Morgan Stanley
INVESTMENT MANAGEMENT

Emerging Markets Equity

Annual Stewardship Report 2025

Global Emerging Markets | Global Emerging Markets Ex China | Sustainable Emerging Markets Asia Ex Japan | China A | China | India | Latin America | Emerging Markets Leaders | NextGen EM

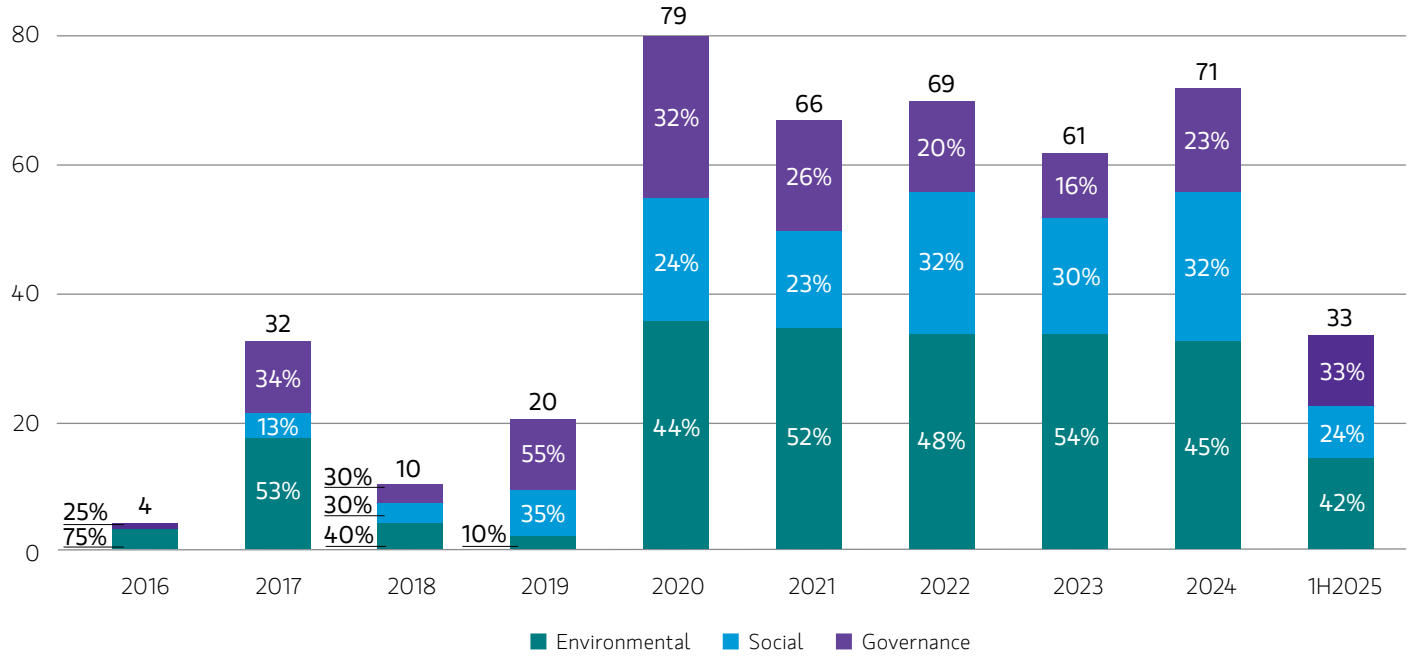
As investment managers, our most important responsibility is stewardship of client assets. To meet client goals and directives, we emphasize active stewardship through company engagements and proxy voting, which are essential components of our investment process.

We conduct engagements alongside management meetings which evaluate financial health, strategic direction and growth potential of companies.

Engagements allow us an additional lens into the quality of the company, offering insights into governance, culture and operations, efficiency, product quality, supply chain and the management of contingent risks and externalities.

DISPLAY 1

Total Engagements[1]



In 2024, the Emerging Markets Equity team engaged with company management on environmental, social and governance topics 71 times,[2] 62 of which were fully dedicated meetings led by our team (*Display 1*). In the first half of 2025, we have conducted 33 engagements, 25 of which were fully dedicated to these topics.

