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 Global High Yield Bond Fund**

Legal entity identifier: **549300IGC07J6G0N2H29**

Reference period: **18 November 2022 to 31 December 2022**

This Fund was launched on 18 November 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:** __%	☒ It promoted **Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of 36.42% 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
	☒ 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 the following environmental and social characteristics:

- Low carbon intensity and net zero target: The Fund promoted the environmental characteristic of climate change mitigation by:
  - Maintaining a lower carbon intensity than the corporate portion of the ICE BofA Developed Markets High Yield Ex-Subordinated Financial Index; and
  - Progressing towards achieving net zero emissions at the portfolio-level for corporate investments by 2050, with an interim target to halve the Fund's carbon intensity by year-end 2030, compared to March 2022.
- Exclusions: The Fund promoted the environmental characteristic of climate change mitigation by excluding investments in certain types of fossil fuels. In addition, the Fund promoted the social characteristic of avoiding investments in certain business activities which can cause harm to human health and wellbeing. Further detail on the nature of these exclusions is set out below (in response to the question, "How did the sustainability indicators perform?").
- Best-in-class ESG tilts: The Fund also applied positive screening. Only issuers whose business practices and governance structure were assessed to be consistent with the Calvert Principles for Responsible Investment (the "Calvert Principles") were eligible for inclusion in the Fund's portfolio. In practice, this resulted in a more than 20% reduction in the Fund's investable universe. The Calvert Principles assess investee company activities and behaviors across a number of ESG themes (which are considered on a materiality basis) to construct a portfolio of issuers that Calvert considers to be leaders on ESG matters.
- Sustainable Investments: The Fund made sustainable investments in:
  - Corporate issuers whose business practices, products or solutions, made a net positive contribution towards the United Nations' Sustainable Development Goals ("SDGs"); and
  - Sustainable Bonds, from any type of issuer, which made a positive environmental or social contribution through their use of proceeds.

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
Carbon intensity footprint lower than the corporate portion of the ICE BofA Developed Markets High Yield Ex-Subordinated Financial Index (shown in the Indicator Threshold column) Measured by Weighted Average Carbon Intensity ("WACI"): scope 1 and 2 emissions in tons CO2e/US$ million revenue	291.63	178.54
Net zero emissions by 2050 - emissions compared to baseline (shown in the Indicator Threshold column) Measured by Weighted Average Carbon Intensity ("WACI"): scope 1 and 2 emissions in tons CO2e/US$ million revenue	400.88	178.54
Exclusions:		
Corporates:		
% Fund exposure to corporate issuers deriving revenue from:		
Thermal coal mining and extraction (>0% revenue)	0%	0.0%
Controversial weapons (>0% revenue)	0%	0.0%
Civilian firearms (>0% revenue)	0%	0.0%
Tobacco manufacturing (>0% revenue)	0%	0.0%
Oil sands extraction (>5% revenue)	0%	0.0%
Arctic oil & gas production (>5% revenue)	0%	0.0%
Coal-fired power generation (>10% revenue)	0%	0.0%
Gambling (>10% revenue)	0%	0.0%
Tobacco retail and distribution (>10% revenue)	0%	0.0%
Adult entertainment (>10% revenue)	0%	0.0%
% Fund exposure to corporate issuers experiencing very severe ESG controversies	0%	0.0%
ESG Tilt:		
% of the Fund's portfolio which the Investment Adviser aimed to be compliant with the Calvert Principles, and the actual percentage of the Fund's portfolio which was compliant with the Calvert Principles were:	90%	95.62%
Calvert Principles (20% investible universe reduction)	20%	22.43%
Sustainable Investments:		
% Fund investments that are sustainable investments	20%	36.42%

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

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 Fund's sustainable investments fell within one of the following categories:

- Green, Social or Sustainability Bonds ("Sustainable Bonds"), as labelled in the securities' documentation, where the issuer committed to allocate the proceeds to projects making a positive environmental or social contribution. This included, but was not limited to, bonds that aligned with the International Capital Market Association (ICMA)'s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, and bonds that had been assessed through the Investment Adviser's proprietary Sustainable Bond evaluation framework. Sustainable Bonds mobilise financing directly towards a variety of environmental and social projects whose focus spans across a number of sustainability objectives. Examples include, but are not limited to, financing for renewable energy, energy efficiency, clean transportation, affordable housing, and financial inclusion projects. The specific objectives to which the Sustainable Bonds contribute depend on the eligible environmental and social project categories of each security.

