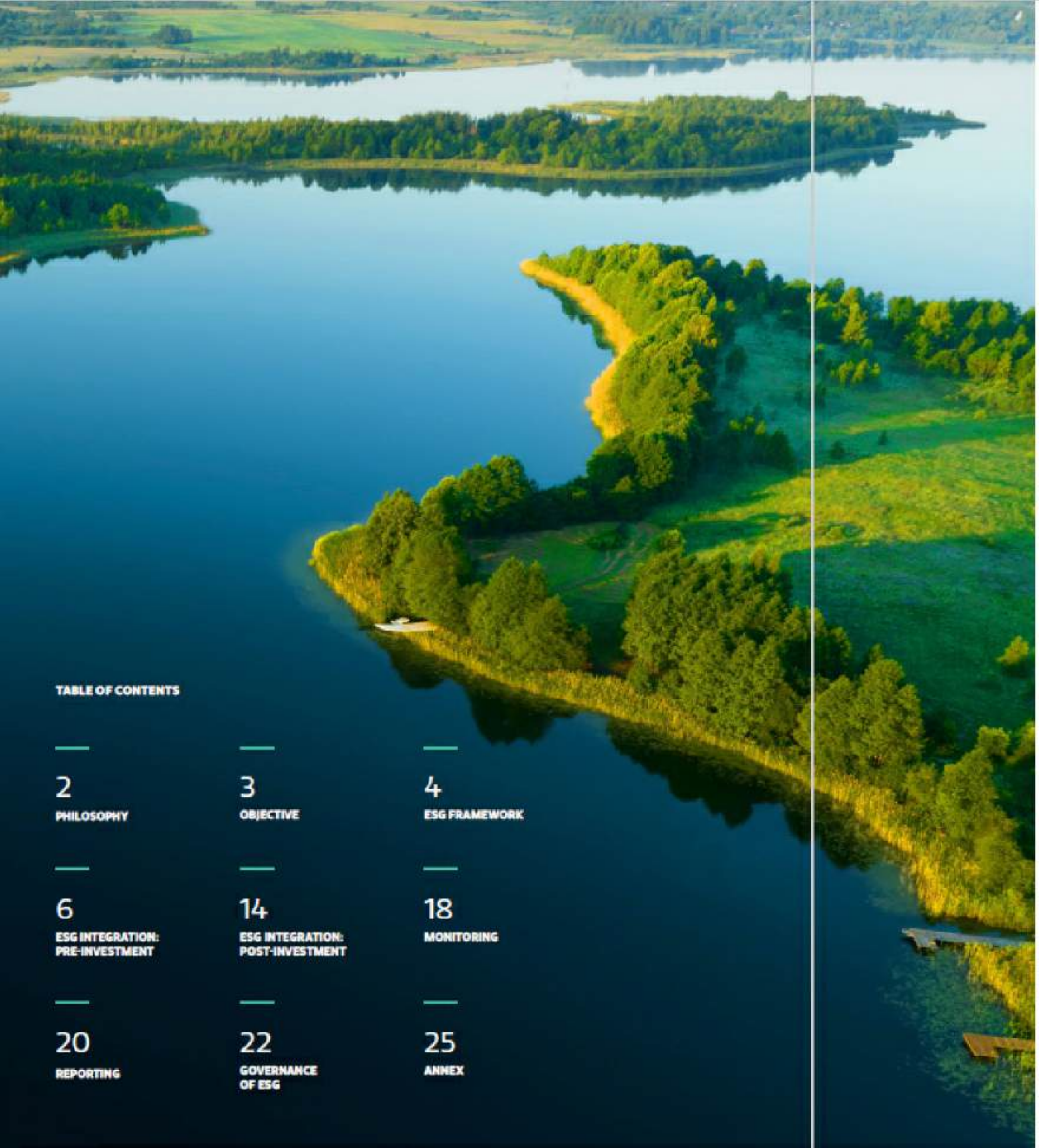
Morgan Stanley

INVESTMENT MANAGEMENT

ESG Policy

Morgan Stanley Investment Management 1GT Fund

MARKETING COMMUNICATION
January 2024



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Scope

This policy applies in full to all investment activity of the Morgan Stanley Investment Management ("MSIM") 1GT Fund, henceforth referred to as "the Fund", and seeks to communicate the extent to which ESG will be integrated throughout the investment process.

At present the Team does not expect to make any such investments outside of the context of the flagship 1GT Fund (the "Fund"), though this policy will apply to any and all growth stage climate impact investments made by the Team.

This policy will be reviewed, at a minimum, on an annual basis by the Team's ESG Lead, and any material changes will be approved by the Investment Committee ("IC") of the Fund.

Further MSIM-level details can be found in the MSIM Sustainable Investing Policy.

Philosophy

We believe that environmental, social and governance ('ESG') risks have the potential to materially and negatively impact the financial performance of the companies we invest in; for example through decreased revenue, increased expenses, the creation of impaired/stranded assets, increasing cost of capital, or through irreparable reputational damage.

Conversely, positive ESG characteristics also have the potential to become a critical lever for value creation, allowing for more attractive exit opportunities.

The Team believes that embedding ESG in our investment activities and being an active investor is therefore central to fulfilling our fiduciary duty of delivering the best possible financial outcomes for our clients, through seeking to:

1. Minimise exposure to excessive or unmanageable ESG-related risks within the portfolio
2. Identify material ESG-related opportunities from which the Fund, as an investor, can extract additional value throughout the holding period of an investment

As such, the Fund seeks to establish itself as the 'lead sustainability investor' for each transaction in which it participates. This allows the Team to communicate to portfolio companies the importance ESG and sustainability plays in its investment thesis and aims to establish clear expectations as to the role the Fund will play in extracting sustainability-related value throughout the holding period of each investment.

