** Indicate how ESG information is typically used as part of your investment process.

Select all that apply

	SSA	Corporate (financial)	Corporate (non-financial)	Securitised
ESG analysis is integrated into fundamental analysis	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG analysis is used to adjust the internal credit assessments of issuers.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG analysis is used to adjust forecasted financials and future cash flow estimates.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
ESG analysis impacts the ranking of an issuer relative to a chosen peer group.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
An issuer's ESG bond spreads and its relative value versus its sector peers are analysed to find out if all risks are priced in.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
The impact of ESG analysis on bonds of an issuer with different durations/maturities are analysed.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Sensitivity analysis and scenario analysis are applied to valuation models to compare the difference between base-case and ESG-integrated security valuation.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ESG analysis is integrated into portfolio weighting decisions.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Companies, sectors, countries and currency and monitored for changes in ESG exposure and for breaches of risk limits.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
The ESG profile of portfolios is examined for securities with high ESG risks and assessed relative to the ESG profile of a benchmark.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other, specify in Additional Information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

FI 12	Mandatory	Public	Additional Assessed	PRI 1
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FI 12.1	Indicate the extent to which ESG issues are reviewed in your integration process.
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	Environment	Social	Governance
SSA	<input checked="" type="radio"/> Environmental <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input type="radio"/> Social <input type="radio"/> Systematically <input checked="" type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Governance <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all
Corporate (financial)	<input checked="" type="radio"/> Environmental <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Social <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Governance <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all
Corporate (non-financial)	<input checked="" type="radio"/> Environmental <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Social <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Governance <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all
Securitized	<input checked="" type="radio"/> Environmental <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Social <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Governance <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all

**FI 12.2** Please provide more detail on how you review E, S and/or G factors in your integration process.

**SSA**

For sovereign bonds, we use the underlying ESG scores from third-party providers as the basis for our benchmarking framework. The advantage of third-party ratings is that they provide a quantifiable measure using standardized methodology that covers nearly every country in the world, even the smallest frontier market bond issuers. However, we think that simply applying unadjusted third-party ESG ratings misses the mark, which is why we apply three adjustments:

1) We equally weight the third party environmental, social, and governance scores for two reasons. First, we believe that this simple approach best fits investors' desire to incorporate a more holistic sustainability factor into the investment process. Second, we have increased the weighting of the environmental score from 25% because the social and governance factors are so highly correlated with each other that we believe it makes sense to decrease their collective weight.

2) We adjust scores by a momentum factor. This factor consists of two parts. The first part is provided by a third party and is based on momentum in the existing data. The second part is a momentum factor based on an MSIM sovereign analyst's subjective analysis of the environmental, social, and governance developments in a country over the past 12-18 months. This is important both because we believe that change at the margin is often what moves asset prices, and the underlying data used by third parties often comes with a significant lag. These analyst-provided momentum scores can help incorporate key changes in a timelier manner, as well as allow for flexibility to incorporate expert views about the issues that matter in a given country that may not be fully reflected in the scoring methodology.

3) Because sovereign ESG scores are so highly correlated with a country's level of wealth, we normalize by GDP per capita using linear regression. The result is a score that allows us to quantitatively benchmark countries against their income-predicted ESG performance



Our adjusted scores have three key advantages. The first is broad comparability. Portfolios may contain bonds from a wide array of sovereign issuers, and this framework allows the investment teams a consistent basis for benchmarking emerging and developed markets. Second, we believe there is a compelling sustainability and practical argument for using a framework that rewards improvements in ESG factors, even if coming from a low base-as is the case with most developing nations. Third, the MSIM approach results in a much more interesting and diverse opportunity set. As illustrated in the previous chart , the top decile using the MSIM framework is a geographically diverse group of emerging and developed markets, an important contrast to the geographically concentrated group of wealthy countries using the unadjusted ESG scores. This presents genuine opportunities for yield and diversification in portfolios in a manner consistent with ESG and sustainability goals.

## Corporate (financial)

ESG considerations have always been implicit in our investment analysis. Given the asymmetric nature of price moves in fixed income, minimizing defaults is crucial-and we find that more responsible entities tend to have fewer defaults. We believe that ESG factors have the ability to impact the fundamental risk of a bond and, in turn, its price, which is why we have chosen to integrate ESG across our credit research process through an in-house ESG scoring methodology and through ESG engagements led by our credit research analysts.

In house scoring methodology:

For corporate bonds, controversies and negative ESG-related headlines can hinder investors' ability to transact in a bond over the short term. However, ESG research is not typically designed for fixed income investors. As a result, the MSIM Fixed Income team has created a proprietary ESG-scoring methodology that explicitly considers the risks and opportunities ESG factors pose to corporate bonds. We marry third party ESG data with proprietary sector views, allowing us to create a unique but also scalable approach that works across the thousands of issuers in the credit space. The final output is a numerical score that is comparable across sectors and used as one of many inputs into the final investment decision on a security-by-security basis.

Engagement:

Whereas at many firms, corporate engagement on ESG issues is conducted by a separate team, the MSIM Global Fixed Income team sees value from having consistency across all credit research factors.

Engagement is undertaken directly by the credit sector specialists who are the experts on a given industry. Engagement for the fixed income team includes working closely with the broad organization to ensure all engagement is as effective as possible. To this end, the MSIM Global Fixed Income team has an engagement liaison officer who coordinates our effort with the broader firm.

## Corporate (non-financial)

Same as above - ESG integration process is the same for corporate financial and non-financial.

## Securitized

The MSIM Global Fixed Income team believes ESG considerations are an essential component to investing in securitized markets. Although the securitized markets lack an independent ESG rating source, we have developed our own proprietary ESG scoring system for our securitized investments we use across all portfolios. We believe that a thoughtful ESG approach to the mortgage and securitized markets may result in better investment results, as well as have a positive impact on society.

