Morgan Stanley

INVESTMENT MANAGEMENT

Sustainability Update

GLOBAL OPPORTUNITY | January 2026

Our annual sustainability update discusses our HELP & ACT framework within the investment process, company engagement examples and the low carbon profile of the portfolios.

The Global Opportunity investment process integrates analysis of sustainability with respect to disruptive change, financial strength and environmental and social externalities and governance. We view sustainability as a component of quality and consider the valuation, sustainability and fundamental risks inherent in every portfolio position.

Our HELP & ACT framework employs a holistic approach to integration within our company quality assessment by analyzing potential impacts to humanity's health, environment, liberty and productivity and corporate governance measures to ensure agency, culture and trust. HELP & ACT is designed to reduce complexity of analysis by distilling a multitude of potential sustainability criteria to the material factors that may condition a company's ability to sustain competitive advantage over the long-term. These material sustainability factors are integrated within the investment process on a non-binding basis.

Each Global Opportunity investor is responsible for applying the HELP & ACT framework within our quality assessment, proxy voting and engaging with portfolio companies. Our investors primarily source information from discussions with company management and public disclosures, supplemented by various research resources. As bottom-up investors, we do not outsource sustainability analysis to third-party providers of ratings that produce

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We care how companies HELP & ACT

Health:	Improve humanity's quality and duration of life
Environment:	Protect the planet and its inhabitants
Liberty:	Freedom, equality, privacy and security
Productivity:	Improve our knowledge of how the universe works to make our lives better within it
Agency:	Skin in the game and incentives to work on behalf of long-term shareholders
Culture:	Encourage a culture of innovation, adaptability and shared values
Trust:	Reliability of financial statements and management

This document provides factual information on certain matters that do not form part of binding characteristics for investment vehicles or separately managed accounts and relates to the general sustainability integration approach adopted by the investment team which incorporates the consideration of sustainability matters on a materiality and non-binding basis. Investors should refer to the offering documents of any investment vehicle or guidelines of separately managed account for further details on how the strategy takes sustainability considerations into account.

scorecards ranking companies versus industry peers. Based on our analysis, such ratings are derived from dozens of metrics and hundreds of data points. Thus, such approaches may reward corporate issuers with high rates of disclosure rather than businesses with sound operational performance. In our view, sustainability ratings based approaches may lead investors to inconsistent and ambiguous conclusions. Therefore, we deem ratings based on disclosure rates to be of lesser importance than potential material risks to company fundamentals.

Our quality assessment identifies the key sustainability-related opportunities and risks for each prospective investment based on materiality to the long-term fundamental drivers of the business. Using HELP & ACT, our investors analyze potential impacts framed by a set of questions applied consistently across companies.

HELP & ACT is informed by the Sustainable Development Goals (SDGs)[1] adopted by the United Nations in 2015, comprised of 17 goals and 169 targets to be achieved by 2030 with the aim "to end poverty, protect the planet, and ensure prosperity for all."

Health

We believe that companies can sustainably grow their business while making a positive impact on humanity's quality and duration of life.

SDG3: good health and well-being targets are primarily intended for governments, such as reducing infant mortality, ending epidemics, increasing health financing in developing countries, and strengthening the early warning capacity of countries for global health risks.[2] However, companies can also contribute to SDG targets and indicators through their products, services and operations. These include reducing mortality rates from cardiovascular disease, cancer, diabetes, chronic respiratory disease, road traffic injuries, and illness from pollution, as well as supporting research and development of affordable vaccines and medicines.

Analyzing the potential positive and negative health implications of a company's products, services and operations requires a holistic approach both within and beyond the health care sector, by examining a company's potential impacts across sectors and geographies. Healthcare sector examples include:

- pharmaceutical and biotechnology companies engaged in research and development of drug treatments in therapeutic areas such as cardiovascular disease, oncology, neurology, metabolic disorders and other areas
- medical equipment manufacturers of devices, instruments and diagnostic equipment
- healthcare services and technology including hospitals, lab testing, pharmacy management, software and consulting services

Notably, our portfolios are typically underweight the health care sector due to valuations. We struggle to ascribe premium free cash flow multiples to pharmaceuticals given eventual loss of intellectual property protection that risks future revenue cliffs.

Beyond the health care sector, we have identified areas where companies across industries can sustainably grow their business driven by health and well-being. These include (but are not limited to):

[1] Source: United Nations. Morgan Stanley Investment Management (MSIM) recognises that the UN Sustainable Development Goals (SDGs) were written by Governments for Governments and therefore engagement themes with corporates and the SDGs may not be perfectly aligned. The content of this publication has not been approved by the United Nations and does not reflect the views of the United Nations or its officials or Member States. For more details on the Sustainable Development Goals, please see https://www.un.org/sustainabledevelopment/sustainable-development-goals

[2] For a full list of SDG3 targets and indicators, please see https://sdgs.un.org/goals/goal3#targets_and_indicators