Objective

The sustainable investment objective of the Fund is to catalyze the avoidance or removal of a total of 1 gigaton of Carbon Dioxide Equivalent ("CO_2e"), from the earth's atmosphere by 2050, which the Fund refers to as "1GT Goal".

The investment process, both pre- and post-investment, in relation to ESG integration is therefore based on the premise of seeking to ensure the two above criteria of carbon impact potential and an attractive ESG profile are met and maximized where possible.

In the context of the Fund, investments are sought to be made in companies meeting the following criteria:

- **CARBON IMPACT POTENTIAL:** Opportunities which show potential for 1GT Impact. 1GT Impact is defined as net portfolio emissions, meaning it is the combination of an opportunity's Scope 1 – 3 emissions and the Avoided Emissions from its product or solution. The Fund will measure impact using carbon dioxide equivalent CO2e as a cumulative metric between the date of investment through to 2050. CO2e is a metric which allows all greenhouse gases to be expressed as one figure based on their warming properties.
- **ATTRACTIVE ESG PROFILE:** Companies which are "sustainable investments" in accordance with Article 2 (17) of the EU Sustainable Finance Disclosure Regulation ("SFDR") and demonstrate a history of managing their material ESG risks, and/or where the Fund can identify significant ESG or sustainability-related opportunities, based on the Fund's ESG Framework.

ESG Framework

Though the Fund's investment objective is specifically related to the achievement of environmental goals through positive climate impact, its ESG Framework takes a broader view of ESG integration and takes into account, where relevant, environmental, social and governance considerations which are generally given equal importance in the investment process.

The Framework is based on the following core beliefs, which guide the Team's approach to integrating ESG in the investment decision-making process:

- **Environmental:** As a fund targeting transformational environmental outcomes, a focus on the net environmental impact of investments is of high importance. The ESG Framework takes a broader view of environmental considerations to ensure that carbon impact is not achieved in a manner that causes significant harm to other relevant environmental matters.
- **Social:** Social dimensions play a critical role in a company's 'social license to operate' which can make or break a company's ability to generate long-term sustainable value. Diversity, equity and inclusion, in particular, will be a key consideration in alignment with the Firm's core values. The Fund's ESG Framework seeks to determine how well a company is utilising its social capital, as we believe a company with a good reputation as an employer and corporate citizen should translate to sustainable value for the company.
- **Governance:** Strong governance is the foundation upon which management of environmental and social risks and opportunities is derived. The ESG Framework also incorporates the principles of the OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Human Rights, to assess whether potential portfolio companies comply with these international norms.

ESG FRAMEWORK INDICATORS

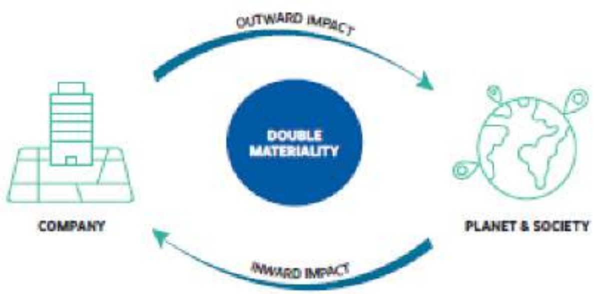
The Framework defines a range of ESG indicators along Environmental, Social and Governance considerations, including:

ENVIRONMENTAL	SOCIAL	GOVERNANCE
▪ GHG emissions ▪ Energy management ▪ Water ▪ Waste ▪ Circular economy ▪ Biodiversity ▪ Air quality ▪ Hazardous Waste	▪ Diversity, Equity & Inclusion ▪ Employee Satisfaction ▪ Health & Safety ▪ Community Relations ▪ Product Safety & Quality ▪ Employee rights ▪ Labour practices	▪ Business continuity & resilience ▪ Policies & procedures ▪ Business conduct & ethics ▪ Management competency & experience ▪ Performance and remuneration practices ▪ Legal & regulatory compliance

DOUBLE MATERIALITY

The concept of double materiality is incorporated in the Framework through the assessment of ESG-related risks and opportunities and the consideration of Principal Adverse Impact indicators as part of the SFDR do no significant harm tests. In other words, it takes into account:

- The impact that a company's performance against the ESG themes listed above may have on the value of a company
- The impact that a company may have on one or more of the ESG themes listed above as a result of its operations, or the Fund's investment through the integration of Principal Adverse Impact ("PAI") Indicators as per the SFDR. For more information, please see the Fund's Principal Adverse Impact Methodology



ESG Integration: Pre-Investment

Integration of ESG considerations begins at the very start of the investment process during opportunity sourcing.

IMPACT POTENTIAL

The investment Team will screen potential opportunities based on their perceived potential for carbon impact.
Those without potential for significant carbon impact will be rejected.

EXCLUSIONS

An exclusion list is also applied, precluding investment in companies with exposure to sectors or activities deemed unacceptable from an ESG perspective. The list is comprised of three levels of exclusions:

- **Required exclusions:** exposure to sectors and/or activities broadly excluded, such as cluster munitions as required by the Oslo Convention
- **Fund-level:** exposure to sectors and/or activities excluded by the Fund. For more information, please refer to Annex I
- **LP-level:** exposure to sectors and/or activities excluded by the request of LPs to the fund

This stage of the process helps to narrow the investment universe and focus attention on opportunities which are more likely to achieve (i) carbon impact potential, and (ii) an attractive ESG profile.

PRELIMINARY ESG DATA GATHERING

During Phase I of the due diligence process, the Team will share an information pack with the Opportunity to communicate its expectations and requirements in terms of the overall ESG due diligence process and, should an investment be made, ongoing ESG-related monitoring.