Our consideration of ESG issues varies by underlying sector. For residential mortgage-backed securities (RMBS) and consumer loan asset-backed securities (ABS), we primarily focus on the loan originators' and servicers' best practices. For all consumer loan ABS and subprime auto loan ABS securitizations, one of our standard due diligence questions involves asking about the lender's current status with the Consumer Financial Protection Bureau (CFPB) and all other regulatory agencies. We find that ABS bonds with lender's with pending regulatory action underperform those with clean slates over the medium- to long-term. For lenders, we consider predatory lending issues and loan underwriting standards as part of our analysis. When underwriting standards are weak and/or if predatory lending is occurring, loans usually have a higher risk of default. For on-going loan servicing, we evaluate payment collection processes and foreclosure practices. Aggressive payment collection processes and foreclosure practices can lead to more defaults and prepayments. Additionally, we

monitor the status of both lenders and servicers with the various federal and state regulatory agencies. Regulatory oversight of lenders has increased considerably since the Financial Crisis, and our ability to monitor lending and servicing practices has improved meaningfully. Servicers facing regulatory issues carry greater risks of potential disruptions in loan servicing activity which can have a negative impact on loan performance. We view strong (or poor) lending and servicing practices as a meaningful factor affecting the performance of a bond.

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# Morgan Stanley Investment Management

## Reported Information

### Public version

### Direct - Property

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Overview

PR 01

Mandatory

Public

Core Assessed

PRI 1-6

PR 01.1

Indicate if your organisation has a Responsible Property Investment (RPI) policy.

Yes

PR 01.2

Provide a URL or attach the document

URL

<https://www.morganstanley.com/im/publication/resources/esg-approach-and-principles-us.pdf?1579028919703>

Attach Document

No

PR 01.3

Provide a brief overview of your organisation's approach to responsible investment in property, and how you link responsible investment in property to your business strategy. [Optional]

Morgan Stanley's approach to responsible investing starts at the highest levels of the organization with the Morgan Stanley Institute for Sustainable Investing. The Institute for Sustainable Investing's Advisory Board is chaired by Chairman of the Board and Chief Executive Officer of Morgan Stanley James Gorman, and comprises prominent leaders from business, academia and leading non-governmental organizations. The advisory board guides the Institute's work and strategic priorities for corporate sustainability and investing with impact. The Morgan Stanley Institute for Sustainable Investing provides the mechanism to link Morgan Stanley's policies with investment activities at the highest levels of the Firm.

Morgan Stanley Investment Management (MSIM) in partnership with Morgan Stanley Institute for Sustainable Investing established the Investment Management Sustainability Council in 2017 to promote an overall framework for integrating environmental, social and governance (ESG) factors and standards in to the firm's investment processes, product development, measurement, education, climate engagement and reporting. MSIM considers good corporate governance as 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. The aim is to provide clients with solutions and products that meet their financial and ESG goals.

Morgan Stanley Real Estate Advisor Inc. (MSREA) and MSREF Real Estate Advisor, Inc. (MSREF), advisers to Morgan Stanley's direct property investment funds, including Prime Property Fund (Prime US) and Prime Property Fund Asia (Prime Asia) have set policies for responsible and sustainable investment that are captured in their Environmental Policy Statements. MSREA and MSREF are committed to promoting, encouraging, and developing solutions that contribute to sustainable development and building operations, and engaging stakeholders in open and constructive dialogue. Morgan Stanley's direct property fund Investment Advisors will continue to enhance standards to incorporate specifications on location, design, energy and water efficiency, air quality and materials used with the goal of enabling certification of our properties under regional programs that identify environmental best practice. As appropriate, our funds will continue to pursue LEED and Energy Star (or market equivalent) certifications for new assets and certify new construction and existing buildings across the portfolio that do not currently meet these standards.

Responsible investment practices help mitigate direct risks that can result in a financial loss, penalty, fine, or other adverse impacts. Indirect risks are related to the firm's reputation but in certain cases, could also result in loss of clients or other opportunities. Environmental risks for our direct property investment funds include regulatory uncertainty, physical damage and increased operational costs due to adverse natural events, and energy price volatility, among others. To mitigate these risks, our funds follow a regulatory risk management process, conduct

environmental site assessments for new assets, and conduct asset-level risk reviews. A rigorous, responsible approach to risk management is essential to meeting clients' needs, delivering value for investors and meeting the expectations for our business.

Employees for whom it is relevant receive training in Morgan Stanley's Global Environmental and Social Risk Policy. In 2015, the Firm launched a mandatory training on Environmental and Social Risk which continues today.

## Fundraising of property funds

PR 02	Mandatory	Public	Core Assessed	PRI 1,4,6
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PR 02.1

Indicate if your most recent fund placement documents (private placement memorandums (PPMs) or similar) refer to responsible investment aspects of your organisation.

Yes

PR 02.2

Indicate how your fund placement documents (PPMs or similar) refer to the following responsible investment aspects of your organisation:

- Policy and commitment to responsible investment
- Approach to ESG issues in pre-investment processes
- Approach to ESG issues in post-investment processes

PR 02.3

Describe how your organisation refers to responsible investment for property funds in fund placement documents (PPMs or similar). [Optional]

We state our commitment to responsible investment by highlighting our status as a signatory of UN-PRI, our funds' adoption of ESG principles and how our Investment Advisors takes ESG principles into consideration in making and monitoring investments.

- No
- Not applicable as our organisation does not fundraise

PR 02.5

Additional information. [Optional]

Our investment Advisors have Environmental Management Systems with policies and procedures that dictate required pre-investment due diligence assessments, including on ESG issues, as well as post-investment ESG related actions undertaken. This information is not provided in the fund placement documents but is a key component of our approach to responsible investment.

