

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

Product name:

Sustainable Asia Equity Fund

Legal entity identifier:

3YN85S5L733W17SQIB18

Environmental and/or social characteristics

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.

Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of **sustainable investments 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

It will make a minimum of **sustainable investments with a social 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 20 % of sustainable investments

- with an environmental objective in economic activities that 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
- 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 Adviser's chosen environmental and social sub-themes, which may include but are not limited to:

- responsible energy;
- sustainable production and circular economy;
- decent work and innovation; and
- access, affordability, and sustainable economic growth.

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.

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 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?*").

Thirdly, having regard to the low carbon aims of the Paris Agreement the Fund promotes the environmental characteristic of contributing towards climate change mitigation by seeking to achieve a lower carbon footprint than the MSCI AC Asia Ex Japan Index in aggregate at the portfolio level.

Finally, the Fund invests a minimum of 20% 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.

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

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

Objective	Sustainability indicators
1. Thematic alignment to sustainable development	The Investment Adviser will seek to ensure that a minimum of 40% of the Fund's assets are invested in the Investment Adviser'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. Lower carbon footprint than the MSCI AC Asia Ex Japan Index at an aggregate portfolio level	Weighted Average Carbon Intensity of portfolio compared against the MSCI AC Asia Ex Japan Index
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● ***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 Adviser 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
- (ii) other relevant metrics such as (but not limited to) third party scores derived from activities aligned with sustainable development goals, Transitions Performance Index (“TPI”) scores, above average wages, employee retention rates, research and development spend, international sales or private label sales (as indicators of investment in local economic growth and quality employment opportunities), 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 or above country or industry averages on other metrics. 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 third party sources.

Principal 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.

● ***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 Adviser considers all mandatory PAI indicators that are relevant to the investment. The Investment Adviser 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?***

As part of the do no significant harm test for sustainable investments, the Fund assesses the mandatory PAI indicators (listed below) that are (i) relevant to the investment, and (ii) deemed material to a particular issuer, based on third party data providers’ assessment of materiality.

PAI indicators:

Investee companies

1. GHG emissions
2. Carbon Footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact and OECD
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

Companies with more than two missing PAI indicator data points will not be considered sustainable investments due to lack of data.

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 Adviser will use third party information, but may supplement individual data points based on company engagements or company websites.

The Investment Adviser may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. The Investment Adviser'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 Adviser determines that sufficiently reliable data has become available.

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises 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 Adviser 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.

Details on the screening approach are provided in the Fund's Restriction Screening and ESG Policy, available on www.morganstanleyinvestmentfunds.com and on www.morganstanley.com/im.

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.

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.



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 have committed violations of the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, or which have experienced very severe controversies relating to violations of 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 Adviser considers a particular PAI indicator to be materially relevant to, or impacted by, the activities of the issuer, the Investment Adviser will engage on that PAI.

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



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

What investment strategy does this financial product follow?

The Sustainable Asia Equity Fund's investment objective is to seek to maximise total return, measured in US Dollars, through investment primarily in equity securities of companies domiciled in or exercising the predominant part of their economic activity in Asia, excluding Japan, thereby taking advantage of the dynamic economic growth capabilities of the region. The fund uses a top down country allocation and bottom up stock selection process to select investments.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser and the Management Company. Morgan Stanley Investment Management'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?**

Thematic alignment to sustainable development: The Fund commits to having a minimum 40% of the portfolio thematically aligned to sustainable development in chosen sub-themes, using the metrics below.

Sub-theme	Description	Metrics
Responsible Energy Transition	Companies that are enabling the transition, or companies in high-emitting sectors with Paris Aligned decarbonization pathways	Aligned Revenues >20% from renewable energy products and services and/or energy efficiency products or services, or enabling materials or technology or TPI Score 3 or above. TPI evaluates companies' climate actions and assigns a score from 0-4 with 4 being the highest. The Investment Adviser uses TPI scores as a proxy for evaluating a company's energy transition progress in addition to its active engagements with companies. A TPI score of 3 or 4 signifies that the company is managing the risks and opportunities relating to the transition to a low carbon economy. The fund may also use third-party (such as MSCI or ISS) scores derived from activities aligned with sustainable development goals to determine thematic alignment.
Sustainable Production & Circular Economy	Companies that are either integrating circular economy practices as a core part of their businesses or whose products	Aligned revenues >20% from renewable and/or recyclable products or services, or operational alignment of >50% of waste

	and services align with circular economies, improve recycling infrastructure, waste management processes, sustainable materials sourcing and/or sustainable packaging	recycled, recycled materials or water recycled. The fund may also use third-party (such as MSCI or ISS) scores derived from activities aligned with sustainable development goals to determine thematic alignment.
Improved Access, Affordability & Sustainable Economic Growth	Companies with a business model which increases access to and affordability of goods and services, such as food, medicines, health care, banking, insurance, and education. Such companies help foster increased productivity and quality of life for individuals. Increasing productivity is a key driver of real income growth and sustainable economic growth.	Aligned revenues >20% from affordable and/or equitable financial services; affordable and/or equitable food and/or fast moving consumer goods (FMCG); affordable and/ or equitable health care goods and services and/or basic services such as telecommunications, sanitation, water etc and/or operational alignment above country average from financial inclusion and healthcare access. The fund may also use third-party (such as MSCI or ISS) scores derived from activities aligned with sustainable development goals to determine thematic alignment.
Decent Work & Innovation	Companies which are creating high quality jobs, developing human capital, and investing in research and development and innovation. Private sector job creation is critical driver of sustainable economic growth, and social development. Innovation and globally competitive corporates are key drivers of productivity growth and sustainable income growth for a country overall.	Operational alignment as measured by average monthly wage above country living wage, or turnover rate below industry average, or % women in middle/senior management above country average or Research & Development expenditures/sales above 3% or International sales above 35%. The fund may also use third-party (such as MSCI or ISS) scores derived from activities aligned with sustainable development goals to determine thematic alignment.

