

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852 establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product name:

Sustainable Emerging Markets Equity Fund

Legal entity identifier:

T65E8GUF6U708NUAP89

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of **sustainable investments with an environmental objective: __%**

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 35% of sustainable investments

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective: __%**

with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



What environmental and/or social characteristics are promoted by this financial product?

The fund promotes environmental and social characteristics in the following ways.

Firstly, a minimum of 40% of the fund's portfolio is thematically aligned towards sustainable development in one of the investment manager's chosen environmental and social sub-themes, which may include but are not limited to:

- responsible energy transition;
- sustainable production and circular economy;
- decent work and innovation;
- access and affordability and
- responsible corporates

The fund may add new themes relating to environmental and social development as validated and supported by additional sustainable metrics, in which case updates shall be made to relevant disclosures as soon as practical.

Secondly, the fund avoids investments in certain industries with the potential to cause harm to the environmental and social characteristics described above by applying binding exclusions. Further detail on the nature of these exclusions is set out below (in response to the question, "What investment strategy does this financial product follow?").

Thirdly, having regard to the carbon reduction objectives of the Paris Agreement the fund promotes the environmental characteristic of contributing towards climate change mitigation by seeking to achieve a significantly lower carbon footprint than the MSCI Emerging Markets Index in aggregate at the portfolio level.

Finally, the fund invests a minimum of 35% of its portfolio in sustainable investments.

No reference benchmark has been designated for the purpose of attaining the environmental and social characteristics promoted by the fund.

● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The following sustainability indicators are used to measure the attainment of the fund's environmental and social characteristics:

Objective	Sustainability indicators
1. Thematic alignment to sustainable development	The investment manager will seek to ensure that a minimum of 40% of the fund's assets are invested in the investment manager's chosen environmental and social sub-themes. The relevant criteria and sustainability indicators differ by sub-theme and include metrics such as revenue alignment, waste recycled and average wages. Please see <i>What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?</i> below for details on the sustainability indicators that are used.
2. ESG exclusions	The application of the exclusionary screens to the fund's investments is measured by the percentage of the fund's investments which breach the exclusionary screens. The relevant sustainability indicator is therefore that 0% of the fund's investments are in violation of the fund's exclusionary screens.
3. Significantly lower carbon footprint than the MSCI Emerging Markets Index at an aggregate portfolio level	Weighted Average Carbon Intensity of portfolio compared against the MSCI Emerging Markets Index

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The sustainable investments made by the fund will contribute to at least one of the environmental or social sub-themes listed above. The investment manager uses metrics to ensure that the sustainable investments contribute to at least one of these themes, for example:

- (i) by considering quantifiable positive metrics such as aligned revenues (being revenues from activities aligned with a theme, e.g. revenues from renewable energy generation in the case of the responsible energy theme) and aligned business activities and/or operations; and
- (ii) other relevant metrics such as (but not limited to) policies, initiatives, established targets, expenditures, customer composition metrics, and diversity metrics.

Each metric has a threshold or benchmark that the company must meet in order to be considered aligned with a sustainability theme, e.g. at least 20% for aligned revenues. Further detail regarding the relevant metrics for each sub-theme is set out under *What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?* below.

We obtain data on these metrics from company reporting and/or third party sources.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The fund's sustainable investments aim not to cause significant harm to any relevant environmental or social objectives by screening investments for: (i) minimum social safeguards and (ii) Principal Adverse Impact ("PAI") indicator screens. Companies that pass both data screens, and have a measurable positive contribution to environmental or social objectives are considered sustainable investments.

With respect to the PAI screen, the investment manager considers all mandatory PAI indicators that are relevant to the investment where data is available. The investment manager uses all available data sources including company reported and third party vendors and have thresholds for each PAI indicator.

— *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Principle Adverse Impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption, and anti-bribery matters.

All companies in the portfolio are screened for do no significant harm using both minimum social safeguards and principal adverse impact indicators. As part of the do no significant harm test for sustainable investments, the fund assesses the mandatory PAI indicators that are (i) relevant to the investment, and (ii) deemed material to a particular issuer, based on the investment manager's assessment of materiality.