- apparel and footwear manufacturers can benefit from health and wellness emphasis on physical fitness and mental well-being
- ride sharing platforms can help reduce traffic accidents through road safety education and partnership with non-profit organizations
- hygiene and sanitation companies can reduce the spread of infectious diseases and foodborne illnesses by ensuring clean commercial, food service and hospitality environments
- philanthropic support for healthcare research and disaster assistance and recovery
- workplace health and safety initiatives that promote physical and emotional well-being, including providing employee training to prevent injuries, medical coverage, and paid parental leave can help attract and retain talent

It is also important to acknowledge that a company's operations, products and services can create negative externalities that can increase health care costs to society, such as alcohol[3], tobacco[4] and pollution.[5] Therefore, we closely monitor and engage management on emerging health issues, such as increased social media use by youth and the potential impacts upon mental health and well-being, for example.

Environment

Companies can do their part to protect the planet and its inhabitants by managing their environmental footprint to minimize externalities and improve operational efficiencies. Reducing consumption of energy, water and other natural resources while minimizing emissions, waste and pollution can mitigate costs and improve profitability. Seven of the 17 SDGs[6] focus on the environment, emphasizing the urgency to address biodiversity, climate, waste and water to "meet the needs of the present without compromising the ability of future generations to meet their own needs."[7]

We assess corporate SDG13: climate action across sectors by analyzing carbon intensity and decarbonization strategies to reduce greenhouse gas emissions, including investments in renewables to accelerate the transition to SDG7: affordable and clean energy.

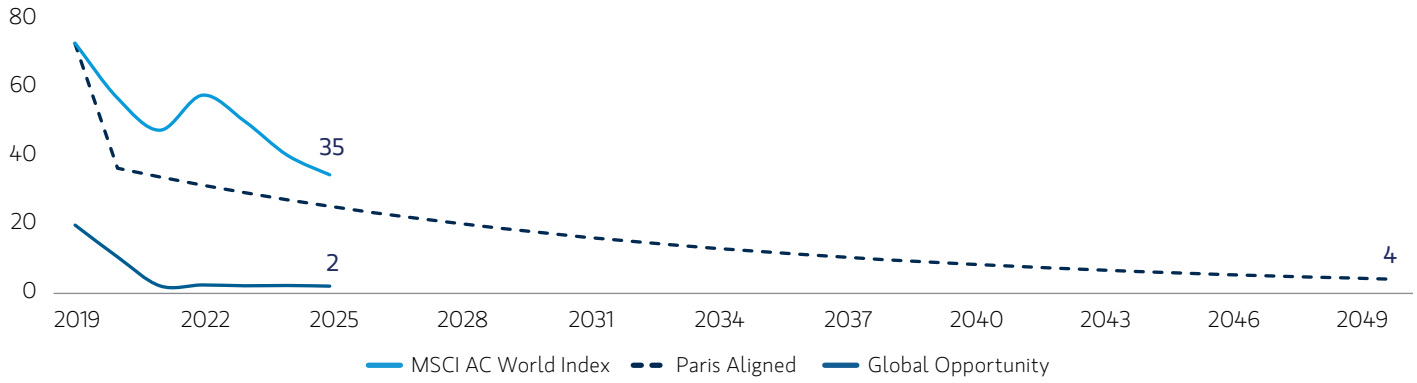
Other environmental risks vary across industries, including (but not limited to):

- biodiversity loss, from land use and deforestation that can destroy habitats, increase soil erosion and disrupt water systems, particularly in capital intensive industries such as agriculture, construction, forestry, metals & mining and oil

Global Opportunity Portfolio typically has a lower carbon footprint and emissions intensity than the benchmark.

Financed emissions intensity

t CO_2e per million USD invested (EVIC)



Source: MSIM, MSCI. Data as of December 31, 2025.

[3] Target 3.5 strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol.

[4] Our portfolios have not invested in companies primarily involved in the manufacture of cigarettes and other tobacco products for over a decade. Our analysis has concluded that the competitive advantage of tobacco producers is not sustainable as the healthcare costs of treating cancer and other smoking-related noncommunicable diseases are externalized upon society, and therefore, tobacco companies are generally over-monetized while reliant on pricing growth due to declining unit volumes. Key targets of SDG3 include 3.4 "reduce by one third premature mortality from noncommunicable diseases" by 2030 and 3.a "strengthen the implementation of the World Health Organization Framework Convention on Tobacco Control (WHO FCTC) in all countries" to reduce tobacco use. Over seven million people die annually as a result of tobacco use (Source: WHO FCTC).

[5] Target 3.9 by 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.

[6] SDG6: Clean Water and Sanitation, SDG7: Affordable and Clean Energy, SDG11: Sustainable Cities and Communities, SDG12: Responsible Consumption and Production, SDG13: Climate Action, SDG14: Life Below Water, and SDG15: Life on Land.

[7] United Nations Brundtland Commission (1987). http://www.un-documents.net/our-common-future.pdf

& gas. Consumer companies must also manage risk across increasingly complex, global supply chains.

