Appendix 9: Sustainable Finance Disclosure (unaudited)

As at 31 December 2022

Periodic 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 Emerging Markets Equity Fund**

Legal entity identifier: **T65E8GUFX6U708NUAP89**

Reference period: **01 January 2022 to 31 December 2022**

Unless stated otherwise, the values below have been calculated based on the Fund's investments as of 30 December 2022

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 include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Did this financial product have a sustainable investment objective?

☐ **Yes**	☒ **No**
☐ It made **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 **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of 43.84% 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 made **sustainable investments with a social objective: ___%**	☐ It promoted E/S characteristics, but **did not make any sustainable investments**

Appendix 9: Sustainable Finance Disclosure (unaudited)

As at 31 December 2022 (continued)

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

To what extent were the environmental and/or social characteristics promoted by this financial product met?

During the reference period, the Fund promoted environmental and social characteristics in the following ways.

Firstly, a proportion of the Fund's portfolio was thematically aligned towards sustainable development in one of the Investment Adviser's chosen environmental and social sub-themes, which were:

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

Secondly, the Fund avoided investments in certain industries with the potential to cause harm to the environmental and social characteristics described above by applying binding exclusions.

Thirdly, having regard to the low carbon aims of the Paris Agreement the Fund promoted the environmental characteristic of maintaining a lower carbon footprint than the MSCI Emerging Markets Index in aggregate at the portfolio level.

Finally, the Fund invested 43% of its portfolio in sustainable investments.

There were no exceptions to the Fund's attainment of its environmental and social characteristics.

Appendix 9: Sustainable Finance Disclosure (unaudited)

As at 31 December 2022 (continued)

How did the sustainability indicators perform?

Sustainability Indicator	Indicator Threshold	2022 Indicator Value
Thematic alignment to sustainable development:		
As stated above, the Investment Adviser aimed to ensure that a minimum of 40% of the Fund's assets were invested in chosen environmental and social sub-themes. The relevant criteria varied by sub-theme and are listed below. The %s of the Fund invested in each of the below sub-themes were:		
Responsible Energy Transition	n/a	17.39%
Sustainable Production & Circular Economy	n/a	26.07%
Improved Access, Affordability & Sustainable Economic Growth	n/a	29.69%
Decent Work & Innovation	n/a	9.73%
Total: Thematic alignment to sustainable development (>40% of portfolio)	**40.00%**	**82.88%**
Exclusions:		
Sector-based exclusions:		
% of the Fund's exposure to issuers which derive revenue from:		
Thermal coal mining or extraction (10% revenue)	0.00%	0.00%
Thermal coal based power generation (10% revenue)	0.00%	0.00%
Fossil fuels (10% revenue)	0.00%	0.00%
Oil sands (5% revenue)	0.00%	0.00%
Arctic oil (5% revenue)	0.00%	0.00%
Arctic gas (5% revenue)	0.00%	0.00%
Gambling (5% revenue)	0.00%	0.00%
Adult entertainment (10% revenue)	0.00%	0.00%
Producing, supplying or offering retail services for tobacco (10% revenue)	0.00%	0.00%
Producing, supplying or offering retail services for alcohol (10% revenue)	0.00%	0.00%
% of the Fund's exposure to issuers which have any tie to:	0.00%	0.00%
Civilian firearms	0.00%	0.00%
Controversial weapons	0.00%	0.00%
% of the Fund invested in the MSCI EM index's highest carbon emitters, defined as:	0.00%	0.00%
The top 80 emitters by emissions intensity	0.00%	0.00%
The top 20 emitters by absolute emissions	0.00%	0.00%
% of the Fund invested in state-owned enterprises. Defined by enterprises with >=35% state ownership, excluding financials, communication services and healthcare sectors	0.00%	0.00%

Appendix 9: Sustainable Finance Disclosure (unaudited)

As at 31 December 2022 (continued)

Sustainability Indicator	Indicator Threshold	2022 Indicator Value
ESG Controversies & International norms exclusions:		
% of the Fund's exposure to issuers which have:	0.00%	0.00%
committed violations of the of UN Guiding Principles, UN Global Compact and the OECD Guidelines for Multinational Enterprises	0.00%	0.00%
an unremediated "Red" ESG controversy	0.00%	0.00%
Lower Carbon Footprint:		
Carbon Footprint lower than that of the MSCI AC Asia ex Japan Index. Measured by weighted average carbon intensity, Scope 1 and 2 emissions.	322.60	130.50
Sustainable Investments:		
% of the Fund that are sustainable investments	20.00%	43.84%
Reference universe reduction:		
The Investment Adviser aimed for a certain % reduction of the reference universe by the binding exclusions described above. The target % universe reduction, and the actual % universe reduction caused by the exclusions were:	20.00%	21.90%*

* Calculated based on the number of stocks in the universe (as defined in the prospectus).