ESG: Integration: Pre-Investment
1 2 3 4 5 6 7 8 9

This pack will also contain a brief questionnaire containing some broad ESG-related requests, the responses to which will enhance the preliminary screening and subsequent full due diligence process.

During Phase I, the Team perform high level assessments of ESG-related risk and opportunity, a summary of which will be included in an initial IC meeting during which the merits of a potential deal are discussed.

COUNTRY/REGION

The Team will factor in a company's headquarters and sites of major operations into the level of perceived risk of an opportunity.

INDUSTRY

On a preliminary basis, the Team will provide an overarching view of the level of risk facing that industry to frame initial discussions around the investment opportunity.

During this stage, the Team will also determine whether engagement with Morgan Stanley's ESRM Environmental and Social Risk Management team ("ESRM") is necessary based on the industry in which a company operates, or the activities its core business model is involved in.

As per MSIM's internal framework, investment teams may engage with the resources of the ESRM team when considering investing in a company involved in activity falling under 'high' or 'moderate' risk as per the ESRM risk categorizations.

If the ESRM team is engaged, in tandem with the team, ESRM will follow its own internal process, including i) assessment of inherent sector environmental and social risks, ii) assessment of client and transaction-specific risks, iii) targeted inquiries for identified red flags, and iv) resolution and/or escalation.

ESG THEMES

The Team will identify, on a provisional basis, the most likely material ESG themes, as per the defined themes within the Fund's ESG Framework listed above, relevant for the industry in which a company operates, and consider how exposed a company may be to these themes.

During Phase I, the Team perform high level assessments of ESG-related risk and opportunity, a summary of which will be included in an initial IC meeting during which the merits of a potential deal are discussed.

CONTROVERSIES

If an opportunity proceeds to Phase II of the due diligence process, the Team will perform full ESG due diligence on a Company, the focus of which is to ascertain whether an opportunity presents an attractive ESG profile.

The Team will check for any significant controversies the company has been exposed to and/or involved in, utilizing desktop research and external third-party ESG data specialists such as RepRisk. Any information obtained as part of the controversies check may be used to inform the ESG due diligence process should an opportunity proceed to Phase II, for example by focussing the investment Team's attention on the company's management of ESG themes and indicators relating to any controversy the company has been exposed to or associated with.

RepRisk is an ESG data science company which uses a combination of artificial intelligence, machine learning and human intelligence to inform its business-conduct risk research. For each company in its database, the platform assigns a proprietary 'RepRisk Index', a quantitative indication of both current and historically peak controversy risk, taking into account i) the severity of any reported controversy event(s), ii) the frequency of reported controversy event(s), and iii) amount of time elapsed since any associated controversy events.

If an opportunity proceeds to Phase II of the due diligence process, the Team will perform full ESG due diligence on a Company, the focus of which is to ascertain whether an opportunity presents an attractive ESG profile. This assessment is based on a combination of two separate factors:

- **Materiality:** For each investment opportunity, different ESG themes may be more or less material to that company's business model and the industry in which it operates.
- **Management:** For each investment opportunity, a company will manage the risks and opportunities related to a particular ESG theme differently.

Key to determining whether the opportunity's ESG profile is attractive, is that the company's management of an ESG theme is commensurate with the materiality and importance of that theme, suggesting that the company is utilising its resources to manage its ESG risks and opportunities in an efficient way.

For example, where an ESG theme has been classified as highly material, the Team would expect management of that theme to being strong. Conversely, where an ESG theme has been classified as of low materiality for the opportunity in question, the Teams' expectations of an acceptable level of management would be lower in this instance.

The detailed underwriting process contains the following steps:

ESG DDQ

The ESG Framework forms the basis of the due diligence questionnaire ("ESG DDQ") submitted to each potential investee company, which all potential investee companies are required to complete. This process begins the collection of standardised information related to the full set of ESG themes contained within the Fund's ESG Framework, against which a company's performance along each ESG theme can be determined.

Within the Fund's ESG Framework, the use of a 'priority' label highlights which questions and corresponding data points are the most critical to obtain answers to on a portfolio-wide basis. These 'priority' data points incorporate those necessary to perform an assessment of whether significant harm is caused to relevant environmental or social objective as per the mandatory SFDR PAI indicators.

The ESG DDQ fully integrates all mandatory PAI indicators, as per the SFDR Regulatory Technical Standards ("RTS") published in April 2022, through the inclusion of a number of questions relating to each PAI to determine whether a company meets the Fund's criteria for its 'do no significant harm' assessment in relation to the environmental or social objectives covered by the PAIs.

The ESG DDQ will also enable the Team to determine whether a company exhibits good governance practices in accordance with the SFDR requirements for sustainable investments.

ESG THEME MATERIALITY

To focus time and effort on the key material themes affecting a company being considered for investment, materiality of ESG themes are categorized as either:

- **Low:** ESG themes which are not deemed to be financially material to a company, or where the company's potential impact on that ESG theme is minimal.
- **Medium:** ESG themes which have either been in the past, or may become in the future, material in terms of a potential negative impact on the value of a company, and/or where the company's potential impact on that ESG theme is not significant.
- **High:** ESG themes which are highly likely to cause a negative impact on the value of a company and/or where the company's potential impact on that ESG theme could cause significant harm.

Materiality classifications may be determined by the Team, company management, or a combination of both, and will incorporate the material themes identified during Phase I of the due diligence process, as well as the relevant mandatory SFDR PAI indicators as detailed in the Principal Adverse Impact Indicator Methodology document.

With regards to themes relating to PAI indicators as per the EU's SFDR, materiality has been defined on a portfolio-wide basis, based on the sectors on which the Fund's investment activity is focussed. While these materiality classifications are predominantly applied as defaults, due to the variances between companies, some PAI indicator materiality classifications may be determined on a case-by-case basis in situations where a potential investee company is significantly more or less exposed to that theme than the default classification. For more information, please see the Principal Adverse Impact Methodology document.