- pollution control and waste management are critical to minimize pollution to air, land and sea and avoid regulatory penalties and reputational damage. Plastic pollution that can harm marine wildlife and landfills leaking toxins into soil and waterways are particularly relevant to chemicals, food delivery, restaurants, textiles and apparel.
- water consumption and wastewater management to support SDG6: clean water and sanitation are particularly material to agriculture, food and beverages, metals & mining, oil & gas, textiles, utilities, and are an emerging area of focus for internet and software companies operating water-cooled data centers.

This list is neither exhaustive nor prescriptive, as environmental risks should typically be evaluated at the asset level on a company-by-company basis.

Liberty

The freedom to act without unauthorized restraint and arbitrary government power. Applied to individuals, liberty refers to personal autonomy, right to own property, and freedom of speech and action without interfering with the rights of others.[8]

In an investment context, the principle of liberty provides a framework to assess whether a company's products, services and operations support (or undermine) personal freedoms and equality, including human rights and access, security and privacy. The UN Global Compact[9] provides an outline of human rights and environmental principles upheld by thousands of organizations across the globe.

We believe that companies that safeguard liberty may be more resilient to regulation while retaining talent in the workforce and attracting a loyal customer base. Companies that violate the principle of liberty by restricting freedoms or violating personal privacy may risk regulatory actions, litigation, reputational damage and loss of user trust. For example:

- Labor practices: companies may restrict personal liberty by limiting employee mobility, excessive monitoring of workers, deterring whistleblowing or restricting collective organization.
- Data surveillance: digital platforms link billions of people forming social connections to exchange personal details, images, video and personal information by consent. Companies must balance risk to individual freedoms such as sharing data with governments to monitor individuals and restricting personal autonomy.
- Content moderation: digital platforms influence liberty by controlling distribution of information and the algorithms that prioritize content. Developing transparent policies that commit to freedom of expression while balancing harm mitigation are important for risk mitigation for these platforms.
- Access, security and privacy are foundational to personal liberty, without which individuals cannot exercise freedom to explore ideas or exercise dissent, particularly if personal identities are insecure.
- Access: companies can uphold liberty by offering accessible services that support interoperability with transparent pricing. Closed ecosystems that limit choice or digital rights management that limit transfer of digital goods can restrict liberty.
- Security: companies must safeguard personal data and financial accounts through cybersecurity measures, encryption practices and incident response.
- Privacy: companies can develop data minimization principles, consent mechanisms, data retention policies and offer privacy user controls, and safeguarding mechanisms against algorithmic discrimination.

Productivity

As equity investors, we are optimists at our core. We look for companies that improve our knowledge of how the universe works to make our lives better.

Global productivity increased six-fold over the past generation[10] as technological advancement helped China, India and other developing economies narrow the gap with advanced economies and increase living standards. Productivity increases have been driven by advances in technology such as the proliferation of the internet and mobile devices and capital investment in infrastructure and manufacturing that globalized supply chains.

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[8] Source: Wex, Cornell Law School.

[9] The Ten Principles of the United Nations Global Compact are based on the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption. https://unglobalcompact.org/what-is-gc/mission/principles

[10] Source: McKinsey. Data as of March 2024.

Productivity examples that support SDG9: industry, innovation and infrastructure include:

- artificial intelligence (AI) may reaccelerate productivity across industries, from retail customer service to software coding to medical diagnostics and imaging to education
- innovations in autonomous vehicles (AV), agriculture, construction, defense, insurance, logistics and transportation have potential to cut fuel costs and reduce fatal accidents
- robotics can enable automation across automotive, ecommerce, logistics, medical surgery and extractive industries
- blockchain has the potential to improve efficiency of financial services such as cross-border payments, real-time settlement, smart contracts and tokenization of assets
- software can help organizations manage workforce productivity

"ACT" focuses on corporate governance measures to ensure agency, culture and trust.

Corporate governance refers to the way a company is managed including the rules and practices that control a company to safeguard the interests of shareholders.[11] This system of checks and balances encompasses key elements including management incentives, independent and engaged Boards, shareholder rights, transparency of accounting, and capital allocation. Governance is vital to ensuring that companies are accountable and manage the business to maximize long-term shareholder value.

Agency

A relationship in which a principal engages an agent to act on their behalf.

As long-term shareholders in companies, it is critical to ensure that company management (agent) is aligned with shareholders (principal). This helps avoid the principal-agent problem where a potential conflict of interest arises in which management does not act in the best interests of the shareholder due to misalignment of incentives, adverse selection, or asymmetric information.

Therefore, we look for management with skin in the game, who have significant ownership in the company. We evaluate management incentives, including performance targets that incentivize management to focus on long-term value creation rather than short-term growth in earnings per share that can be manipulated. Preferred metrics, such as return on investment, profitability and total shareholder return measured over three-year time periods, indicate that management is aligned with the interest of long-term shareholders.