What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?

The sustainable investments made by the Fund contributed to at least one of the environmental or social sub-themes listed above. The Investment Adviser used metrics to ensure that the sustainable investments contribute to at least one of these themes, for example:

- 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
- other relevant metrics such as customer composition, 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), diversity metrics such as women in the workforce or management, and operational metrics relating to inclusion or access to financial services communications or healthcare.

Each metric had a threshold or benchmark that the company met 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 "How did the sustainability indicators perform?" above.

The Investment Adviser obtained data on these metrics from company reporting and third-party sources.

Appendix 9: Sustainable Finance Disclosure (unaudited)

As at 31 December 2022 (continued)

Principal adverse impacts (PAI) are the most significant negative impact of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?

The Investment Adviser applied a "do no significant harm" methodology to the sustainable investments of the Fund, in order to ensure that the sustainable investments of the Fund did not include: (1) investments causing significant harm to any of the principle adverse impact ("PAI") indicators for issuers which are mandatory for the Investment Adviser to consider under the Sustainable Finance Disclosure Regulation ("SFDR") rules and which are relevant to the investment; or (2) investments which did not meet the minimum social safeguards set out in the EU SFDR rules.

How were the indicators for adverse impacts on sustainability factors taken into account?

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

Companies with two missing PAI indicator data points were not considered sustainable investments due to lack of data.

For each mandatory PAI the Fund set thresholds specific to that PAI to determine whether significant harm was caused.

PAI indicators were sourced from company reported data, third-party data and the investment team's engagements with company management. The Investment Adviser used third-party information, and supplemented individual data points based on company engagements or company websites in certain cases.

The Investment Adviser used reasonable proxy indicators sourced from third parties to address the lack of data for certain PAI indicators. For example, owing to the absence of reliable and comparable data concerning gender pay gap, the Investment Adviser used an indicator provided by a third-party data vendor which measured workforce diversity as a reasonable proxy.

These proxies were and will continue to be kept under review and were and will continue to be replaced by data from third-party data providers when the Investment Adviser determines that sufficiently reliable data has become available.

Appendix 9: Sustainable Finance Disclosure (unaudited)

As at 31 December 2022 (continued)

Were 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 were screened for minimum social safeguards, before going through the PAI screen described above.

The Investment Adviser used third party data sources to undertake minimum social safeguards screening. The screening undertaken included 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 excluded 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 no 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 includes these statements. However, for the avoidance of doubt, this Fund has not and does not take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy.

How did this financial product consider principal adverse impacts on sustainability factors?

The Fund considered all of the mandatory PAI indicators on sustainability factors which were 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 considered certain PAI through the Fund's exclusionary criteria as follows:

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

Lastly, the Fund considered and, where relevant engaged with issuers across all relevant mandatory PAI indicators in the SFDR rules on a materiality basis, meaning if the Investment Adviser considered a particular PAI indicator to be materially relevant to, or impacted by, the activities of the issuer, the Investment Advisor engaged on that PAI.

Appendix 9: Sustainable Finance Disclosure (unaudited)

As at 31 December 2022 (continued)

What were the top investments of this financial product?

Security	Sector	% Assets	Country
Samsung Electronics Co. Ltd.	Information Technology	4.92%	South Korea
Taiwan Semiconductor Manufacturing Co. Ltd.	Information Technology	3.92%	Taiwan
Tencent Holdings Ltd.	Communication Services	3.27%	China
Taiwan Semiconductor Manufacturing Co. Ltd., ADR	Information Technology	3.22%	Taiwan
Reliance Industries Ltd.	Energy	3.03%	India
ICICI Bank Ltd.	Financials	3.00%	India
Grupo Financiero Banorte SAB de CV 'O'	Financials	2.87%	Mexico
Wal-Mart de Mexico SAB de CV	Consumer Staples	2.81%	Mexico
HDFC Bank Ltd., ADR	Financials	2.52%	India
Anglo American plc	Materials	2.40%	South Africa
Delta Electronics, Inc.	Information Technology	2.39%	Taiwan
Mondi plc	Materials	2.20%	United Kingdom
Itau Unibanco Holding SA Preference	Financials	2.12%	Brazil
Capitec Bank Holdings Ltd.	Financials	1.77%	South Africa
Airtac International Group	Industrials	1.74%	Taiwan

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 42.18%

What was the proportion of sustainability-related investments?

93.81% of the Fund's investments were aligned with the environmental and social characteristics of the Fund.