FOLLOW UP

Following receipt of the completed ESG DDQ, the Team will likely conduct follow ups with company management to ask further questions where they believe further input or clarification may be required.

This will typically involve submitting a follow-up questionnaire, conducting a call with company management, or both.

The Team uses the questions designated as priority within the Fund's ESG DDQ as a default guide to which topics to focus on during follow up discussions with company management, for example where the Team feels further clarification on answers provided is needed, or where an answer has not yet been given. In doing so, a consistent minimum level of ESG performance assessment for each investment opportunity within the portfolio is established.

In addition, follow up conversations may also be tailored to focus on ESG themes which have been identified as highly material, specific to the company in question, and therefore require a deeper understanding than the default approach described above.

PROPRIETARY SCORECARD

Information gathered will be analysed against the ESG Framework's proprietary scorecard to ascertain how well a company is managing its exposure to a particular ESG theme.

The scorecard contains qualitative descriptions of performance levels along a scale of 1-5, as illustrated below, for each ESG theme, ensuring analysis is performed consistently across the Team.

It should be noted that performance levels are intended to assume a normal distribution of sorts, where we would expect the majority of performance scores to land around a (3)

Committed, with (4) Strong and (5) Excellent being subsequently more difficult to attain and therefore indicating relative strength.

Where a particular question set or ESG theme is deemed to be not applicable to the company in question, this will be reflected in the scorecard whereby an 'N/A' will be stated in place of a 1-5 point numerical score. Instances such as these are expected to be uncommon, and the scorecard's mechanism is designed in a way that any 'N/A' is not taken into account for the overall quantitative score for that ESG theme.

A company's ESG performance along each ESG theme, as determined by the proprietary scorecard, is summarized at three levels: Environmental, Social and Governance rather than aggregated giving rise to one overall rating. In doing so, analysis along environmental, social and governance considerations is sufficiently separated to ensure that the relative strengths and weaknesses within each of these distinct areas is not obscured.

OVERSIGHT OF ESG ANALYSIS

Following completion of the ESG due diligence, the ESG Lead will perform a review of the analysis to ensure consistent application of the ESG framework and the SFDR Article 9 requirements.

IMPACT FORECASTING

The Team will work with external specialists to accurately model and forecast the '1GT Impact' of the investment. For more information, please refer to the Carbon Impact Methodology document, in addition to the Impact Measurement section below.

POTENTIAL TAXONOMY ALIGNMENT

Utilising the tools made available by the European Commission, such as the Taxonomy Compass, the Team may, to the extent that the availability and quality of data permits, make a high level, non-binding assessment as to whether an opportunity's primary revenue-generating activity has the potential to be aligned with the EU Taxonomy by way of contribution to one of the Taxonomy's environmental objectives.

It should be noted that investments are not selected on the basis of Taxonomy eligibility and/or alignment and the assessment of Taxonomy eligibility and/or alignment does not form part of 1GT's binding sustainable investment objective for the purposes of SFDR, and the basis of such assessment would be solely to facilitate reporting and/or disclosures to interested investors.

DATA SOURCES

Information used in investment due diligence is obtained through a combination of sources, including:

- **Direct engagement:** direct engagement with company management (e.g., via data requests, one-on-one conversations with company management, onsite visits to company facilities and sites of operation)
- **External resources:** consultants, third-party data providers, academics, and other participants in the eco-system such as early-stage investors for example.
- **Expert internal resources:** As one of the premier global financial services firms and with its top-level commitment to sustainability, Morgan Stanley offers worldwide and expert resources relevant for climate investing. These include, on a non-exhaustive basis, the Institute for Sustainable Investing / Global Sustainable Finance, the ESRM Team, and the MSIM Sustainability Team. These resources allow the Team to leverage specialized knowledge of a particular sector or ESG theme (for example where any potentially significant risks have been identified, or in complex situations). As part of

Morgan Stanley, the Team is also able to, within the rules of the Firm's information barriers framework, work with sector experts on the Investment Banking and Equity Research teams to get additional insights into certain themes and sectors.

- **Estimates:** Estimates or proxies may be used in circumstances where it is not possible to obtain reliable or accurate data.
- **Proprietary surveys:** the Team may create proprietary surveys to assess certain segments of the sustainable investing universe.

During Phase III, the deal team make its final recommendation to the IC.

IC MEMO

The output of the ESG due diligence process is summarized in a dedicated ESG section within the IC memo for each potential investment. During IC meetings, ESG is discussed as standard, and will highlight:

- A company's overall performance in relation to the management of its key material ESG themes
- Red flags if any identified
- Opportunities for sustainability-related value creation through engagement which will form the basis of the Sustainability Value Add ("SVA") action plan

Identification of unmanageable or unacceptable levels of ESG-related risk would result in an investment being declined. This would typically occur only in extreme cases, for example where several instances of human rights abuses have been uncovered. A more typical situation would be where it is possible to work on addressing the underlying ESG risks but the opportunity cost relative to another investment opportunity can result in a decline of the investment.

Additionally, evidence of potential significant harm being caused to an environmental or social objective (measured in accordance with the thresholds defined by the Fund's PAI methodology) which the Team considers cannot be managed/avoided, improved or mitigated in a reasonable timeframe through engagement activity would result in the investment being excluded.

During Phase III, the deal team make its final recommendation to the IC.

LEGALLY BINDING AGREEMENTS

As a private equity owner of the investee companies, the Fund will seek to obtain legal rights to data provision by the company as part of its investment documentation based on i) the Fund's ESG Framework, and ii) disclosures required by the EU's SFDR. Provision of data will be prioritized based on the materiality of the ESG theme to which a certain data point pertains.