For example, we have invested in an Italian luxury brand where management holds significant ownership in the company, and a homestay and experiences marketplace where the founder and CEO's compensation is entirely based on a multi-year equity award with targets aligned with the interests of long-term shareholders.

We also consider provisions that reduce minority shareholder rights, such as insider boards, poison pills and different voting share classes, as well as large ownership interests from founders, corporate or government stakes that may risk misalignment with the interests of minority shareholders. We believe agency and alignment of incentives are critical starting points to assess the quality of a business.

Culture

The shared values, beliefs and behaviors that characterize a group of people.

We believe that culture is a key determinant of long-term success of companies. We seek to truly understand the main cultural differentiators of a company, whether it is creative, disciplined, innovative or process-driven. This helps us as investors better understand what makes each business unique.

For example, a European luxury goods company founded by creative artisans two centuries ago with focus on craftsmanship and traditional manufacturing techniques is culturally distinct from an American ecommerce firm driven by efficiency and technological leadership. We have invested in a Canadian ecommerce solution provider that fosters a culture of innovation and product development, which is outlined in a handbook given to every employee on their first day of employment to educate them on the company's operating principles.

Culture is often revealed by how a company manages its people. A company's approach to human capital management, attracting and retaining talent to build a workforce with diverse skills and perspectives, is essential to the long-term success of the business. We also look at various sources, such

[11] The Corporate Governance of Listed Companies, CFA Institute, 2018.

as employee engagement profiles that independently reflect the human capital management of companies.

Trust

"To believe that someone is good and honest and will not harm you."[12]

As investors, we must be able to trust the management of companies to disclose transparent financial reports so that we can monitor business operating results. We seek to avoid signs of aggressive accounting that can be identified in accounting footnotes detailing disclosures on weakness of controls or regulatory scrutiny. Related-party risks with affiliates, customers or suppliers can also distort the financial picture. We must also trust management to allocate capital with the long-term sustainability of the business in mind. We seek to partner with business where management has a strong track record of re-investing profits to grow the business over the next three-to-five years, rather than aiming to simply meet street expectations for the next few quarters. We also look favorably upon share buybacks when appropriate.

We look for sufficient disclosures to enable investors to assess the potential risks and rewards of the business. We examine capital allocation history including dividends, share buybacks, mergers and acquisitions and capital expenditures. We also look for sensible deployment of capital in projects with high return on invested capital. Ultimately, we need to be convinced that the numbers are real and that we can trust company management to allocate the capital shareholders have entrusted to them in the most effective way possible.

For example, several years ago we sold a position in an Asian infrastructure company due to governance concerns and lack of accounting transparency. We noticed an auditor footnote in the annual report that indicated a disagreement with management on revenue recognition of a single related-party transaction. Upon further in-depth analysis, we determined that aggressive accounting likely masked a deterioration of the business fundamentals. Subsequently, not a single sell-side analyst highlighted this scenario, indicating lack of proper due diligence and limited concern for governance in this emerging market.

Conversely, we have invested in a Danish freight forwarder since the investment team's inception due to a strong management team with an excellent track record of spearheading acquisitions leading to improving margins in the overall business. We also invested in a social network since its initial public offering due to management's willingness to invest in future growth despite the negative short-term impact on its stock price, affirming management's role as excellent stewards of capital.

Poor governance and accounting controls can undermine the success of even great businesses characterized by sustainable competitive advantages and long-term growth prospects. While there is no silver bullet, we believe that incorporating our HELP & ACT framework can mitigate risk, consistent with our duty as fiduciaries.

Engagement With Portfolio Companies

We engage company management on topics specific to each business with a focus on material sustainability opportunities and risks that may impact the value of a company's securities. Accordingly, engagement priorities differ by individual company and are not region specific. Our research has identified both sustainability opportunities as well as risks that may diminish the investment thesis which impact investment decisions and resulted in the sale of (or decision not to invest in) a company's securities.

In company engagements, our investors typically discuss topics deemed relevant to each specific business. Examples of questions we typically ask company management teams include:

- What is your most material sustainability opportunity?
- What is your most material sustainability risk?
- How are management incentives aligned with shareholders?

Over the course of 2025, we engaged with several portfolio companies on various topics, including:

CULTURE AND FINANCIAL INCLUSION IN LATIN AMERICAN ECOMMERCE

We engaged senior management of a Latin American ecommerce and financial technology platform to discuss financial inclusion and preserving culture amid management transition.

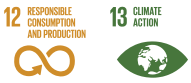
Financial inclusion is still nascent across Latin America and key to SDG8: decent work and economic growth. In Mexico, most consumers have never accessed a credit product, while in Brazil, most consumers bank with traditional financial institutions. The company believes that incumbent banks

[12] Source: Cambridge Dictionary.

have opted not to serve certain segments of the population that are more difficult to serve, leaving a large segment of the population without access to products such as investments and loans. Low credit penetration creates a long runway for growth, and the company believes that the fintech opportunity is potentially larger than ecommerce. An example of their success in fintech driving financial inclusion is the business' history in Argentina. A few years ago, the company evaluated whether to remunerate deposits at a loss, at a time when just 1% (c. 400,000 of 40 million) Argentinians had an investment account, not unlike how traditional retailers viewed free shipping for online orders. The company now counts 18 million customers investing through its fintech platform which hosts the largest money market fund in the country. The company notes its focus on risk management and is cautious with funding strategy and carefully monitors non-performing loans.