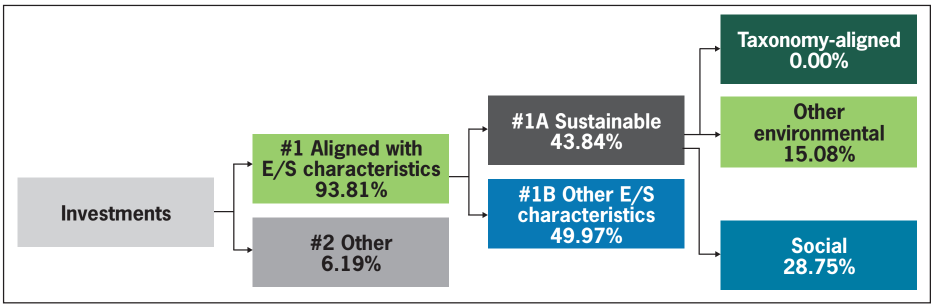
43.84% of the Fund comprised sustainable investments which are further explained in the asset allocation diagram below.

Appendix 9: Sustainable Finance Disclosure (unaudited)

As at 31 December 2022 (continued)

What was the asset allocation?

Asset allocation describes the share of investments in specific assets.



#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 environmentally and socially sustainable investments.

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

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 Fund's methodology for categorising investments as sustainable investments assesses the investment's overall alignment to one or more environmental or social themes. The Fund has used this approach to classify its investments as either social or environmental sustainable investments in this section. However, please note that investments classified as social or environmental sustainable investments may also be making a contribution to environmental or social objectives respectively.

Appendix 9: Sustainable Finance Disclosure (unaudited)
As at 31 December 2022 (continued)

In which economic sectors were the investments made?

Sector	% Assets
Financials	27.10%
Information Technology	21.91%
Materials	13.58%
Consumer Discretionary	13.54%
Consumer Staples	7.01%
Industrials	4.31%
Communication Services	3.27%
Energy	3.03%
Health Care	2.66%
Real Estate	0.68%
Exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels	4.30%

The table above only includes investments made by the Fund and excludes other assets held by the Fund such as cash and hedging instruments.

The Fund's exposure to fossil fuel related activities, as presented in the table above, captures issuers deriving any revenue from such activities as part of their business. The indicator therefore has a broader scope when compared to the fossil fuel exclusions applied as a binding characteristic to the Fund.

Appendix 9: Sustainable Finance Disclosure (unaudited)

As at 31 December 2022 (continued)

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

The Investment Adviser did not take account of the EU Taxonomy in its management of the Fund. None of the Fund's sustainable investments with an environmental objective have been assessed by the Investment Adviser as aligned with the EU Taxonomy during the reference period.

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.

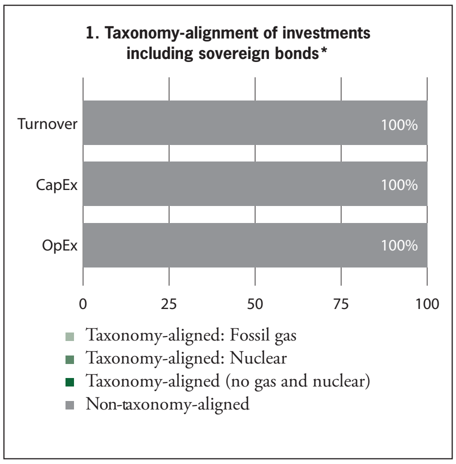
Transitional activities are economic activities for which low-carbon alternatives are not yet available and that have greenhouse gas emission levels corresponding to the best performance.

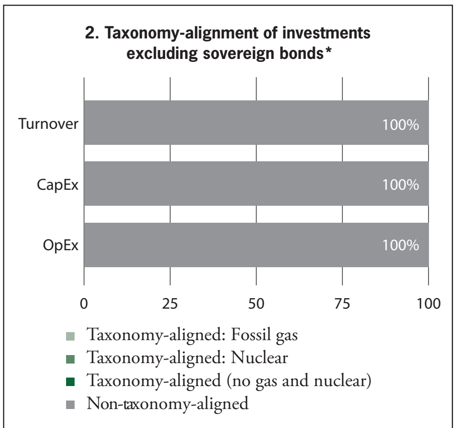
Did the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy[1]?

☐ Yes

☑ No

The graphs below show in green the percentage of investments that were 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.





This graph represents 100% of the total investments.

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

Appendix 9: Sustainable Finance Disclosure (unaudited)

As at 31 December 2022 (continued)

Taxonomy-aligned activities are expressed as a share of:

– **turnover** reflects the "greenness" of investee companies today.

– **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.

– **operational expenditure** (OpEx) reflects the green operational activities of investee companies.

What was the share of investments made in transitional and enabling activities?