If an opportunity is approved by the IC and selected for investment, legal counsel seeks to obtain a binding agreement in the form of the investment / share purchase agreement or attendant documents whereby the investee company agrees to:

- Co-operate with the Fund's Team and/or any third-party consultant or specialist appointed by the Fund to assist in the collection of ESG and impact-related data and to work towards improving disclosure practices overall
- Actively engage with the Fund's Team and/or any third-party consultant or specialist appointed by the Fund with the goal of addressing material ESG-related risks, or capitalizing on ESG-related opportunities, to be contained within a SVA action plan post-investment

LEAD SUSTAINABILITY INVESTOR

The Team seeks to identify itself as the 'lead sustainability investor' for each transaction in which it participates. The intention behind this designation is to focus the Team's time and attention on areas in which it can be accretive to value creation, while allowing other investment partners within the syndicate to focus on operational management. This will be communicated with both portfolio companies and other members of the syndicate prior to investment through ongoing conversations as part of the investment process to ensure that all parties are aligned and aware of the proposed role the Team will play post-investment.

Once selected, the investment team will work in collaboration with company management to lay the foundations for the creation of an SVA action plan.

In its proposed role as lead sustainability investor, the investment team, including the ESG Lead and Impact Evaluation Lead, will seek to act as valuable resources to all portfolio companies in order to provide advice, tools, and additional resources in advancing progress towards the goals contained within the SVA action plan.

In all cases, the Team seeks to encourage portfolio companies to utilize these resources as part of the Team's commitment to advancing responsible and sustainable investment. The Team believes that the Fund's commitment to responsible investing will serve as an important validation to potential buyers in an exit process and could potentially help generate increased interest in the company.

The Fund's 1 gigaton reduction goal and its SVA process is what the Team believes distinguishes the Fund from other providers of capital. We believe that portfolio companies that partner with the Fund will do so explicitly based on this knowledge.

ESG Integration: Post-Investment

Post-investment, the Team will work closely with company management to execute a programme of engagement which seeks to prioritize areas of improvement that could add sustainability-related value.

	PHASE I	PHASE II	PHASE III	
OPPORTUNITY SOURCING	PRELIMINARY SCREENING	DETAILED UNDERWRITING	PROPRIETARY EXECUTION	VALUE CREATION EXIT PLANNING

APPROACH TO ENGAGEMENT

Engagement activity will predominantly be outcomes-based, seeking to drive positive change by engaging with the key influencers and decision-makers within a portfolio company, with whom the Team typically have direct lines of communication.

Key influencers will differ between portfolio companies, and the Team therefore takes a flexible and tailored approach in terms of who issues are addressed to specifically, while recognizing the importance of senior manager buy-in to drive commitments to sustainability-related initiatives from the top down.

While there is no formal schedule for following-up on company engagements, it is expected that this will occur on an periodic basis. Where applicable, goals will incorporate quantitative targets against which progress may be measured.

PROACTIVE ENGAGEMENT: SUSTAINABILITY VALUE ADD ('SVA') ACTION PLAN

The vast majority of engagement activity is performed proactively, and is derived from the bespoke SVA action plan created for each portfolio company post-investment. Contents of SVA actions plans have been informed by the outcomes of the due diligence process (IGT-led) and conversations with company management in terms of their goals and ambitions (company-led), and will generally be collaborative in nature, working towards shared goals.

SVA action plans help to guide the Team's ongoing engagement activity across 3 key pillars:

1 Impact acceleration	2 ESG	3 Expansion & exit opportunities

The inclusion of an ESG pillar as standard ensures that this is a focus area for ongoing improvement throughout the holding period for each investment the Fund makes.

REACTIVE ENGAGEMENT: RESPONDING TO CHANGING CIRCUMSTANCES

In addition, the Team may also engage with portfolio companies on a reactive basis following the identification of a controversy or risk event, or where, for example, the annual monitoring process reveals a deteriorating performance along one of the ESG frameworks themes.

SETTING ENGAGEMENT OBJECTIVES

Objectives and targeted outcomes will be determined through a combination of:

- **Company-specific:** Company-specific areas of material sustainability-related risk, potential areas of significant harm, or material sustainability-related opportunities as identified by the deal team, or identified by company management as those from which they would like to receive additional input and ESG resources.
- **Strategic priorities:** Strategic engagement priorities that the Team engages with a number of portfolio companies on. Strategic engagement priorities may in some instances be derived from MSIM level areas of focus or determined by the ESG Lead and IC on an annual basis to better reflect the Fund's portfolio companies.

Strategic engagement priorities include:

- **Data:** Improving disclosure of ESG-related data, incorporating data relating to the PAI indicators as defined by SFDR. Disclosure of particular data points will be prioritized depending on the materiality of that ESG theme or PAI indicator to the particular investment. High materiality themes and related data points will give rise to the most concerted efforts to improve data disclosure over the short-term, though it should be noted that all portfolio companies will be encouraged to improve disclosure against all unavailable data points (per the Fund's ESG Framework) regardless of materiality over the holding period of the investment.
- **Minimising carbon footprint:** Identifying levers for reduction in Scopes 1-3 emissions to amplify the positive carbon impact resulting from a company's avoided emissions.
- **Diversity, Equity & Inclusion:** Raising awareness of Diversity, Equity and Inclusion ("DEI") and exploring ways a portfolio company can support a diverse, equitable and inclusive work environment.