Governance remains a key part of every meeting with particular focus on board independence, key committee composition, tenure and, executive compensation structures. The total number of engagements primarily focused on governance increased from 16% in 2023 to 23% in 2024, and 33% so far in 2025, as shown in *Display 1*. We continued to push for increased disclosure around incentive policies and best practices in board composition. We encourage boards to maintain at least two-thirds independence for key committees as well as support increased overall board independence.

[1] The Emerging Markets Equity (EME) team counts each engagement interaction with management as one engagement. E, S and G categories are assigned using the primary topic only. The total number of engagements for each period is shown on the top of each column. This is a summary of the engagements from Morgan Stanley Investment Management's Emerging Markets Equity team, and does not reflect the engagements of other Morgan Stanley teams, unless the EME team joined or led the engagement.

[2] Engagement refers to interactions conducted by the Emerging Markets Equity team over the 18-month period January 2024 to June 2025. The team counts each engagement interaction with management as one engagement. In 2024, the team engaged with management 71 times, with 62 meetings dedicated fully to sustainability, three integrated with financial topics where sustainability was the main focus, three meetings were collaborations with external parties, and three were follow-on letters. In 2025 through June 30, the team engaged with management 33 times, with 25 fully dedicated sustainability meetings, one meeting where both financial and sustainability topics were discussed, and seven meetings that were collaborations led by third parties.

DISPLAY 2

Thematic Breakdown of Engagements in 2024 by Primary and Secondary Topics[3]

E	Decarbonization	34%
	Circular Economy	6%
	Natural Capital	6%
S	Decent Work	19%
	Diverse and Inclusive Business	11%
G	Governance	17%
	Regulatory and Risk Management	7%

We conducted 32 environmental engagements in 2024 and 14 so far in 2025, as shown in *Display 1*. Decarbonization continued to dominate discussions, particularly in relation to the emissions reduction road map, whether that is through renewables capacity or energy efficiency or a combination of both, as shown in *Display 2*.

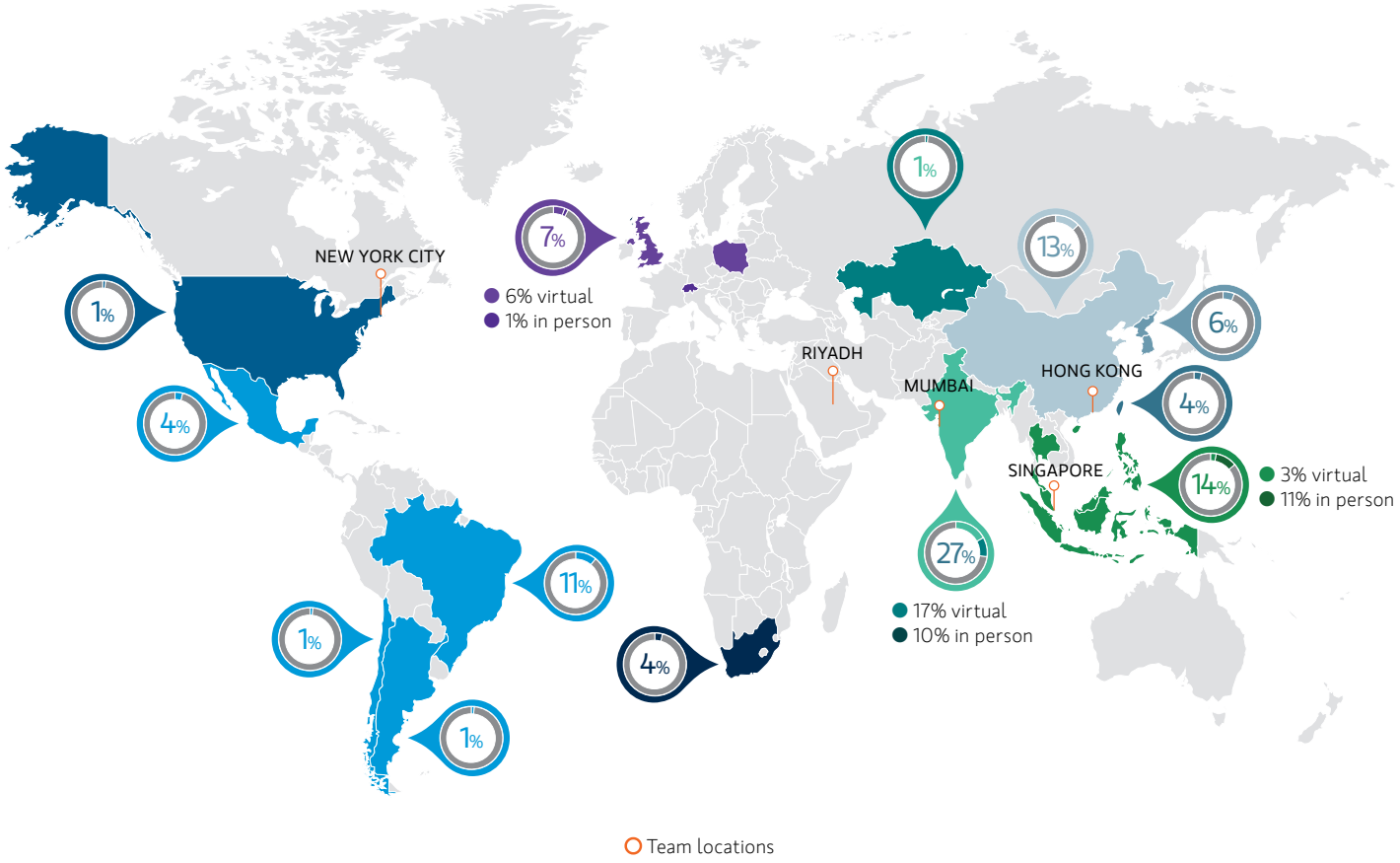
Engagements focused on social topics were 30% of overall engagements, as shown in *Display 2*. Our second-largest topic covered across our engagements was decent work (19%), including worker health and safety, job satisfaction, employee retention and fair wages. We also discussed diverse and inclusive business (11%), including access and affordability where its a material part of the growth strategy, in the case of several financials, healthcare and fast-moving consumer goods companies.