- Bonds from corporate issuers whose business practices, products or solutions, made a net positive contribution towards the SDGs. The SDGs were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet and ensure that by 2030 all people enjoy peace and prosperity. The Investment Adviser defines positive contribution to the SDGs as a net positive aggregate alignment score across all the SDGs (i.e., scores measuring positive contribution to individual SDGs have to, in total, be greater than the total of any negative contribution scores), based on third-party data. The Investment Adviser only included issuers which had sufficient positive SDG alignment with at least one individual SDG, and which did not have any material mis-alignments on any of the SDGs.

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 SFDR rules.

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

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

The "do no significant harm" methodology applied by the Investment Adviser on sustainable investments excluded investments that the Investment Adviser considered caused significant harm to any of the PAI indicators which are mandatory for the Investment Adviser to consider under the SFDR rules, and which are relevant to the investment.

The thresholds were set: (i) on an absolute value basis; (ii) on a relative basis in the context of the investment universe; or (iii) using pass/fail scores. The Investment Adviser used reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. For example, owing to the absence of reliable and comparable data concerning exposure to activities negatively affecting biodiversity sensitive areas, the Investment Adviser used an indicator provided by a third-party data vendor which measured the extent to which companies were involved in controversies related to environmental issues and had adopted measures to mitigate biodiversity risk, 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.

The Investment Adviser generally conducted the PAI assessment at the issuer level. However, for certain investments the assessment was done at the security level in whole or in part. For instance, in the case of Sustainable Bonds, as defined above, the PAI indicators that were directly related to the sustainability factors targeted by the bond's use of proceeds were assessed at the security level, through the Investment Adviser's proprietary Sustainable Bond Evaluation Framework. As an example, where the Fund invested in a Green Bond issued by a utility company, where the proceeds were used to finance renewable energy projects contributing to avoiding GHG emissions, the Investment Adviser considered that the investment satisfied the PAI indicators related to GHG emissions and GHG intensity, even if the issuer had a negative overall assessment on those PAI indicators.Other PAI indicators that are unrelated to the Sustainable Bond's use of proceeds are still assessed at the issuer level.

The Fund's PAI assessment was supported, on a qualitative basis, by the Investment Adviser's engagement with selected issuers on their corporate governance practices, as well as on other material sustainability issues related to the SDGs, in line with the Investment Adviser's Fixed Income Engagement Strategy, available on www.morganstanley.com/im.

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 sustainable investments excluded issuers which experienced very severe controversies that were deemed to violate the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, and issuers with very severe controversies related to violations of the OECD Guidelines for Multinational Enterprises. This screening was done using third-party data.

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 on sustainability factors which are relevant to the investment for the portion allocated to sustainable investments, as described above in response to the question, "How were the indicators for adverse impacts on sustainability factors taken into account?"

The portion of the Fund that was not comprised of sustainable investments considered certain PAIs only in part through the Fund's exclusionary criteria, as follows:

- The Fund excluded issuers which derived any revenue from thermal coal mining and extraction. The Fund therefore partly considered the PAI indicator 4: exposure to companies active in the fossil fuel sector.
- The Fund excluded issuers which derived any revenue from controversial weapons manufacturing or retail. The Fund therefore considered in whole the PAI indicator 14: exposure to controversial weapons.
- The Fund excluded issuers which committed violations of the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, or which experienced very severe controversies relating to violations of the OECD Guidelines for Multinational Enterprises. The Fund therefore considered in whole the PAI indicator 10: violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises.

Appendix 9: Sustainable Finance Disclosure (unaudited)

As at 31 December 2022 (continued)

What were the top investments of this financial product?

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 16.25%

Security	Sector	% Assets	Country
EDP - Energias de Portugal SA, Reg. S, FRN 4.496% 30/04/2079	Utilities	1.79%	Portugal
Getlink SE, Reg. S 3.5% 30/10/2025	Industrials	1.18%	France
James Hardie International Finance DAC, Reg. S 3.625% 01/10/2026	Industrials	1.13%	United States of America
Clarios Global LP, Reg. S 4.375% 15/05/2026	Consumer Discretionary	1.12%	United States of America
Ford Motor Credit Co. LLC 3.81% 09/01/2024	Financials	1.10%	United States of America
GEMS MENASA Cayman Ltd., Reg. S 7.125% 31/07/2026	Consumer Discretionary	1.09%	United Arab Emirates
Drax Finco plc, 144A 6.625% 01/11/2025	Utilities	1.08%	United Kingdom
Sprint LLC 7.875% 15/09/2023	Communication Services	1.07%	United States of America
Standard Industries, Inc., Reg. S 2.25% 21/11/2026	Industrials	1.04%	United States of America
Greystar Real Estate Partners LLC, 144A 5.75% 01/12/2025	Real Estate	1.01%	United States of America
Wp/ap Telecom Holdings III BV, Reg. S 5.5% 15/01/2030	Communication Services	0.99%	Netherlands
Compass Minerals International, Inc., 144A 6.75% 01/12/2027	Materials	0.99%	United States of America
Perrigo Finance Unlimited Co. 4.4% 15/06/2030	Health Care	0.96%	United States of America
Infrabuild Australia Pty. Ltd., 144A 12% 01/10/2024	Materials	0.85%	Australia
Grifols Escrow Issuer SA, Reg. S 3.875% 15/10/2028	Health Care	0.85%	Spain