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 or above industry or country averages on other metrics. The Investment Adviser may also add metrics should new industries be added that are not currently covered.

ESG exclusions: The Fund avoids investments in certain industries with the potential to cause harm to the Fund's environmental and social characteristics by applying binding exclusions,

detailed in the Fund’s Restriction Screening and ESG Policy, available on www.morganstanleyinvestmentfunds.com and on www.morganstanley.com/im.

In particular, the Fund excludes investments in the following:

- (i) companies whose core business is fossil fuels, thermal coal mining extraction, thermal coal- based power generation, adult entertainment, tobacco or alcohol;
- (ii) companies with more than 5% revenue from Arctic oil and gas, oil sands, and gambling; and
- (iii) companies with any exposure to civilian firearms or controversial weapons.

In addition, the Fund also excludes investments in the following:

- (i) the MSCI AC Asia Ex Japan index’s highest carbon emitters (top 20 emitters for absolute emissions and top 70 emitters for emissions intensity); and
- (ii) state-owned enterprises (SOEs) in all sectors in emerging markets, given the frequent misalignment of governance with shareholder interests. The Investment Adviser defines state owned enterprise as 35% state ownership. Please note the Fund may invest in certain SOEs (a) in the financials, health care or communication services sector category or (b) if, in the view of the Investment Adviser, the issuer in question can demonstrate strong ESG performance or material improvement on ESG matters.

These exclusions are implemented in line with the Fund’s Restriction Screening and ESG Policy, available on www.morganstanleyinvestmentfunds.com and on www.morganstanley.com/im.

The Investment Adviser 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. Such additional investment restrictions will be disclosed as they are implemented on www.morganstanleyinvestmentfunds.com and on www.morganstanley.com/im.

Carbon footprint: the Fund seeks to achieve a lower carbon footprint than the MSCI AC Asia Ex Japan Index in aggregate at the portfolio level.

Sustainable investments: The Fund also invests a minimum of 20% 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 Adviser has determined to do no significant harm to any relevant environmental or social objectives as described above.

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

● ***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 investible universe (achieved through the binding exclusions described in response to the previous question), 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 Advisor 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 fails under one of these proxy indicators, the default position is that the issuer will be excluded from the Fund. The Investment Adviser 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 Adviser may take into account any remedial actions being undertaken by the company.

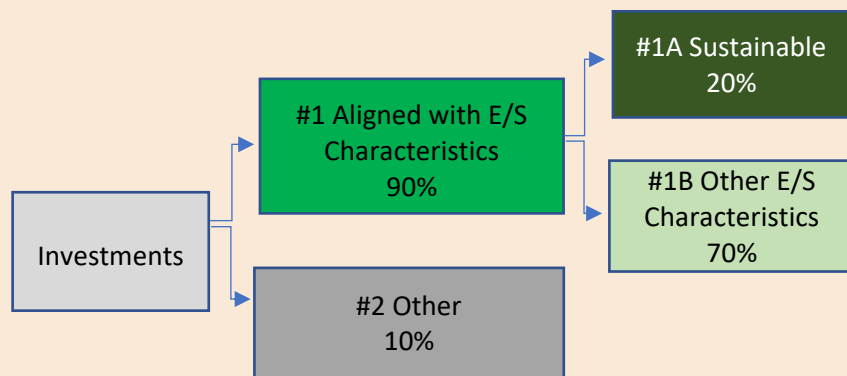


Asset allocation describes the share of investments in specific assets.

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.

What is the asset allocation planned for this financial product?



#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 90% 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 20% 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 AC Asia Ex Japan 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 10% of the Fund's investments will not be aligned with E/S 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?

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?**

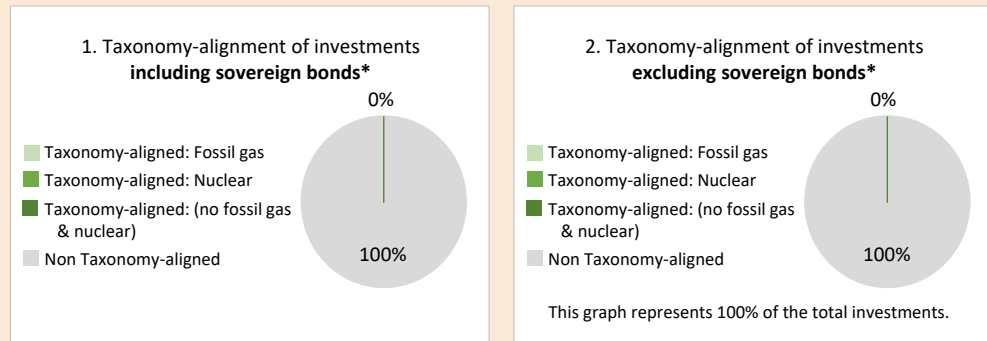
- Yes:
- In fossil gas In nuclear energy
- No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission 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.

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?**

Not applicable - Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.



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

are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable

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.

The Fund intends to make a minimum of 20% 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 20% of the portfolio holdings on an aggregated basis. The Fund's sustainable investments with an environmental objective do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy. The EU Taxonomy does not comprehensively cover all industries and sectors, or even all environmental objectives. Accordingly, the Investment Adviser uses its own methodology to determine whether certain investments are sustainable in accordance with the Sustainable Finance Disclosure Regulation ("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 20% 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 20% 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 dedicated company engagement to supplement data points has not yet 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_sustainableasiaequity_en.pdf