For each mandatory PAI the fund sets thresholds specific to that PAI to determine whether significant harm is caused.

PAI indicators are sourced from company reported data, third-party data and the investment team's engagements with company management. The investment manager will use third party information, but may supplement individual data points based on company engagements or company websites.

The investment manager may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. The investment manager's use of proxy indicators will be kept under review and will be replaced by PAI data from third-party data providers, when the investment manager determines that sufficiently reliable data has become available.

— *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprise and the UN Guiding Principles on Business and Human Rights? Details:*

The fund's investments are screened for minimum social safeguards, before going through the PAI screen described above.

The investment manager uses third party data sources to undertake minimum social safeguards screening. The screening undertaken includes identification of companies which are subject to UNGC and OECD controversy and compliance flags, as well as flags for compliance with international norms. In addition, the fund excludes investments in issuers that fail to comply with the UN Global Compact, or the OECD Guidelines for Multinational Enterprises.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



Does this financial product consider principal adverse impacts on sustainability factors?

Yes

No

The fund considers all of the mandatory PAI indicators on sustainability factors which are relevant to the investment for the portion allocated to sustainable investments, as described above. The portion of the fund that is not made of sustainable investments considers certain PAI through the fund's exclusionary criteria as follows:

- The fund excludes issuers whose core business is in thermal coal mining and extraction, thermal coal power generation and fossil fuels. The fund therefore partly considers PAI indicator number 4: exposure to companies active in the fossil fuel sector.
- The fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The fund therefore considers PAI indicator number 14: exposure to controversial weapons.
- The fund excludes issuers which fail to comply with the UN Global Compact, or the OECD Guidelines for Multinational Enterprises. The fund therefore considers PAI indicator number 10: violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises.

Lastly, the fund considers engagement and stewardship with issuers across all relevant mandatory PAI indicators in the SFDR rules on a materiality basis, meaning if the investment manager considers a particular PAI indicator to be materially relevant to, or impacted by, the activities of the issuer, the investment manager will engage on that PAI.

The fund will make information available on how it has incorporated the PAIs in its periodic reports to investors.



What investment strategy does this financial product follow?

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

Thematic alignment to sustainable development: The fund commits to having a minimum 40% of the portfolio thematically aligned to sustainable development in as defined below. These themes and metrics are subject to change without notice.

Sub-theme	Description	Metrics
Responsible Energy Transition	Companies that provide goods or services which support the energy transition	Companies must have either aligned revenues equal to or greater than 20% or aligned capital or operational expenditures equal to or greater than 20% dedicated to the transition to cleaner energy sources including but not limited renewable energy, energy efficiency, energy storage, carbon capture utilization and storage, and other green energy technology solutions.
Sustainable Production & Circular Economy	Companies that are either integrating circular economy principles and sustainable production practices as a core part of their operations and/or across its supply chain; or whose products and services enable achievement of circular economy goals	Companies with aligned revenues equal to or greater than 20%, or meaningful operational alignment of waste or water recycled or meaningful operational alignment of packaging / product designed to be recyclable, compostable, reusable or contain recycled content or other relevant circular economy or sustainable production metrics
Access & Affordability	Companies increase access to and affordability of goods and services, such as food, medicines, health care, banking, insurance, and education	Companies with aligned revenues equal to or greater than 20% or meaningful operational alignment from affordable and/or equitable financial services, consumer goods and services, healthcare goods and services, and/or basic goods and services, or other access and affordability metrics.
Decent Work & Innovation	Companies which are creating high quality jobs, developing human capital, and investing in research and development and innovation.	Companies with operational alignment as measured by wages above country living wages, gender or ethnic diversity metrics, meaningful international sales or research and development expenditures as a % of sales or other decent work and innovation metrics.
Responsible Corporates	Companies operating sustainably and ethically with a commitment to environmental and social responsibility	Responsible corporates must be willing to engage, have relevant policies and initiatives aimed at improving ESG risks/opportunities and demonstrate compliance with international social norms and governance standards as determined by the investment manager's assessment.