## Pre-investment (selection)

PR 04	Mandatory	Public	Gateway/Core Assessed	PRI 1
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PR 04.1

Indicate if your organisation typically incorporates ESG issues when selecting property investments.

Yes

**PR 04.2**

Provide a description of your organisation's approach to incorporating ESG issues in property investment selection.

We use an investor led investment approach to help achieve long-term returns on behalf of our clients. We consider good corporate governance as central to our business strategy. As active owners, part of our investment approach focuses on well-governed assets with long-term, sustainable business models. Fund managers are responsible for evaluating risks and opportunities for each investment. As we believe that ESG issues can influence risk and return, we consider these factors, when relevant, in evaluating and engaging with potential new investments. Fund Investment Advisors follow a regulatory risk management process, conduct environmental due diligence assessments for potential new assets and conduct annual asset-level risk reviews. A rigorous, responsible approach to risk assessment is essential to meeting our clients' needs, delivering value for our investors and meeting their expectations for our business.

**PR 04.3**

Indicate which E, S and/or G issues are typically considered by your organisation in the property investment selection process, and list up to three examples per issue.

Environmental

Environmental example 1, select one

- Climate change adaptation
- Contamination
- Energy efficiency
- Energy supply, Flooding, GHG emissions
- Indoor environmental quality
- Natural hazards
- Resilience
- Transportation
- Water efficiency
- Waste management
- Water supply
- Other
- Other
- Flooding
- GHG emissions

Environmental example 1, description

Environmental Phase I site assessments and Due Diligence reports

Environmental example 2, select one

- Climate change adaptation
- Contamination
- Energy efficiency
- Energy supply, Flooding, GHG emissions
- Indoor environmental quality
- Natural hazards
- Resilience
- Transportation
- Water efficiency
- Waste management
- Water supply
- Other
- Other
- Flooding
- GHG emissions

Environmental example 2, description

Energy Star benchmarking

Environmental example 3, select one

- Climate change adaptation
- Contamination
- Energy efficiency
- Energy supply, Flooding, GHG emissions
- Indoor environmental quality
- Natural hazards
- Resilience
- Transportation
- Water efficiency
- Waste management
- Water supply
- Other
- Other
- Flooding
- GHG emissions

Environmental example 3, description

Resiliency Site Assessments, Environmental Phase I site assessments and Due Diligence reports

- Social

Social example 1, select one

- Building safety and materials
- Health, safety and wellbeing
- Socio-economic
- Accessibility
- Affordable Housing
- Occupier Satisfaction
- Other
- Other
- Other

Social example 1, description [OPTIONAL]

Engineering Due Diligence Reports and LEED Gap Analysis

Social example 2, select one

- Building safety and materials
- Health, Safety and wellbeing
- Socio-economic
- Accessibility
- Affordable Housing
- Occupier Satisfaction
- Other
- Other
- Other

Social example 2, description [OPTIONAL]

Phase 1 Environmental assessments and Fitwell Assessment and Gap Analysis where appropriate

Social example 3, select one

- Building safety and materials
- Health, Safety and wellbeing
- Socio-economic
- Accessibility
- Affordable Housing
- Occupier Satisfaction
- Other
- Other
- Other



Social example 3, description [OPTIONAL]

ADA Compliance

- Governance

Governance example 1, select one

- Anti-bribery & corruption
- Board structure
- Conflicts of interest
- Governance structure
- Regulatory
- Shareholder structure & rights
- Supply chain governance
- Other
- Other
- Other

Governance example 1, description

Investment Committee Checklist and Approval Process as part of standard due diligence process

Governance example 2, select one

- Anti-bribery & corruption
- Board structure
- Conflicts of interest
- Governance structure
- Regulatory
- Shareholder structure & rights
- Supply chain governance
- Other
- Other
- Other

Governance example 2, description

Investment Committee Checklist and Approval Process as part of standard due diligence process

Governance example 3, select one

- Anti-bribery & corruption
- Board structure
- Conflicts of interest
- Governance structure
- Regulatory
- Shareholder structure & rights
- Supply chain governance
- Other
- Other
- Other

Governance example 3, description

Advisory Committee comprised of representatives of Voting Shareholders review investment portfolio and any significant developments

No

PR 06	Mandatory	Public	Core Assessed	PRI 1
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<b>PR 06.1</b>	Indicate if ESG issues impacted your property investment selection process during the reporting year.
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- ESG issues helped identify risks and/or opportunities for value creation
- ESG issues led to the abandonment of potential investments
- ESG issues impacted the investment in terms of price offered and/or paid
- ESG issues impacted the terms in the shareholder/purchase agreements and/or lending covenants
- ESG issues were considered but did not have an impact on the investment selection process
- Other, specify
- Not applicable, our organisation did not select any investments in the reporting year
- We do not track this potential impact

<b>PR 06.2</b>	Indicate how ESG issues impacted your property investment deal structuring processes during the reporting year.
----------------	---

- ESG issues impacted the investment in terms of price offered and/or paid
- ESG issues impacted the terms in the shareholder/purchase agreements and/or lending covenants
- ESG issues were considered but did not have an impact on the deal structuring process
- Other, specify
- Not applicable, our organisation did not select any investments in the reporting year
- We do not track this potential impact

PR 06.3

Additional information.

The due diligence reports and assessments completed by our Investment Advisors on potential new assets have a wide-ranging scope and when environmental, social or governance issues are identified, the deals are either re-priced, re-structured or cancelled outright.

## Selection, appointment and monitoring third-party property managers

PR 07

Mandatory

Public

Core Assessed

PRI 4

PR 07.1

Indicate if your organisation includes ESG issues in your selection, appointment and/or monitoring of third-party property managers.