As our team is located regionally, we bring a local perspective to these conversations, which allows us to navigate cultural and regulatory nuances. Our engagements spanned multiple countries, both in-person and virtually, as demonstrated in *Display 3*. During 2024, we increased the number of in-person meetings to nearly 20% of all engagements through sustainability-focused visits to India, Indonesia and Malaysia. In 2025 so far, we have taken dedicated sustainability trips to Taiwan and China.

[3] This is based on MSIM's thematic engagement framework and refers to the first two predominant themes covered during the engagement. The Emerging Markets Equity team's dialogues normally cover multiple ESG topics. Please refer to MSIM's Sustainable Investment Policy for more information. Data refers to the number of themes covered across all engagements.

DISPLAY 3

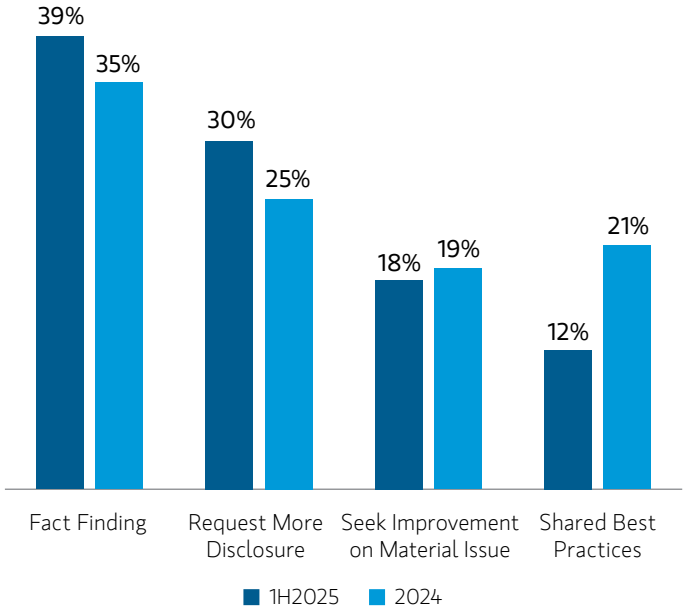
Engagements in 2024 by Company Location



Source: MSIM Emerging Markets Equity team, as of December 31, 2024.