ESG exclusions: The fund seeks to avoid investments in certain industries with the potential to cause harm to the fund's environmental and social characteristics by applying binding exclusions. In particular, the fund excludes investments in the following:

- companies that derive 50% or more revenues from coal, oil and natural gas based-electricity generation or exploration, extraction, manufacturing or distribution of fossil gaseous fuels. For the avoidance of doubt, biogas, biomethane, renewable and low carbon hydrogen or other gas that is considered renewable would not be excluded from the fund's universe;
- companies that derive 10% or more revenues from conventional weapons, adult entertainment, fossil fuels, tobacco, alcohol, or exploration, extraction, distribution and/or refining of oil fuels.
- companies with more than 5% revenue from Arctic oil and gas, oil sands, and gambling;

- companies that derive 1% of more of revenues from exploration, mining, extraction, distribution or refining of thermal and metallurgical coal;
- companies with any exposure to civilian firearms, controversial weapons or companies that produce tobacco;
- the MSCI EM index's highest carbon emitters (top 10 emitters for absolute emissions and top 20 emitters for emissions intensity); and
- companies that fail to comply with the UN Global Compact, or the OECD Guidelines for Multinational Enterprises

Such exclusions incorporate the PAB exclusions. The investment manager screens for the above business involvement using the MSCI Business Involvement Screening Research (MSCI BISR) tool.

The investment manager may apply additional ESG-related investment restrictions over time that it believes are consistent with the fund's investment objectives and its environmental and social characteristics. Further information on the investment manager's approach to such exclusions, and/or any additional restrictions applied to the fund will be disclosed in the fund's SFDR Website Disclosure, where necessary.

Carbon footprint: the fund seeks to achieve a significantly lower carbon footprint than the MSCI Emerging Markets Index in aggregate at the portfolio level.

Sustainable investments: The fund also invests a minimum of 35% of its portfolio in companies defined as sustainable investments, which are aligned with the sustainability themes described above in response to the question "What environmental and/or social characteristics are promoted by this financial product?", and which the investment manager has determined to do no significant harm to any relevant environmental or social objectives as described above.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the investment manager and the management company. The investment manager's Compliance, Risk and Portfolio Surveillance teams collaborate with the investment teams to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The binding elements of the investment strategy used to select the investments to achieve the environmental / social characteristics promoted are the following:

- 40% minimum of the portfolio thematically aligned to sustainable development sub-themes
- The exclusionary criteria applied by the fund
- The fund seeking to achieve a significantly lower carbon footprint than the MSCI Emerging Markets Index in aggregate at the portfolio level
- 35% minimum of the portfolio invested in companies defined as sustainable investments

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The fund commits to a 20% or more reduction of the investable universe (achieved through the binding exclusions described above), prior to sourcing potential investments.

● ***What is the policy to assess good governance practices of the investee companies?***

All investee companies within the fund are assessed on their governance which is embedded in the investment process and considered as part of initial research and stock selection. The team also engages with companies and boards directly on issues material to governance, among other issues. An investment has to be considered by the investment manager to have good governance to be included within the portfolio.

As an input to its governance assessment, the investment team has also chosen several third-party binary (pass/fail) proxy indicators to assess issuer management structures, employee relations, the remuneration of staff and tax compliance, to the extent they are covered by third party providers. In the event that an issuer

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

fails under one of these proxy indicators, the default position is that the issuer will be excluded from the fund. The investment manager may include issuers that fail on one or more of these proxy indicators where (i) it considers that the third party data is inaccurate or out of date; or (ii) it considers that, upon review, the issuer is exhibiting good governance practices overall (such that the results of the proxy indicator tests do not in fact indicate a material impact on good governance). In reaching this determination, the investment manager may take into account any remedial actions being undertaken by the company.

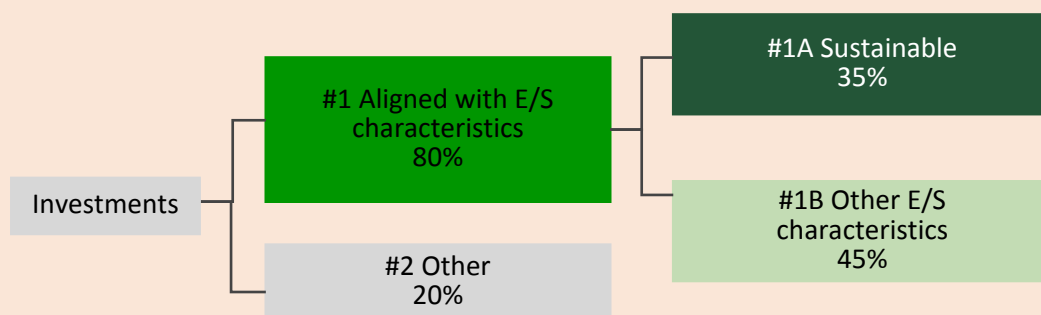


What is the asset allocation planned for this financial product?