Yes

PR 07.2

Indicate how your organisation includes ESG issues in your selection, appointment and/or monitoring of third party property managers.

Selection process of property managers incorporated ESG issues

### Types of actions

- Request explanation of how ESG is effectively integrated, including inquiries about governance and processes
- Request track records and examples of how the manager implements ESG in their asset and property management
- Discuss property level out-performance opportunities through greater integration of ESG criteria
- Request explanation of engaging stakeholders on ESG issues
- Other, explain

### Coverage

- >75% to 100%
- >50% to 75%
- <50%

Contractual requirements when appointing property managers includes ESG issues

### Types of actions

- Include clear and detailed expectations for incorporating ESG
- Require dedicated ESG procedures in all relevant asset and property management phases
- Clear ESG reporting requirements
- Clear ESG performance targets
- Other, explain

Coverage

- >75% to 100%
- >50% to 75%
- <50%

Monitoring of property managers covers ESG responsibilities and implementation

Types of actions

- Performance against quantitative and material environmental / resource targets over specified timeframe.
- Performance against quantitative and material environmental / resource targets against relevant benchmarks
- Performance against quantitative and qualitative targets to address social impacts of the portfolio/investment,
- Other, explain

Coverage

- >75% to 100%
- >50% to 75%
- <50%

No

**PR 07.3** Provide a brief description of your organisations selection, appointment and monitoring of third party property managers and how they contribute to the management of ESG issues for your property investments.

'Selection process of property managers incorporates ESG issues' "Other": ' Note that many of our fund's require all property managers to agree to follow and abide by an environmental management system, which provides clear guidance and procedures to ensure property managers follow our approach to ESG issues.

Additional Comments: All property managers are required to develop and implement programs, plans, or procedures at all Morgan Stanley properties regarding ESG issues relevant to their region of operations and include items such as: Compliance with Morgan Stanley environmental policies and local/state/federal regulations, Environmental Health and Safety, Environmental Monitoring, Indoor Environment Quality, Water Management, Sustainability Initiatives (carbon footprint, LEED Pursuit, Energy Auditing and Benchmarking), Safety, Staff Training, Energy Audits and Management, Utility Data Tracking (waste, water, electricity, gas), Loss Prevention and Resiliency, Maintenance Management, and Contingency and Pre-Emergency Plans.

Post-investment (monitoring and active ownership)

Overview

PR 08	Mandatory	Public	Gateway	PRI 2
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<b>PR 08.1</b>	Indicate if your organisation, and/or property managers, considers ESG issues in post-investment activities relating to your property assets.
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Yes

<b>PR 08.2</b>	Indicate whether your organisation, and/or property managers, considers ESG issues in the following post-investment activities relating to your property assets.
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- We consider ESG issues in property monitoring and management
- We consider ESG issues in property developments and major renovations.
- We consider ESG issues in property occupier engagements
- We consider ESG issues in community engagements related to our properties
- We consider ESG issues in other post-investment activities, specify

<b>PR 08.3</b>	Describe how your organisation, and/or property managers, considers ESG issues in post-investment activities related to your property assets.
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Our real estate funds aim to fulfill our responsibility to advance sustainable practices while meeting the economic needs of our clients. We will optimize the value of our funds by making decisions and investments that can have positive impacts for communities, businesses, governments, and the environment. We will manage assets within our funds with the goal of enhancing value and reducing environmental impact.

To accomplish this goal, our fund Investment Advisors include a green lease clause with sustainability provisions in standard form lease templates. The goal is to have a standard lease form that allows for cost and benefit sharing of ESG initiatives with tenants, accurate measurement of our carbon footprint, and ensures that our buildings can be operated in a manner consistent with best sustainability practices and standards. The final language included in each lease will vary based on negotiations with specific tenants.

All property managers are required to develop and implement programs, plans, or procedures at all Morgan Stanley properties regarding ESG issues. All construction and development projects require three elements of review and monitoring: Project Analysis Report ("PAR"), Project Monitoring Oversight report ("PMO"), and project close out, each of which involve review and evaluation of certain ESG issues and related compliance.

The community engagement program at Morgan Stanley supports the ESG objectives of sustainable development, climate change, and green buildings. Our initiatives support energy efficiency and renewable energy projects as part of our affordable housing, transportation, and community development services programs. Programs are monitored through key metrics including dollar commitments and dollars financed, local jobs created or retained, volunteer service hours, and charitable donations.

No

## Property monitoring and management

<b>PR 09</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>PRI 2,3</b>
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<b>PR 09.1</b>	Indicate the proportion of property assets for which your organisation, and/or property managers, set and monitored ESG targets (KPIs or similar) during the reporting year.
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- >90% of property assets
- 51-90% of property assets
- 10-50% of property assets
- <10% of property assets

(in terms of number of property assets)

**PR 09.2** Indicate which ESG targets your organisation and/or property managers typically set and monitor

Environmental

Target/KPI	Progress Achieved
8% absolute reduction in same-store energy use for directly managed assets between 2015 and 2020 (Prime Property Fund US)	100% - Goal Achieved Early
8% absolute reduction in same-store scope 1 and scope 2 emissions for directly managed assets between 2015 and 2020 (Prime Property Fund US)	100% - Goal Achieved Early
Continual increase in LEED certified assets	33.4% of the Fund's assets are LEED certified based on gross asset value.

Social

Target/KPI	Progress Achieved
Strengthen stakeholder engagement	Working with stakeholders of all types to gain an understanding of their priorities, and how we can adapt to better align with their needs.
Promote better sustainability practices	MSIM and Morgan Stanley are members of numerous sustainability initiatives including SASB, GRESB, GIIN and regional stewardship codes.