PROVIDING RESOURCES TO PORTFOLIO COMPANIES

As part of the Fund's role as the lead sustainability investor for each transaction, the Team will seek to act as a valuable resource to portfolio companies, providing support, tools and resources to the company to enable them to progress against the ESG-related goals defined in the sustainability value-add action plan. Over time, through its engagement activity with portfolio companies, the Team will develop a 'toolkit' of resources that various portfolio companies can use in achieving engagement objectives and targeted outcomes. The toolkit may include documentation such as:

- **Internally-generated guides:** for example that explain how a company may go about outlining the steps a company could take in thinking about developing a net zero transition strategy (where applicable), or establishing a DEI policy.
- **Third party research:** for example published research that demonstrates the importance of a particular ESG theme or demonstrates the link between an attractive ESG profile and value creation.
- **Case studies:** for example anonymized accounts of the steps other similar portfolio companies took in achieving a particular engagement objective or targeted outcome.

MSIM's central sustainability resources may be made available to portfolio companies to offer specialized and tailored advice and the Team can facilitate engagement between portfolio companies and these resources, particularly in relation to the initiatives set out in in a company's SVA action plan.

ENHANCED ENGAGEMENT PROTOCOL

In the event that the deal team identifies a situation in which a portfolio company's management of one or more material ESG-related risks or opportunities does not meet satisfactory levels or has been deteriorating over time, or where a company has been identified as potentially causing significant harm through the impact of its operations on an ESG theme or PAI indicator as per the SFDR, the Team will enact an enhanced engagement protocol.

Under an enhanced engagement protocol, the portfolio company and deal team work to resolve this over the course of 12 months from the date of identification. In such an instance, the frequency of engagement activity will likely increase and may involve other resources, such as MSIM's central sustainability resources or third party specialists. At the end of this 12 month period, the Team will review the situation and either:

- Revert to a regular programme of engagement where the issue has been remedied and all concerns relating to significant harm have been resolved.
- Develop a new 12 month engagement plan where sufficient progress has been made, but the issue has not yet been fully remedied and the company is still deemed to breach the significant harm thresholds as defined by the PAI methodology. For more information, please see the Principal Adverse Impact Methodology document.
- Formulate an exit strategy, where the Team concludes that further engagement will yield little to no results by way of remedying a serious issue, for example where an investment is deemed to be causing significant harm against one or more environmental or social objectives as per the thresholds defined by the Fund. For more information, please see the Principal Adverse Impact Methodology document.

COLLECTIVE ENGAGEMENT

Engagement with portfolio companies will first and foremost be undertaken individually, pursuant to the binding agreement between the Fund and the portfolio company whereby company management commit to engaging with the Team and/or any third-party consultant or specialist appointed by the Fund in relation to ESG matters. However, the Team recognizes effective implementation of an SVA plan only works if other parties in the capital stack and the Board are in alignment with it, and that collective engagements can be powerful drivers of change.

As such, the Fund will, where necessary, seek to work in conjunction with other investors in the capital stack in order to amplify the impact of the undertaken engagement and the chances of engagement objectives and targeted outcomes being achieved.

TRACKING ENGAGEMENT

The Team will track all engagement activity in an Engagement Database, which will assist in tracking progress against targeted outcomes and ensuring portfolio companies remain on track.

The Team will update the Engagement Database on an ongoing basis, including information such as:

- Forms of engagement (e.g., phone call, email)
- Date of engagement and updated timeline, where applicable
- Summary of the engagement
- Outcome of individual engagement activity
- Next steps
- Level of progress against a targeted outcome following the individual engagement

Monitoring

As a private equity investor, the Fund will seek to obtain legal rights to data provision by the portfolio company as part of its investment documentation to enable effective monitoring during the holding period of an investment.

Monitoring activity will be structured according to the type of data in question, as follows:

- **PAI INDICATORS (QUARTERLY/ANNUAL):** The Fund's monitoring activity will, as standard, incorporate all data points necessary to determine whether a portfolio company continues to meet the criteria of a 'sustainable investment' as per the EU's SFDR definition, which requires an ongoing assessment of whether significant harm to any environmental or social objective is caused by reference to the mandatory PAI indicators set out in Annex I of the SFDR RTS (April 2022). Data collection efforts in relation to PAI indicators will occur on either a quarterly or annual basis, dependent on the materiality of the PAI indicator. For more information, please see the Fund's Principal Adverse Impact Indicator methodology document.
- **ESG DATA (ONGOING/ANNUAL):** Monitoring will occur informally on an ongoing basis through regular discussion with company management, and on a more detailed level on an annual basis, by way of an update of the ESG DDQ which all portfolio companies are required to complete following each calendar year end.
- **PROGRESS AGAINST SVA ACTION PLANS (ONGOING/ANNUAL):** Throughout the holding period, progress against the ESG-related objectives within the SVA action plan will be tracked on an ongoing basis via an Engagement Database.

DATA COLLECTION

From 2024 onwards, the Fund will utilise a digital platform, Novata, to streamline the annual monitoring process through the use of a combination of standardised and bespoke data collection requests. These requests will be automated at specific time intervals, the format of which should help to alleviate the burden on portfolio companies and seek to maximise the response rate to further the Fund's aims of improving rates of disclosure.

CONTROVERSIES AND INCIDENTS

The Team will utilize RepRisk's portfolio tracking platform by adding each company invested in to a 'watchlist'. The platform leverages machine learning to screen hundreds of thousands public sources on a daily basis to produce timely and informative alerts in relation to emerging controversies or conduct-based risk to which a company may be exposed or associated with. Any new controversy or incident that is detected by the system prompts an instant email alert to a member of the ESG team, providing a summary of the controversy or incident. Dependent on the circumstances, any such email alert is likely to lead to reactive engagement with company management to understand the implications of the controversy or incident, and to explore potential remedial options if appropriate.

In addition, all portfolio companies will be encouraged to proactively report any material controversies or incidents that occur during the holding period, to reinforce open lines of communication and the Fund's collaborative approach to working with portfolio companies on ESG-related risks and opportunities.