Leadership is intensely focused on preserving the founder-led culture that has made the company unique. Cultural integrity is viewed as a strategic asset, reinforced by the founder's continued role as chairman and by formal systems designed to scale cultural norms across a significantly larger workforce. As personnel rapidly expanded from just 65 logistics employees to more than 70,000 in eight years, talent selection prioritized cultural fit over warehouse experience. Hiring decisions were made with extreme caution to ensure replication of the company's startup mindset. The organization intentionally recruited first-time workers seeking adherence to core behaviors such as openness, flexibility, problem-solving and constantly reinvesting in the way people work. Initial senior hires emphasized replicating culture as company grew with focus on people management as a priority, setting an example from founder to warehouse worker. To ensure culture is scalable, leadership requires visible example-setting and continual refinement of internal processes. Strategically, management remains committed to long-duration decision-making, exemplified by lowering its free-shipping threshold to deepen long-term customer relationships and broaden addressable demand in low-ticket categories to solidify platform relevance for consumers over the next decade. The overarching mandate is to remain disruptive, uphold the startup mentality, and ensure operating systems can scale the organization's distinctive culture.

DECARBONIZATION AND RESPONSIBLE PRODUCTION IN FOOTWEAR



We engaged management of a footwear brand manufacturer to discuss corporate strategy and decarbonization commitment. The company exhibits alignment with SDG13: climate action, as it is committed to the Science Based Targets Initiative (SBTi) and measures progress as a key performance indicator. Every new product is categorized based on potential impact toward SBTi using color coding scheme of green, yellow or red. The company's goals are also aligned with SDG12: responsible consumption and production and it continues to innovate in the use of materials. As a result, the carbon intensity of the upper shoe materials has improved significantly in recent years due to increased use of recycled products and dyeing technology. The company is also focusing on the foam sole of shoes as a key point of discussion as this is an area where carbon intensity is more challenging to abate. A new product innovation, which combines material innovation and robotics to significantly reduce the number of manufacturing steps, has the potential to achieve 75% lower carbon intensity of the upper compared to existing shoe models and the company is currently working on deploying this technology across other models. This technology can exclusively be powered by renewable sources of electricity and is believed to be scalable which could further reduce carbon footprint as robots can be set up globally close to where products are sold, reducing shipping and associated emissions. Finally, the company remains committed to addressing sustainability and continues to publish annual update to its impact report.

SUSTAINABILITY IN ENERGY MANAGEMENT SOLUTIONS

We met with the CEO of an energy management solutions company to discuss strategic priorities and the opportunity to address sustainability amid increasing energy demand.

The CEO highlighted the company's position at the center of the global shift toward electrification, automation, and digital energy management. While demand for sustainability continues to rise, structural forces including the rapid growth of China and India and the accelerating computational intensity of artificial intelligence (AI) are increasing global energy consumption. These dynamics reinforce the need for advanced

power, automation, and efficiency solutions that support SDG9: industry, innovation and infrastructure at the forefront of accelerated adoption of electrification technology.

Management expects significant expansion of data centers and data processing over the next decade, alongside growing geopolitical fragmentation. Both trends require more agile, resilient, and technology-driven energy systems. Strategic priorities focus on strengthening technology leadership in electrification, automation, and intelligence; driving productivity and efficiency; and scaling higher-value digital services across the asset lifecycle. The company noted that semiconductor evolution to higher-power graphics processing units (GPUs), will increase thermal and energy loads. Liquid cooling will become critical as chips run faster and hotter, with meaningful demand for associated equipment even if power density plateaus over time. Rather than emphasizing hardware volume, the company aims to expand software and digital services penetration, reinforcing a long-term "digital flywheel".

The CEO emphasized a 20-year record of integrating sustainability into the business model. The company's sustainability strategy starts with the desire to be a responsible company and full consideration of the entire ecosystem in what they do. Management views responsible operations as essential to long-term profitability and intends to remain an "impact company" with consistent commitments across SDG13: climate action, social responsibility, and governance. While no new disclosures were provided, the company plans to outline its next wave of sustainability commitments and how it will bring its broader ecosystem along in the energy transition.

AUTONOMOUS VEHICLES AND DECARBONIZATION IN GLOBAL MOBILITY

We spoke to the CEO of a global mobility and food delivery platform to discuss efficiency, autonomous vehicles and decarbonization opportunity.

Leadership emphasized continuity with a sustained focus on innovation, entrepreneurial decision-making, and long-term free cash flow generation. Investment priorities have shifted toward autonomous vehicle (AV) technologies, supported by various technology partnerships across the globe that help them understand the technical direction of the industry, and toward strengthening the quality of the food delivery experience SDG9: industry, innovation and infrastructure.