Governance

Target/KPI	Progress Achieved
Increase Green Lease Clause Inclusion and compliance tracking for tenants	We have worked to increase the inclusion of a green lease clause into standard lease contracts across our portfolio, where appropriate
Expand Fund Representation on the Sustainability Committee	Included portfolio managers from newly established funds into an existing sustainability committee to share ESG best practices across all real estate focused funds.

We do not set and/or monitor against targets

**PR 09.3** Additional information. [Optional]

The energy and GHG targets listed above are specific to Prime US and are representative of the types of environmental performance targets that our other funds are in the process of setting.

**Property developments and major renovations**

<b>PR 11</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>PRI 2</b>
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<b>PR 11.1</b>	Indicate the proportion of active property developments and major renovations where ESG issues have been considered.
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- >90% of active developments and major renovations
- 51-90% of active developments and major renovations
- 10-50% of active developments and major renovations
- <10% of active developments and major renovations
- N/A, no developments and major renovations of property assets are active

(by number of active property developments and refurbishments)

<b>PR 11.2</b>	Indicate if the following ESG considerations are typically implemented and monitored in your property developments and major renovations.
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- Environmental site selection requirements
- Environmental site development requirements
- Sustainable construction materials
- Water efficiency requirements
- Energy efficiency requirements
- Energy generation from on-site renewable sources
- Waste management plans at sites
- Health and safety management systems at sites
- Health and wellbeing of residents
- Construction contractors comply with sustainability guidelines
- Resilient building design and orientation
- Other, specify

Social and governance issues such as human rights, anti-bribery/ anti-corruption, supplier code of conduct, and labor practices

<b>PR 11.3</b>	Additional information. [Optional]
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Historically development projects have primarily been in the residential sector and managed by our wholly-owned partner AMLI Residential, whom requires that all new developments attempt a minimum LEED Silver certification utilizing the LEED for Homes and LEED for New Construction schemes. The rating systems consist of elements that address the exterior site and surrounding habitat, location to transportation and community resources, water and energy efficiency practices, utilizing low emitting materials to maintain indoor and outdoor air quality standards, and implementing waste management practices and diverting materials appropriately. Each of these elements aim to make each site more resilient to potential natural hazards as well as improve the health and wellbeing of the AMLI tenants, employees, and surrounding communities. Additionally all development projects consider social and governance issues in line with Morgan Stanley's broader code of conduct and related policies covering issues such as human rights, Anti-bribery/Anti Corruption, supplier code of conduct, and labor practices.

Additionally, all LEED requirements are documented and given to the operations and maintenance staff to (1) ensure green elements are utilized to maximum potential and (2) to ensure the integrity of the LEED certification and green elements is continued throughout the ownership period of the building.

## Occupier engagement

PR 12	Mandatory	Public	Core Assessed	PRI 2
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**PR 12.1** Indicate the proportion of property occupiers your organisation, and/or your property managers, engaged with on ESG issues during the reporting year.

- >90% of occupiers
- 50-90% of occupiers
- 10-50% of occupiers
- <10% of occupiers

(in terms of number of occupiers)

**PR 12.2** Indicate if the following practises and areas are typically part of your, and/or your property managers', occupier engagements.

- Distribute a sustainability guide to occupiers
- Organise occupier events focused on increasing sustainability awareness
- Deliver training on energy and water efficiency
- Deliver training on waste minimisation
- Provide feedback on energy and water consumption and/or waste generation
- Provide feedback on waste generation
- Carry out occupier satisfaction surveys
- Health and wellbeing of residents
- Offer green leases
- Other, specify

**PR 12.3** Additional information. [Optional]

MSREA conducts tenant satisfaction surveys for tenants in Office, Industrial, and Residential Assets and distribute sustainability fit out guides to tenants in Prime US' Office, Industrial and Residential Assets, where appropriate, through our asset management partners. Several tenant surveys have been completed for assets in Prime Asia through our property managers and MSREF is looking to expand this to additional assets where appropriate. Our Investment Advisors include green lease clauses with sustainability provisions in standard form lease templates and employ environmental management systems that include policies and procedures for property managers to ensure the health and safety of all building occupants. MSREA has also conducted gap assessments for a number of assets in Prime US against the Fitwell framework to identify opportunities to improve the health and wellbeing of building occupants.



# Morgan Stanley Investment Management

## Reported Information

Public version

Direct - Infrastructure

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Overview

INF 02	Mandatory	Public	Core Assessed	PRI 1-6
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**INF 02.1** Indicate if your organisation has a responsible investment policy for infrastructure.

Yes

**INF 02.2** Provide a URL if your policy is publicly available.

<https://www.morganstanley.com/im/publication/resources/esg-approach-and-principles-us.pdf?1579028919703>

No

**INF 02.3** Additional information. [Optional]

See also:

[https://www.morganstanley.com/im/publication/resources/approachonenvironmentalsocialgovernancefactors\\_msim\\_us.pdf?1527026584797](https://www.morganstanley.com/im/publication/resources/approachonenvironmentalsocialgovernancefactors_msim_us.pdf?1527026584797)

Morgan Stanley has formal sustainability, ESG, and responsible investment policies that are applicable across the organization including for Morgan Stanley Infrastructure Partners (MSIP), adviser to Morgan Stanley's infrastructure investments. MSIP's ESG Management Plan, an internal document, outlines all Morgan Stanley policies that are applicable to responsible investment of infrastructure, including the public policies provided above.

## Fundraising of infrastructure funds

INF 03	Mandatory	Public	Core Assessed	PRI 1,4,6
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**INF 03.1** Indicate if your most recent fund placement documents (private placement memorandums (PPMs) or similar) refer to responsible investment aspects of your organisation.