MONITORING OUTCOMES

Information gathered as part of the annual ESG DDQ update, as well as arising from ongoing informal monitoring activity, will feed into the Team's assessments of a company's ESG profile which are reviewed on an annual basis, following receipt of all monitoring questionnaire responses.

This process helps to determine each portfolio company's direction of travel in terms of ESG performance (e.g., improving performance, no change in performance, or deteriorating performance). Deteriorating performance may trigger the enhanced engagement protocol, as described in the Engagement section.

Reporting

The production of ESG and impact-related reporting will feed into an exit strategy in which the Team seeks to demonstrate the strong – and improving – ESG profile of a portfolio company.

IMPACT MEASUREMENT WITHIN 1GT

The sustainable investment objective of the Fund is to catalyze the avoidance or removal of a total of 1 gigaton of GHG emissions, measured in Carbon Dioxide Equivalent ("CO2e"), from the earth's atmosphere by 2050, which the Fund refers to as the 1GT Goal. CO2e allows all greenhouse gases to be expressed as one figure based on their warming properties.

The Fund will report the '1GT impact' of its investee companies, defined as the combination of Scope 1–3 emissions of an investee company with its avoided emissions (defined as emission reductions which occur outside of a company's product or service lifecycle or value chain, but which result from the use of such company's product or service).

All investments are selected based on their potential contribution to the Fund's 1GT Goal. The Fund will not invest in companies which focus solely on reducing their own carbon footprint alone (Scope 1-3 emissions) but have little or no 1GT Impact, thus ensuring maximum impact in relation to climate change mitigation is achieved.

For more information, please see the Fund's Impact Methodology document.

ANNUAL ESG/IMPACT REPORT

On an annual basis, the Fund will produce an ESG/impact report, incorporating:

- **Detailed carbon accounting:** the report will include specific information on avoided emissions impact per portfolio company, which will be assured by a specialist third party. This will be evaluated against the initial underwriting of the CO2 impact with ratings for where the environmental impact is tracking relative to expectations. Data will also be aggregated to measure progress of the Fund as a collective entity towards the 1GT Goal.
- **Other impact metrics:** the Team will also endeavor to capture and report on a set of other impact KPIs that are company specific. These could include could include social impact metrics such as employment creation, workplace diversity and board representation. Other, non-carbon related metrics such as water savings, broader reduction in resource consumption, pollution reduced, biodiversity enhanced. where they are relevant (and where tracking and disclosure has been pre-agreed with the portfolio company) will also be disclosed in the annual impact report.
- **Engagement activities:** the Team will also report on the state of ESG engagement with the underlying portfolio companies undertaken as part of the SVA process.
- **Other:** any other relevant ESG-related developments over the year.

REPORTING OBLIGATIONS UNDER SFDR

Periodic SFDR reporting will be produced for the Fund on an annual basis, setting out information on how the sustainable investment objective has been met during the annual reference period. For more information on what this report will contain, please refer to the template provided at the following link:

Article 9 Periodic Disclosures

REPORTING ON BROADER MSIM SUSTAINABILITY-RELATED ACTIVITIES

These include, but are not limited to:

- MSIM Climate Report
- UK Stewardship Code Report
- PRI Transparency Reports

These reports are available publicly on the Morgan Stanley website: link

Governance of ESG

RESPONSIBILITIES

The Fund benefits from 2 dedicated ESG resources, ("ESG team"), who head up the ESG due diligence process, alongside an in-house Impact Evaluation Lead, who is responsible for oversight of the Fund's impact potential and carbon accounting.

Impact and ESG are both fully integrated into the wider due diligence process as key components of an opportunity's investment thesis, and this analysis is conducted concurrently and in conjunction with the rest of the deal team's work throughout the full investment process.

Members of the ESG team and wider deal team work closely, having regular touchpoints and exchanging findings at each step of the process, to ensure that true integration is achieved.

TRAINING AND COMPETENCY

Each member of the Team undertakes mandatory formal ESG training and will, going forward, attend periodic ESG/sustainability training sessions in order to advance the investment team's ESG competency.

The ESG Lead and Impact Evaluation Lead are ultimately responsible for keeping the investment team up to date in terms of the latest and most relevant developments within ESG, sustainability and impact. On an informal basis, Team development in relation to ESG competency occurs through the close collaboration between the investment team members and the ESG Lead and Impact Evaluation Lead, who act as support in all investment activity. Periodic ESG newsletters are circulated to the Team by the ESG Lead, summarizing the latest developments affecting private equity to ensure the wider investment team continuously improve their ESG and sustainability knowledge.

Morgan Stanley will pay for most ESG certification training courses and the ESG Lead will curate a small set of valuable courses that the Team will be encouraged to attend. At a Firm level, investment teams benefit from training programs facilitated by MSIM's Sustainability Team, the Firm's ESRM team and the Firm's Global Sustainable Finance Group, and both internal and external sustainability subject matter experts, ensuring a high level of ESG literacy across investment teams.

ACCOUNTABILITY

Oversight of the ESG function and implementation of the Fund's ESG policy is the responsibility of the investment Team's ESG Lead. This includes ensuring that the ESG due diligence framework and scoring mechanism is applied consistently across all deals, that the due diligence output is sufficiently robust to inform investment committee members of the relevant ESG-related risks and opportunities the opportunity presents, and developing a programme of ESG engagement in the post-investment phase.

Related to this, the ESG Lead is also responsible for ensuring the Fund complies with all requirements relating to its designation as an Article 9 financial product.

ADDITIONAL RESOURCES

The Team is also able to leverage MSIMs wider ESG and Sustainable Investing expertise, who may become involved in pre-investment due diligence and post-investment engagement activity as appropriate. For example:

- **MSIM Sustainability team:** providing additional guidance relating to sustainability regulation and the Fund's Article 9 designation
- **Morgan Stanley Global Sustainability Office:** assisting the Team in post-investment engagement efforts, providing advice to portfolio companies regarding ESG strategy and implementation

In addition, the Team may appoint external consultants, who will assist in the collection and calculation of the Fund's carbon accounting, ESG/Impact and PAI data as per the SFDR.