Company operations remain under-optimized despite its scale, representing significant opportunity to address "hundreds of little things," e.g. small operational inefficiencies that corrected can collectively accrue significant value. These efforts center on enhancing delivery efficiency and customer experience. The company is deploying substantially larger artificial intelligence (AI) models to search in grocery and food, now ten times bigger than a couple years ago, that enable better recommendations but increase compute and cloud costs. The focus has evolved from lowering cost per delivery to improving quality and reliability, with no single transformative initiative but steady optimization across the platform.

We addressed progress on SDG13: climate action with over 15% of European and 9% of North American trip miles completed in zero emission vehicles (ZEVs) in the first quarter of 2025. Leadership notes that achieving its ambition to transition to an 100% ZEV platform by 2030 will be challenging given reliance on a 9 million vehicle external fleet. Over time, autonomous vehicles may accelerate adoption as AV fleets are fully electric, supporting long-term decarbonization even if near-term ZEV progress is slower due to policy changes and charging network availability. Early examples where AV reinforce EV adoption include Austin, Texas, however, it is still early days and AV supply may be less flexible during peak demand periods.

EXECUTIVE COMPENSATION AND RESPONSIBLE AI IN ENTERPRISE SOFTWARE

We engaged management of an enterprise software-as-a-service platform on multiple occasions throughout 2025 to discuss corporate strategy, executive compensation, and responsible artificial intelligence (AI).

The company is a leader in workflow products using a range of technologies to provide a single architecture platform that has expanded from information technology (IT) into customer service, human resources (HR), enterprise resource planning (ERP) and risk. "Land and expand" is the strategy, starting from IT service management, expanding into IT operations and asset management, with potential to become the AI orchestration level for system of record. The company is positioned for the agentic AI era with case specific solutions to automate complicated workflow orchestration challenges SDG9: industry, innovation and infrastructure.

We discussed the updated executive compensation program which incorporated shareholder feedback to align incentives with performance. This year's plan eliminated overlapping metrics and extended the time horizon to three years of performance-based restricted stock units (PRSUs) linked to subscription revenue and total shareholder return. We articulated our view that free cash flow margin is preferable to operating margin for the annual cash incentive currently based on net new annual contract value NNACV, operating margin and non-financial goals such as customer experience and sustainability metrics. We also discussed how the company continuously evaluates Board composition to maintain balance of skills and experience, particularly focused on emerging areas such as education on AI.

The company's AI governance committee is a cross-functional group comprised of legal, product, risk and engineering experts that reports directly to management and is overseen by the audit committee of the Board. The company is a founding member of the AI Alliance[13] to advance the principles of open, safe and responsible AI. Responsible AI is based on four guiding principles to ensure that AI capabilities delivered are human centered, inclusive, transparent and accountable.

1. Human centered means builds use designs that put humans in control of AI with clear documentation and guidance on responsible deployment.
2. Inclusive addresses potential bias and discrimination through continuously testing and high-risk review process
3. Transparent by sharing detailed information on AI governance foundations including data used for training and guidelines for privacy and security.
4. Accountable to establish trust with internal governance bodies setting policy.

Finally, the company recently achieved ISO 42001 AI system lifecycle certification which helps validate security practices. The company noted that AI governance helps speed the sale cycle with large enterprises.

The company reiterated commitment to sustainability amid changes in external environment noting need for sensitivity prompted changes to website to tone down language. In Europe, customers continue to need detailed sustainability reporting to adhere to regulatory requirements. Additionally, from a human capital perspective, belonging remains critical as workforce needs to understand the customers they serve.

Total proposals voted for Global Opportunity team strategies in 2025[14]