Yes

**INF 03.2** Indicate how your fund placement documents (PPMs or similar) refer to the following responsible investment aspects of your organisation:

- Policy and commitment to responsible investment
- Approach to ESG issues in pre-investment processes
- Approach to ESG issues in post-investment processes

INF 03.3

Describe how your organisation refers to responsible investment for infrastructure funds in fund placement documents (PPMs or similar). [Optional]

**Policy and commitment to responsible investment:** Morgan Stanley Infrastructure Partners (MSIP), adviser to Morgan Stanley's infrastructure investments, targets strict ESG standards for portfolio assets and has achieved tangible gains in the course of normal business activities. MSIP has adopted Morgan Stanley's Environmental Policy Statements and Statement on Human Rights as guides to responsible investing, and benefits from the Firm's industry leadership as one of the founding drafters of The Carbon Principles.

**Approach to ESG issues in pre-investment processes:** As part of asset due diligence, Morgan Stanley Infrastructure Partners (MSIP), adviser to Morgan Stanley's infrastructure investments, develops a thorough understanding of the environmental and social implications of each investment in order to better understand the full spectrum of risks and opportunities, often drawing on the expertise of Morgan Stanley's risk teams. MSIP seeks to mitigate ESG risks by improving the sustainability performance of the companies in which it invests.

**Approach to ESG issues in post-investment processes:** Many Morgan Stanley Infrastructure Partners (MSIP) portfolio companies have put in place strong ESG policies, along with programs for both corporate and operational measures. MSIP will continue this trend by developing robust ESG policies for any future portfolio companies. MSIP believes that a strategy of striving to improve environmental and social performance of assets can strengthen the long-term value of investments. Such an approach is in accord with many Limited Partner mandates to meet ESG objectives. While MSIP's fiduciary responsibility is to pursue appropriate risk-adjusted investment returns, and where this is a priority for investors, the MSIP's experience has been that ESG and financial performance are often correlated. In numerous cases, MSIP has found that economic-based operational improvements have led to the achievement of high standards of ESG performance.

We state our commitment to responsible investment by highlighting our status as a signatory of PRI, our adoption of ESG policies, and how we take ESG principles into consideration in making and monitoring investments.

- No
- Not applicable as our organisation does not fundraise

### Pre-Investment (Selection)

INF 05	Mandatory	Public	Gateway	PRI 1
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INF 05.1

Indicate if your organisation typically incorporates ESG issues when selecting infrastructure investments.

- Yes

INF 05.2

Describe your organisation's approach to incorporating ESG issues in infrastructure investment selection.

Morgan Stanley Infrastructure Partners (MSIP), adviser to Morgan Stanley's infrastructure investments, believes that improving the ESG performance of invested assets can strengthen long-term value. While MSIP's fiduciary responsibility is to pursue appropriate risk-adjusted investment returns, our experience has been that strong ESG and financial performance are often correlated. Each asset in MSIP's funds impacts the environment and local communities by, for example, consuming energy, generating waste and generating greenhouse gas (GHG) and air emissions. MSIP is focused on minimizing these impacts and operating in a safe manner in the context of its fiduciary responsibilities. Strong sustainability policies combined with robust ESG management and reporting practices help MSIP achieve this mandate.

In accordance with Morgan Stanley's overarching ESG principles embedded in its policies, MSIP considers a range of ESG issues during the investment process, including climate change, community impact and biodiversity, human rights and occupational safety. ESG considerations are evaluated in the early stages of the investment screening process. These considerations often differ based on the operational status of a particular asset (e.g., in development or operating) and on the sector the asset operates in; our screening process allows for identification of these differences, and evaluates them on an ad-hoc basis during each transaction. ESG risks associated with all assets (across operational status and sector) are considered, quantified, factored into initial models, and elevated for review if they are deemed to have a significant impact on the transaction. Each

transaction undergoes a formal review and approval process that includes a review of ESG risks and their potential impacts.

No

INF 07	Mandatory	Public	Core Assessed	PRI 1,3
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INF 07.1	Indicate which E, S and/or G issues are typically considered by your organisation in the investment selection process and list up to three typical examples per issue.
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**ESG issues**

Environmental

List up to three typical examples of environmental issues

- Climate change
- Air pollution
- Biodiversity

Social

List up to three typical examples of social issues

- Human rights
- Occupational safety
- Community impact

Governance

List up to three typical examples of governance issues

- Anti-bribery / anti-corruption
- Conflicts of interest
- Fraud

INF 07.2	Additional information. [Optional]
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ESG issues are formally addressed in the pre-investment process by asset deal teams, who utilize both internal and external advice, research, and information. Morgan Stanley Infrastructure Partners (MSIP), adviser to Morgan Stanley's infrastructure investments, employs a multi-layered investment process that is led and coordinated by dedicated investment professionals throughout the transaction lifecycle (due diligence, investment proposal and approval). Risks associated with assets that have ESG sensitivities are considered, quantified, factored into initial models, and elevated for review if they are deemed to pose a significant impact on the transaction.

The type of transaction, and our role in it, determines the focus of our due diligence. We highlight material ESG issues and significant concerns about ESG risks during our detailed due diligence process (e.g., material ESG issues are included in our due diligence checklist as well as in investment committee presentations), and we consider any risks associated with a deal when determining whether to proceed with a transaction. As necessary, potential transactions for which there are concerns may be escalated to business unit management and Morgan Stanley's regional franchise committees for further consideration. In some cases during the reporting year, the results of ESG due diligence helped identify opportunities for value creation, influenced either the price offered/paid or the terms of our purchase, or led MSIP to decline an investment opportunity.

## Selection, appointment and monitoring of third-party infrastructure operators

INF 10

Mandatory

Public

Core Assessed

PRI 4

INF 10.1

Indicate if your organisation includes ESG issues in your selection, appointment and/or monitoring of third-party operators.

