

Morgan Stanley

INVESTMENT MANAGEMENT

MORGAN STANLEY INVESTMENT FUNDS (MS INVF)

Japanese Equity Fund

Restriction Screening Policy

ACTIVE FUNDAMENTAL EQUITY | MITSUBISHI UFJ ASSET MANAGEMENT CO., LTD. | October 2023

In relation to the MS INVF Japanese Equity Fund (“Fund”), the Investment Advisor will apply restriction screening, which refers to intentionally excluding investments in certain sectors or issuers. The Investment Advisor may engage with company management around corporate governance practices as well as what it deems to be materially important environment and/or social issues facing a company. The Fund references third party Environmental, Social and Governance (“ESG”) data when narrowing the investible universe for the Fund and for specific data points not disclosed by all companies during the security research process, but does not

Overview:

In designing the restriction screening policy as part of our investment strategies, we consider the following aspects:

1. Reducing exposure to risks related to ESG factors

These risks may be reputational, regulatory or financial, stemming from the business activities or practices of the issuer. We aim to avoid many of these risks through restriction screening at a sector level.

2. Values alignment

We may decide to exclude certain sectors from the portfolio based on our assessment that they have an overall negative impact on society or the environment which is not aligned to the objectives of the Fund.

3. Adherence to core basic standards, minimum safeguards and ethical norms

We expect issuers to adhere to minimum standards as defined by international ESG norms, such as the UN Guiding Principle, UN Global Compact, OECD Guidelines for Multinational Enterprises and the International Labour Organization’s (ILO) fundamental principles, and we aim to not invest in issuers that violate, or are at high risk of violating, these international norms.

4. Implications for portfolio construction

We aim to consider whether restrictions may have an effect on the risk/return profile of the Fund, or narrow the investible universe to an extent to which it may be detrimental.

Investments shall not knowingly include any company whose core business activity involves the manufacturing or production of:

I. Tobacco

We believe tobacco has significant negative social and economic impacts and is considered the single greatest preventable cause of death. We estimate that, as a result, tobacco companies are increasingly exposed to significant ongoing financial, reputational and regulatory risk.

We exclude companies that directly manufacture tobacco products, or generate 5% or more of their revenues from the supply of key products necessary for the production of tobacco products, such as filters.

II. Adult Entertainment

We exclude companies that generate 5% or more of their revenue from producing adult entertainment.

III. Civilian Firearms

We take the view that although firearms can in some cases support rightful and peacekeeping activities, their use by civilians, particularly in the case of automatic and semi-automatic firearms, poses a threat to society as there is a high risk that they might end up being used illegally or indiscriminately against other people, causing mass wounding or death. We exclude companies that manufacture automatic firearms or semi-automatic firearms for the civilian market.

We exclude companies that generate 5% or more of their revenues from producing civilian firearms.

IV. Controversial Weapons

In our view, controversial weapons are in discriminate and excessively injurious, often resulting in civilian casualties and causing a disproportionate level of pain and suffering. We exclude companies that manufacture whole weapons systems, intended use components, or are a majority owner, or majority owned by, a controversial weapons company, including cluster munitions. Our approach to controversial weapons is consistent with the following treaties:

- The Ottawa Convention, 1999: banning the use, stockpiling, production and transfer of antipersonnel landmines.
- The Oslo Convention 2010: banning the use, stockpiling, production and transfer of cluster munitions.
- Weapons banned under the Biological Weapons Convention, 1975 and the Chemical Weapons Convention, 1997.

V. Thermal Coal

We recognize that climate change poses significant risks to the global economy and therefore look to exclude the most exposed carbon-intensive sectors from the Fund to mitigate our climate related financial risks and where we estimate that we are unable to drive positive impact through engagement towards the low carbon transition.

We recognize that thermal coal is the most carbon-intensive fuel source compared to other fossil fuels and it is exposed to significant stranded asset risk from climate policy. We will not invest in securities of issuers that generate 10% or more of their revenue from thermal coal mining, and/or 10% or more of their revenue from thermal coal power generation.

VI. Gambling

Gambling activities embed a high risk of generating direct negative social impacts, in particular addiction and over-indebtedness, as well as indirect impacts especially for more vulnerable groups, including reduced familial stability and household income and increased propensity to crime.

We will not invest in securities of issuers that derive 5% or more of their revenue from gambling activities.

VII. ESG Controversies and International ESG Norms

We expect the issuers we invest in to comply with minimum standards and safeguards around human rights, labour rights, the environment, business ethics and corruption as defined by international norms, such as the UN Guiding Principles, UN

Global Compact, the OECD Guidelines for Multinational Enterprises and the International Labour Organization's (ILO) fundamental principles, and we aim to not invest in issuers that violate these international ESG norms.

We monitor business practices on an ongoing basis, through data on ESG controversies and standards screening that we source from third party providers.

A "Severe" ESG controversy is defined as an instance or ongoing situation in which company operations and/or products allegedly have a significant negative environmental, social, and/or governance impact.

We exclude securities of issuers with controversy cases that we view as being "Severe" based on ratings by relevant ESG data providers and where we believe appropriate remedial action has not been taken. We will also not invest in securities of issuers

1. Note: Further to the above, the Investment Advisor may, in its discretion, elect to apply additional ESG-related investment restrictions over time that it believes are consistent with its investment objectives. Such additional restrictions will be disclosed as they are implemented on www.morganstanleyinvestmentfunds.com and on www.msim.com.

Restriction Policy Compliance

This restriction screening policy applies to the physical investments held directly in the Fund. Investments that are held by the Fund, but become restricted after they are acquired for the Fund, will be sold. Such sales will take place over a time period to be determined by the portfolio managers, taking into account the best interests of the shareholders of the Fund.

We review this policy periodically and any changes will be reflected in this document. In addition to ongoing monitoring by the portfolio managers, Morgan Stanley Investment Management's Portfolio Surveillance team codes in the restricted criteria into the firm's surveillance system, and uses an automated process to monitor adherence to investment guidelines, including pre and post-trade guideline monitoring and exception-based screening, and informs