11,348	96%	4%
TOTAL PROPOSALS VOTED IN 2025	**VOTES WITH MANAGEMENT**	**VOTES AGAINST MANAGEMENT**

[13] Source: AI Alliance. https://thealliance.ai/

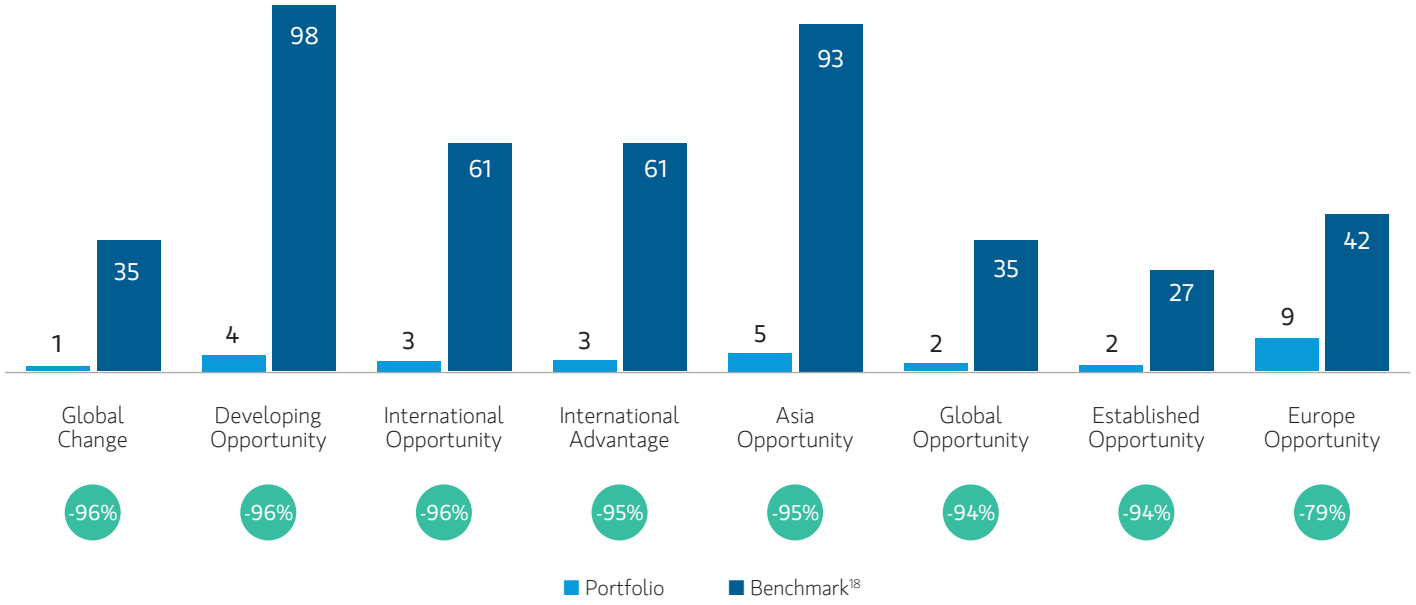
[14] Data as of December 31, 2025. Source: ISS Proxy Exchange, Morgan Stanley Investment Management.

Carbon footprint

Our portfolios typically have a lower carbon footprint[15] and intensity[16] than benchmark indices. Many of our portfolio companies have made significant investments in renewable energy to transition to lower carbon intensive operations. The lower carbon profile of our portfolios reflects our view that carbon emissions represent a negative externality that is not reflected in the income statements of high-emitting companies, as well as our preference for lower capital intensity industries. Our portfolios **did not hold coal, oil or gas** companies involved in the extraction of fossil fuel reserves, as of December 31, 2025.

Carbon footprint[17]

Financed emissions intensity (tonnes CO_2e per million U.S. Dollars invested)



Source: Morgan Stanley Investment Management, MSCI. The information on this page is a summary of the carbon profile of the representative accounts for each strategy managed by Global Opportunity as of December 31, 2025 and subject to change. The carbon footprint illustrated reflects Scope 1 (direct emissions) and Scope 2 (indirect emissions from purchased electricity) greenhouse gas emissions measured in tonnes CO_2e per million U.S. Dollars investment. The percent value highlighted in this illustration represents the difference between the carbon intensity of the index and the representative account as a percentage of the index's total carbon intensity.

[15] Carbon footprint refers to Scope 1 (direct emissions) and Scope 2 (indirect emissions from purchased electricity) greenhouse gas emissions measured in tonnes CO_2e per million U.S. Dollars invested.

[16] Carbon intensity refers to Scope 1 (direct emissions) and Scope 2 (indirect emissions from purchased electricity) greenhouse gas emissions measured in tonnes CO_2e per million U.S. Dollars revenue.

[17] Each portfolio may differ due to specific investment restrictions and guidelines. Thus individual results may vary. This document provides factual information on certain matters that do not form part of binding characteristics for any investment vehicle, and relate to the general sustainability integration approach adopted by the investment team which incorporates the consideration of sustainability matters on a materiality and non-binding basis. The information shown on the carbon profile and holdings of the portfolios does not constitute a commitment regarding the future carbon profile or the future holdings of the portfolios. Please refer to the offering documents of any investment vehicle prior to investment, for details on how, and the extent to which, the strategy takes sustainability considerations into account on a binding or non-binding basis

[18] Strategy Benchmarks: Global Change Strategy versus MSCI AC World Index; Developing Opportunity Strategy versus MSCI Emerging Markets Index; International Opportunity Strategy versus MSCI AC World ex USA Index; International Advantage versus Strategy MSCI AC World ex USA Index; Asia Opportunity versus Strategy MSCI AC Asia ex Japan Index; Global Opportunity Strategy versus MSCI AC World Index; Established Opportunity Strategy versus MSCI World Index; Europe Opportunity versus MSCI Europe Index.

MSIM Sustainable Investing

As a client-centric organization, our MSIM approach is premised on delivering investment and risk management solutions tailored to a wide range of clients' preferences, including any relevant sustainability preferences. MSIM investment teams act as responsible long-term investors and our collective purpose in delivering long-term value for our clients therefore guides our sustainability business agenda, investment and stewardship activities.