Yes

INF 10.2

Indicate your organisation includes ESG issues in your selection, appointment and/or monitoring of third-party operators.

- Selection process of third-party operators incorporates ESG issues
  - For all third-party operators
  - For a majority of third-party operators
  - For a minority of third-party operators
- Contractual requirements when appointing third-party operators includes ESG issues
  - For all third-party operators
  - For a majority of third-party operators
  - For a minority of third-party operators
- Monitoring of third-party operators covers ESG responsibilities and implementation
  - For all third-party operators
  - For a majority of third-party operators
  - For a minority of third-party operators

INF 10.3

Provide a brief description of your organisation's selection, appointment and monitoring of third-party operators. [Optional]

In cases where infrastructure operation is managed by third-party operators, Morgan Stanley Infrastructure Partners (MSIP), adviser to Morgan Stanley's infrastructure investments, considers the ESG management practices of third-party operators during operator selection, contracting, and ongoing monitoring of performance. MSIP takes an interactive, hands-on approach to asset management, and expects third-party operators to do the same. During the third-party operator selection process, operators are evaluated for their ability to meet MSIP's stated ESG objectives, and these objectives are written into operator contracts.

On an ongoing basis, third-party operators regularly engage MSIP on asset ESG management and performance, submitting annual performance summaries of ESG metrics to MSIP, along with explanations of significant year-over-year performance changes. Performance metrics reported to MSIP may include the number of health and safety incidents, amount of energy purchased and consumed, and areas of habitat used or restored, as three examples. These metrics may in many cases be compared across assets and funds and to peer and industry benchmarks to contextualize impacts and achievements and inform MSIP and third-party operator ESG management priorities in the future.

INF 10.4

Describe how your third-party operators contribute to the management of ESG issues for your infrastructure investments. [Optional]

In cases where infrastructure operation is managed by third-party operators, Morgan Stanley Infrastructure Partners (MSIP), adviser to Morgan Stanley's infrastructure investments, considers the ESG management practices of third-party operators during operator selection, contracting, and ongoing monitoring of performance. MSIP takes an interactive, hands-on approach to asset management, and expects third-party operators to do the same. During the third-party operator selection process, operators are evaluated for their ability to meet MSIP's stated ESG objectives, and these objectives are written into operator contracts.

On an ongoing basis, third-party operators regularly engage MSIP on asset ESG management and performance, submitting annual performance summaries of ESG metrics to MSIP, along with explanations of significant year-over-year performance changes. Performance metrics reported to MSIP may include the number of health and safety incidents, amount of energy purchased and consumed, and areas of habitat used or restored, as three examples. These metrics may in many cases be compared across assets and funds and to peer and industry benchmarks to contextualize impacts and achievements and inform MSIP and third-party operator ESG management priorities in the future.

No

## Post-investment (monitoring and active ownership)

### Overview

INF 11

Mandatory

Public

Gateway

PRI 2

INF 11.1

Indicate whether your organisation and/or operators consider ESG issues in post-investment activities relating to your infrastructure assets.

Yes

INF 11.2

Indicate how your organisation, and/or operators, considers ESG issues in the following post-investment activities relating to your infrastructure assets.

- We consider ESG issues in the monitoring and operation of infrastructure
- We consider ESG issues in infrastructure maintenance
- We consider ESG issues in stakeholder engagements related to our infrastructure
- We consider ESG issues in other post-investment activities, specify  
Business planning; external communications

<b>INF 11.3</b>	Describe how your organisation, and/or operators, considers ESG issues in post-investment activities related to your infrastructure investments. [Optional]
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Morgan Stanley Infrastructure Partners (MSIP), adviser to Morgan Stanley's infrastructure investments, takes an interactive approach to managing its portfolio companies. In addition to regular meetings of the boards of directors, where operating and financial budgets are reviewed and approved, MSIP works closely with portfolio company management to structure monthly financial and operational reports that monitor asset performance and provide managerial discussion and analysis of results. Such reports also provide updates on ESG matters when relevant. MSIP's management approach is hands-on, and the team has significant and frequent interaction with portfolio company management. MSIP receives all quarterly and annual GAAP-style financial statements, compliance reviews, and progress data on significant operational and maintenance projects, as well as strategic initiatives.

MSIP requests additional ESG management, policy and operational performance from assets responding to frameworks such as GRESB Infrastructure and UN PRI, and often compares both its funds and assets to peers using available benchmarking.

MSIP monitors the ESG performance of its funds and assets including ESG management, policy and operational performance. MSIP gathers KPIs such as health and safety, GHG and air emissions, water consumption and waste output. Analysis includes monitoring performance trends over time and comparing performance to peers or benchmarks, with a view to understand the reasons for changes (e.g., business growth, conservation activities) and establish activities to improve future performance.

No

## Infrastructure Monitoring and Operations

<b>INF 12</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>PRI 2</b>
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<b>INF 12.1</b>	Indicate the proportion of infrastructure assets for which your organisation and/or operators included ESG performance in investment monitoring during the reporting year.
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- >90% of infrastructure assets
- 51-90% of infrastructure assets
- 10-50% of infrastructure assets
- <10% of infrastructure assets

(in terms of number of infrastructure assets)

<b>INF 12.2</b>	Indicate ESG issues for which your organisation, and/or operators, typically sets and monitors targets (KPIs or similar) and provide examples per issue.
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Environmental

	List up to three example targets per issue
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Air pollutants  
Energy Use  
GHG emissions

Social

	List up to three example targets per issue
--	--

Child labor

Community relations  
Data protection and privacy

Governance

List up to three example targets per issue

Bribery and corruption  
Fraud  
Political contributions

We do not set and/or monitor against targets

**INF 12.3** Additional information. [Optional]

As part of annual reporting, Morgan Stanley Infrastructure Partners (MSIP), adviser to Morgan Stanley's infrastructure investments, reviews and reports ESG-related KPIs across all investments. Specific ESG KPIs reported include: Air pollutants, energy use, GHG emissions, Resilience to climate change, Waste management, and water (Environmental); Child labor, Community relations, Data protection and privacy, Forced or compulsory labor, Gender and diversity, Health and safety, Discrimination, Indigenous peoples and cultural heritage, Land acquisition and forced resettlement, Resource depletion, and Human rights (Social); and Bribery and corruption, Fraud, Political contributions, and Non-retaliation/whistleblower protection (Governance).