The Fund did not make any investments which the Investment Adviser assessed to be in transitional or enabling activities, according to the EU Taxonomy.

*Sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.

What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

15.08% of the Fund comprised sustainable investments with an environmental objective, which were not Taxonomy-aligned. The EU Taxonomy does not comprehensively cover all industries and sectors, or even all environmental objectives. Accordingly, the Investment Adviser used its own methodology to determine whether investments were sustainable in accordance with the SFDR sustainable investment test, and then invested in such assets for the Fund. The Fund does not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

What was the share of socially sustainable investments?

28.75% of the Fund's investments were sustainable investments with a social objective during the reference period.

As noted above, this Fund has categorised investments as having either environmental or social objectives for the purposes of this report. However, please note that the sustainable investments with a social objective may additionally exhibit environmental characteristics.

Appendix 9: Sustainable Finance Disclosure (unaudited)

As at 31 December 2022 (continued)

What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?

6.19% of the Fund's investments were comprised 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 were not subject to minimum environmental or social safeguards.

What actions have been taken to attain the environmental and/or social characteristics during the reference period?

During 2022, MSIM's Emerging Markets Investment Adviser met with 69 companies to discuss environmental and social sustainability issues. The Investment Adviser have been engaging with companies on these issues since 2016 but over time, they have refined their focus, which has led to more material and thematic discussions that often span multiple years. One of the team's priority sustainability themes during 2022 was decarbonization, so the team encouraged company managements to articulate detailed decarbonization plans with both long and short-term targets that are high-quality, technologically feasible and integrated within their business strategy. The team leveraged resources like Transition Pathway Initiative (TPI) and Climate Action 100+ to guide large emitters to adopt a long-term plan that's both economically viable and aligned with global climate commitments. This is all part of a process as it takes time for these conversations to lead to tangible results, and often even longer to see an actual reduction in emissions.

The Investment Adviser believes that the path to net zero can only be achieved through a combination of economic incentives and the influence of external stakeholder pressures. Above all, addressing climate change requires collective action across all sectors, as physical and transition risks can affect all companies. The Investment Adviser spent several months assessing decarbonization pathways, monitoring the different stages in the journey for the highest emitters and the progress we would expect.

During the reference period, the Investment Adviser also notably increased their engagements with investee companies on social issues specifically focused on labor management, employee safety and human rights risks within the supply chains of companies that are susceptible to forced labor. For financial companies and fast-moving consumer goods and healthcare companies, the majority of engagements centered on the theme of access and affordability.

The Investment Adviser continues to push for enhanced transparency and disclosure on issues relating to applicable sustainability metrics. In particular, the Investment Adviser engaged with companies on board composition, especially independence and gender diversity. Boards need to have a range of skills, opinions and experiences for optimal decision making and shareholder representation. Specifically, gender diversity acts as a proxy for stakeholders to evaluate whether the vetting and decision-making process on the board is thorough. When there is a lack of diversity represented at the board or management level, this can act as a red flag. For instance, the Investment Adviser started to engage during the year with a cosmetics company that has a majority female customer base yet there were no women on the board. In this instance, the Investment Adviser expects the conversations will be long-term and ongoing as the company does not have board elections until 2024. The Investment Adviser also engaged with company managements on the issue of gender pay gap. In many cases, the first step of these conversations is merely obtaining of the data, as complex subsidiary structures within emerging markets can make this particularly hard to determine.

Appendix 9: Sustainable Finance Disclosure (unaudited)

As at 31 December 2022 (continued)

Data Limitations

In general, Morgan Stanley Investment Management uses a range of data sources and internal analysis as inputs into its ESG processes. This may include use of data sourced from third party data providers, including for making the disclosures in this report. Such data may be subject to methodological limitations and may be subject to data lags, data coverage gaps or other issues impacting the quality of the data. ESG-related information, including where obtained from third-party data providers, is often based on qualitative or subjective assessment, and any one data source may not in itself present a complete picture relating to the ESG metric that it represents. Minimal discrepancies may also arise in reported data on the Fund's portfolio weightings where the Fund has made use of different underlying sources of holdings data to produce the disclosures included in the report. Morgan Stanley Investment Management takes reasonable steps to mitigate the risk of these limitations. However, it does not make any representation or warranty as to the completeness or accuracy of such data. Any such data may also be subject to change by the third party provider without notice. As such, Morgan Stanley Investment Management may choose to take such action (or inaction) based on any change in data provided by a third party data provider as it deems appropriate in the circumstances.

This report has been prepared based on the Fund's portfolio holdings as of the date specified at the top of this document only (unless the context indicates otherwise). Unless otherwise indicated, the percentages included in this report have been measured according to portfolio weight, which is based on the market value of the investments in the Fund.