Asset allocation describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

A minimum of 80% of the fund's investments will be aligned with environmental and social characteristics; this includes the fund's 40% investments aligned with sustainable themes. The fund will allocate a minimum of 35% of its assets to sustainable investments. Among these, the fund commits to make 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time.

As explained above, the fund's aim to maintain a lower carbon footprint than the MSCI Emerging Markets Index is applied at a portfolio level (and not at the level of individual holdings, some of which may on an individual basis have a higher carbon intensity than the portfolio level average or target).

The remaining 20% of the fund's investments may not be aligned with environmental and/or social characteristics.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable



To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The fund does not commit to making a minimum portion of sustainable investments with an environmental objective aligned with the EU Taxonomy.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others, have greenhouse gas emission levels corresponding to the best performance.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy?¹**

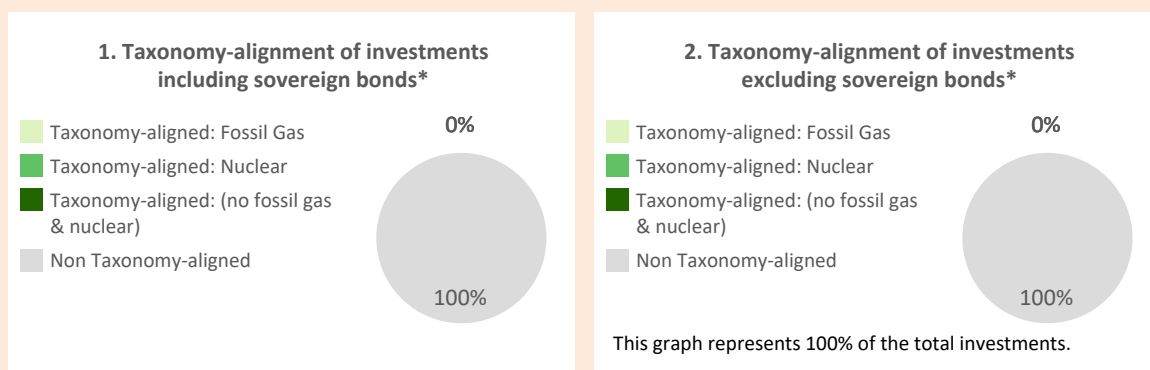
Yes:

In fossil gas

In nuclear energy

No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

As the fund does not commit to invest any sustainable investment within the meaning of the EU Taxonomy, the minimum share of investments in transitional and enabling activities within the meaning of the EU Taxonomy is therefore also set at 0%.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The fund intends to make a minimum of 35% of sustainable investments, as defined under the SFDR. Among these, the fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 35% of the portfolio holdings on an aggregated basis.

The EU Taxonomy does not comprehensively cover all industries and sectors, or even all environmental objectives. Accordingly, the investment manager uses its own methodology to determine whether certain

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

Are sustainable investments with an environmental objective **that do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

investments are sustainable in accordance with the SFDR sustainable investment test, and then partly invests in the fund in such assets.



What is the minimum share of socially sustainable investments?

The fund intends to make a minimum of 35% of sustainable investments. Among these, the fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 35% of the portfolio holdings on an aggregated basis.



What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The “#2 Other” category is expected to be made up of (i) companies with no sustainable theme or where a materiality analysis and/or dedicated engagement has not been completed, (ii) hedging instruments and/or (iii) cash held for ancillary liquidity. These investments are not subject to minimum environmental or social safeguards.



Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



Where can I find more product specific information online?

More product-specific information can be found on the website:

https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_sustainableemergingmarketsequity_en.pdf