ESG and Sustainable Investing is the purview of different groups across MSIM and Morgan Stanley. These groups include:

- MSIM Sustainability Council
- MSIM's central Sustainability Team
- Global Stewardship Team
- Sustainability Team Leads / Individual Investment Teams
- Morgan Stanley Global Sustainability Office and Institute for Sustainable Investing

INDUSTRY CONTRIBUTION

The Team aims to implement best practices within the industry in relation to ESG and impact, and as such seeks to contribute to the advancement of these functions within the private equity space wherever possible.

MSIM's PC&E platform is also a signatory to ILPA's Diversity in Action initiative, which involves GPs and LPs committed to advancing diversity, equity and inclusion (DEI) in the private equity industry, which is also one of Morgan Stanley's core values – Commit to Diversity and Inclusion. The goal of the initiative is to motivate market participants to engage in the journey towards becoming more diverse and inclusive and to build momentum around the adoption of specific actions that advance D&I over time.

The PC&E business is also a member of Ceres' Private Equity Working Group, which supports GPs and LPs transition private equity portfolios towards a sustainable net zero economy. Our contribution has included facilitating and participating in sessions that provide GPs and LPs with the latest climate-centric andsustainable investment practices, policies, frameworks and tools to assess, manage and mitigate ESG and climate risks.

Through its various businesses and internal functions, MSIM and Morgan Stanley belong to and take a leading role in many ESG-related organizations.

The firm regularly brings together investors, policymakers, NGOs, and environmental thought leaders to share lessons and promote innovative solutions to environmental challenges. This includes participating in industry conference panels, exploring joint research, and supporting the work of groups focused on ESG-related issues.

A full list of sustainability initiatives that Morgan Stanley and MSIM are involved with can be made available upon request.

Annex

ANNEX I: EXCLUSION POLICY

Investments will be excluded in companies operating in the following industries:

- Extraction, mining, exploration, transportation, storage, processing, initial refinement or distribution of fossil fuels (which, for the avoidance of doubt, excludes re-refinement activities for the purposes of recycling)
- Production or trade of palm oil
- Production of adult entertainment
- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES
- Production or trade in weapons and munitions, including anti-personnel mines, cluster munitions, chemical weapons and biological weapons
- Production or trade in alcoholic beverages (excluding beer and wine)
- Production or trade in tobacco
- Gambling, casinos and equivalent enterprises
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%
- Drift net fishing in the marine environment using nets in excess of 2.5 km in length.
- The above incorporates the IFC's Exclusion List 2007 of excluded activities.

For the purpose of this policy, operation in a particular industry refers to a company which derives 10% or more of its revenues from participation in one of the above stated activities.

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Alternative investments are speculative and include a high degree of risk. Investors could lose all or a substantial amount of their investment. Alternative investments are suitable only for long-term investors willing to forego liquidity and put capital at risk for an indefinite period of time. Alternative investments are typically highly illiquid – there is no secondary market for these private funds, and there may be restrictions on redemptions or assigning or otherwise transferring investments into private funds. Alternative investment funds often engage in leverage and other speculative practices that may increase volatility and risk of loss. Alternative investments typically have higher fees and expenses than other investment vehicles, and such fees and expenses will lower returns achieved by investors.

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No investment should be made without proper consideration of the risks and advice from your tax, accounting, legal or other advisors as you deem appropriate.

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Epidemics and Other Health Risks. Many countries have experienced outbreaks of infectious illnesses in recent decades, including swine flu, avian influenza, SARS and the 2019-nCoV (the "Coronavirus"). In December 2019, an initial outbreak of the Coronavirus was reported in Hubei, China. Since then, a large and growing number of cases have been confirmed around the world. The Coronavirus outbreak has resulted in numerous deaths and the imposition of both local and more widespread "work from home" and other quarantine measures, border closures and other travel restrictions, causing social unrest and commercial disruption on a global scale and significant volatility in financial markets. In March 2020, the World Health Organization declared the Coronavirus outbreak a pandemic.

The ongoing spread of the Coronavirus has had, and will continue to have, a material adverse impact on local economies in the affected jurisdictions and also on the global economy, as cross border commercial activity and market sentiment are increasingly impacted by the outbreak and government and other measures seeking to contain its spread. The global impact of the outbreak has been rapidly evolving, and many countries have reacted by instituting quarantines and restrictions on travel. These actions are creating disruption in supply chains, and adversely impacting a number of industries, including but not limited to retail, transportation, hospitality, and entertainment.

In addition to these developments having adverse consequences for certain portfolio companies and other issuers in or through which the funds mentioned herein (the "Funds") may invest and the value of any Fund's investments therein, our operations (including those relating to the Fund) have been, and could continue to be, adversely impacted, including through quarantine measures and travel restrictions imposed on our personnel or service providers based or temporarily located in affected countries, or any related health issues of such personnel or service providers. Any of the foregoing events could materially and adversely affect the Fund's ability to source, manage and divest its investments and its ability to fulfil its investment objectives. Similar consequences could arise with respect to other comparable infectious diseases.

Prospective investors should note that any information provided regarding valuations and/or prior performance of a Fund and its investments and its Investment Manager's and/or its affiliates' assets under management was determined and relates to periods prior to the widespread outbreak of the COVID-19 pandemic and does not reflect any estimated negative impact of the outbreak or the related economic ramifications. Given the significant economic and financial market disruptions currently occurring and anticipated in connection with the outbreak, it is expected that the valuation and performance of certain of a Fund's investments will be materially adversely impacted for future periods (at least in the short term).

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