MSIM is a signatory to the Principles for Responsible Investment ("PRI"), the UK, Hong Kong & Japan Stewardship Codes and participates in various industry initiatives. For relevant reports and disclosures, please visit our MSIM Sustainable Investing website. MSIM's approach to sustainable investing is outlined in our:

- Sustainable Investing Policy
- Engagement & Stewardship Principles
- Proxy Voting Policy

Risk Considerations

There is no assurance that a portfolio will achieve its investment objective. Portfolios are subject to market risk, which is the possibility that the market values of securities owned by the portfolio will decline and that the value of portfolio shares may therefore be less than what you paid for them. Market values can change daily due to economic and other events (e.g. natural disasters, health crises, terrorism, conflicts and social unrest) that affect markets, countries, companies or governments. It is difficult to predict the timing, duration, and potential adverse effects (e.g. portfolio liquidity) of events. Accordingly, you can lose money investing in this portfolio. Please be aware that this portfolio may be subject to certain additional risks. In general, **equities securities'** values also fluctuate in response to activities specific to a company. Investments in **foreign markets** entail special risks such as currency, political, economic, market and liquidity risks. The risks of investing in **emerging market countries** are greater than risks associated with investments in foreign developed countries. **Privately placed and restricted securities** may be subject to resale restrictions as well as a lack of publicly available information, which will increase their illiquidity and could adversely affect the ability to value and sell them **(liquidity risk)**. **Derivative instruments** may disproportionately increase losses and have a significant impact on performance. They also may be subject to counterparty, liquidity, valuation, correlation and market risks. To the extent that the Strategy invests in a limited number of issuers **(focused investing)**, the Strategy will be more susceptible to negative events affecting those issuers and a decline in the value of a particular instrument may cause the Strategy's overall value to decline to a greater degree than if the Strategy were invested more widely. **China Risk**. Investments in securities of Chinese issuers, including A-shares, involve risks associated with investments in foreign markets as well as special considerations not typically associated with investments in the U.S. securities markets. Investments in China involve risk of a total loss due to government action or inaction. Additionally, the Chinese economy is export-driven and highly reliant on trade. Adverse changes to the economic conditions of its primary trading partners, such as the United States, Japan and South Korea, would adversely impact the Chinese economy and the Fund's investments. Moreover, a slowdown in other significant economies of the world, such as the United States, the European Union and certain Asian countries, may adversely affect economic growth in China. An economic downturn in China would adversely impact the Portfolio's investments. **Risks of Investing through Stock Connect**. Any investments in A-shares listed and traded through Stock Connect, or on such other stock exchanges in China which participate in Stock Connect is subject to a number of restrictions that may affect the Portfolio's investments and returns. Moreover, Stock Connect A shares generally may not be sold, purchased or otherwise transferred other than through Stock Connect in accordance with applicable rules. The Stock Connect program may be subject to further interpretation and guidance. There can be no assurance as to the program's continued existence or whether future developments regarding the program may restrict or adversely affect the Portfolio's investments or returns. **Active Management Risk**. The Adviser has considerable leeway in deciding which investments to buy, hold or sell, and which trading strategies to use. Such decisions will affect performance. To the extent the Portfolio invests a substantial portion of its assets in the **information technology sector**, the Portfolio may be particularly impacted by events that adversely affect the sector, and may fluctuate more than that of a portfolio that does not invest significantly in companies in the technology sector. To the extent the Portfolio invests a substantial portion of its assets in the **consumer discretionary sector**, the Portfolio may be particularly susceptible to the risks associated with companies operating in such sector.

INDEX DEFINITIONS

The **MSCI All Country Asia ex Japan Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of Asia, excluding Japan. The performance of the Index is listed in U.S. dollars and assumes reinvestment of net dividends.

The **MSCI All Country World Index (ACWI)** is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of developed and emerging markets. The term "free float" represents the portion of shares outstanding that are deemed to be available for purchase in the public equity markets by investors. The performance of the Index is listed in U.S. dollars and assumes reinvestment of net dividends.

The **MSCI All Country World ex USA Index** is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of developed and emerging markets, excluding the U.S. The term "free float" represents the portion of shares outstanding that are deemed to be available for purchase in the public equity markets by investors. The performance of the Index is listed in U.S. dollars and assumes reinvestment of net dividends.

The **MSCI Emerging Markets Index (MSCI EM)** is a free float-adjusted market capitalization weighted index that is designed to measure equity market performance of emerging markets.

The **MSCI Europe Index** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe. The term "free float" represents the portion of shares outstanding that are deemed to be available for purchase in the public equity markets by investors. The performance of the Index is listed in U.S. dollars and assumes reinvestment of net dividends.

The **MSCI World Index** is a free float adjusted market capitalization weighted index that is designed to measure the global equity market performance of developed markets. The term "free float" represents the portion of shares outstanding that are deemed to be available for purchase in the public equity markets by investors. The performance of the Index is listed in U.S. dollars and assumes reinvestment of net dividends.

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

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

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