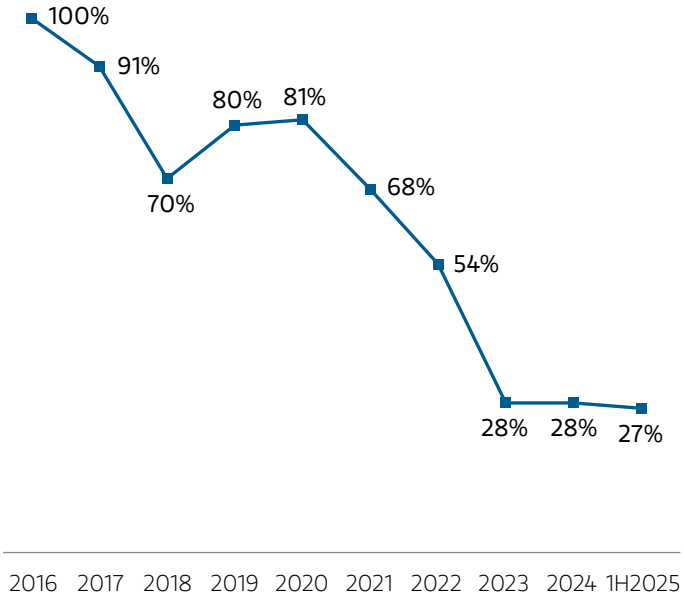
DISPLAY 4

Our Objectives for Engagements[4]



DISPLAY 5

Initial Engagements (% of total)[4]



In 2024 and thus far in 2025, about 60% of our engagements focused on strengthening corporate disclosures and verifying key facts. The remaining engagements sought to unlock long-term value through the sharing of best practices or identifying areas for meaningful improvement on a material issue (*Display 4*).

Our engagements may span over multiple years, as long as we remain invested in the name, as momentum takes time, effort and trust to build with companies. As shown in *Display 5*, less than a third of our engagements are initial meetings.

[4] Data as of June 30, 2025. As just one of many stakeholders engaging with companies, we cannot individually take credit for any particular outcome with a given company.

Voting Summary

During 2024, the Emerging Markets Equity team voted at 480 meetings on 3,893 proposals across our portfolios *(Display 6)*. The number of meetings was 19% higher than in 2023, and we voted against 11% of the proposals. The most common proposal topic for votes against management was directors related, which overtook 2023's most common topic of compensation. We continue with our goal of voting against nonindependent board members where the board is not majority independent or where key committees are less than two-thirds independent.

DISPLAY 6

Proxy Voting in 2024 and 1H 2025

	CY-2024	1H-2025
Total Votes Cast	3,962	3,349
Number of Meetings Held	480	353
Management Proposals Voted On	3,893	3,175
Shareholders Proposals Voted On	69	174
Vote With Management	3,520	3,045
Vote Against Management (including abstentions)	442	304
VOTE AGAINST MANAGEMENT BY TOPIC		
Directors Related	41%	31%
Compensation	20%	17%
Capitalization	12%	15%
Routine Business	9%	10%
Strategic Transactions	7%	10%
Company Articles	5%	8%
Other[5]	5%	9%

[5] "Other" category includes Audit-Related, Environmental, Miscellaneous, Nonroutine Business and Takeover-Related proposals.

Risk Considerations

ESG strategies that incorporate impact investing and/or environmental, social and governance (ESG) factors could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. As a result, there is no assurance ESG strategies could result in more favorable investment performance. 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. Investments in **foreign markets** entail special risks such as currency, political, economic, market and liquidity risks. The risks of investing in **frontier emerging markets** are greater than risks associated with investments in other foreign or U.S. issuers and they are often considered highly speculative in nature. Investment opportunities in many **frontier emerging markets** may be concentrated in the **banking industry**, which could have a disproportionate impact on the portfolio's performance.

DEFINITIONS

"ESG" investment: Environmental, social and governance-based investment is an investment approach which takes explicit account of the environmental, social and corporate governance aspects of all proposed investments.

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