<b>INF 13</b>	<b>Mandatory</b>	<b>Public</b>	<b>Additional Assessed</b>	<b>PRI 2</b>
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**INF 13.1** Indicate whether you track the proportion of your infrastructure investees that have an ESG/sustainability-related policy (or similar guidelines).

Yes

**INF 13.2** Indicate the proportion of your infrastructure investees that have an ESG/sustainability-related policy (or similar guidelines).

- >90% of infrastructure investees
- 51-90% of infrastructure investees
- 10-50% of infrastructure investees
- >0% and <10% of infrastructure investees
- 0% of infrastructure investees

(in terms of number of infrastructure investees)



<b>INF 13.3</b>	Describe how your organisation, and/or your operators, contribute to the infrastructure investees' management of ESG issues. [Optional]
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Morgan Stanley Infrastructure Partners (MSIP), adviser to Morgan Stanley's infrastructure investments, takes an interactive approach to managing its portfolio companies. In addition to regular meetings of the boards of directors, where operating and financial budgets are reviewed and approved, MSIP works closely with portfolio company management to structure monthly financial and operational reports that monitor asset performance and provide managerial discussion and analysis of results. Such reports also provide updates on ESG matters when relevant. MSIP's management approach is hands-on, and the team has significant and frequent interaction with portfolio company management. MSIP receives all quarterly and annual GAAP-style financial statements, compliance reviews, and progress data on significant operational and maintenance projects, as well as strategic initiatives.

MSIP requests additional ESG management, policy and operational performance from assets responding to frameworks such as GRESB Infrastructure and UN PRI, and often compares both its funds and assets to peers using available benchmarking.

MSIP monitors the ESG performance of its funds and assets including ESG management, policy and operational performance. MSIP gathers KPIs such as health and safety, GHG and air emissions, water consumption and waste output. Analysis includes monitoring performance trends over time and comparing performance to peers or benchmarks, with a view to understand the reasons for changes (e.g., business growth, conservation activities) and establish activities to improve future performance

No

## Infrastructure Maintenance

<b>INF 15</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>PRI 2</b>
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<b>INF 15.1</b>	Indicate the proportion of active infrastructure maintenance projects where ESG issues have been considered.
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- >90% of active maintenance projects
- 51-90% of active maintenance projects
- 10-50% of active maintenance projects
- <10% of active maintenance projects
- N/A, no maintenance projects of infrastructure assets are active

(in terms of number of active maintenance projects)

<b>INF 15.2</b>	Describe your approach to ESG considerations for infrastructure maintenance projects. [Optional]
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Morgan Stanley Infrastructure Partners (MSIP), adviser to Morgan Stanley's infrastructure investments, takes an interactive approach to managing its portfolio companies. In addition to regular meetings of the boards of directors, where operating and financial budgets are reviewed and approved, MSIP works closely with portfolio company management to structure monthly financial and operational reports that monitor asset performance and provide managerial discussion and analysis of results. Such reports also provide updates on ESG matters when relevant. MSIP's management approach is hands-on, and the team has significant and frequent interaction with portfolio company management. MSIP receives all quarterly and annual GAAP-style financial statements, compliance reviews, and progress data on significant operational and maintenance projects, as well as strategic initiatives.

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# Morgan Stanley Investment Management

## Reported Information

### Public version

### Confidence building measures

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Confidence building measures

CM1 01	Mandatory	Public	Additional Assessed	General
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**CM1 01.1** Indicate whether the reported information you have provided for your PRI Transparency Report this year has undergone:

- Third party assurance over selected responses from this year's PRI Transparency Report
- Third party assurance over data points from other sources that have subsequently been used in your PRI responses this year
- Third party assurance or audit of the correct implementation of RI processes (that have been reported to the PRI this year)
- Internal audit of the correct implementation of RI processes and/or accuracy of RI data (that have been reported to the PRI this year)
- Internal verification of responses before submission to the PRI (e.g. by the CEO or the board)
- Other, specify

Information included in the responses is provided by investment teams and reviewed by internal stakeholders including Global Stewardship team, Global Sustainable Finance team, Marketing etc.

- None of the above

CM1 02	Mandatory	Public	Descriptive	General
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**CM1 02.1** We undertook third party assurance on last year's PRI Transparency Report

- Whole PRI Transparency Report was assured last year
- Selected data was assured in last year's PRI Transparency Report
- We did not assure last year's PRI Transparency report
- None of the above, we were in our preparation year and did not report last year.

CM1 03	Mandatory	Public	Descriptive	General
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**CM1 03.1** We undertake confidence building measures that are unspecific to the data contained in our PRI Transparency Report:

- We adhere to an RI certification or labelling scheme
- We carry out independent/third party assurance over a whole public report (such as a sustainability report) extracts of which are included in this year's PRI Transparency Report
- ESG audit of holdings
- Other, specify
- None of the above

CM1 04	Mandatory	Public	Descriptive	General
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**CM1 04.1**

Do you plan to conduct third party assurance of this year's PRI Transparency report?

- Whole PRI Transparency Report will be assured
- Selected data will be assured
- We do not plan to assure this year's PRI Transparency report