Appendix 9: Sustainable Finance Disclosure (unaudited)

As at 31 December 2022 (continued)

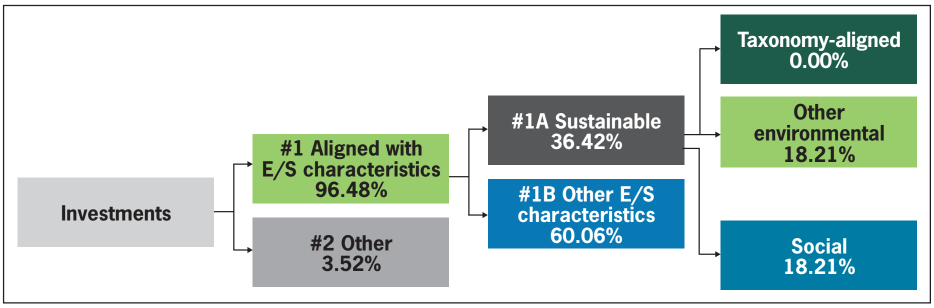
What was the proportion of sustainability-related investments?

96.48% of the Fund's investments were aligned with the environmental and social characteristics of the Fund.

36.42% of the Fund comprised sustainable investments which are further explained in the asset allocation diagram below.

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 methodology for categorising investments as sustainable investments considers both environmental and social factors (as relevant) as set out above. The Fund does not categorise its sustainable investments as having either an environmental objective or a social objective and does not seek to prioritise one over the other in its investment process.

Solely for SFDR reporting purposes, the Investment Adviser has equally divided the proportion of the Fund's sustainable investments into environmental and social categories in the questions below ("What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?" and "What was the share of socially sustainable investments?"). These figures and disclosures are not targets or commitments and should not be used to characterise the Fund's investment focus, profile or portfolio from a sustainability perspective.

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

In which economic sectors were the investments made?

Sector	% Assets
Industrials	19.44%
Communication Services	15.51%
Consumer Discretionary	14.76%
Health Care	11.44%
Materials	8.93%
Financials	6.51%
Information Technology	5.93%
Consumer Staples	4.20%
Utilities	4.05%
Real Estate	2.68%
Energy	2.03%

Exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels	4.48%

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 other fossil fuel exclusions applied as a binding characteristic to the Fund.

The investments in this Fund include green and sustainability use of proceeds bonds. Where the Fund invests in these types of bonds, the Investment Adviser will assess any exposure the proceeds of the bonds have to fossil fuels but it will not take into account any exposure the issuer may have to fossil fuels. This is because any exposure the issuer has to fossil fuels does not impact the use of proceeds of the bond. In practice, this means any green and sustainability use of proceeds bonds will be excluded from the fossil fuel exposure calculation above, as the Investment Adviser will treat these bonds as not having any exposure to fossil fuels.

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.

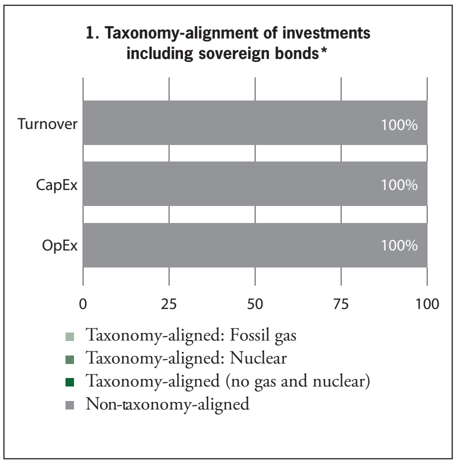
Transitional activities are economic activities for which low-carbon alternatives are not yet available and that have greenhouse gas emission levels corresponding to the best performance.

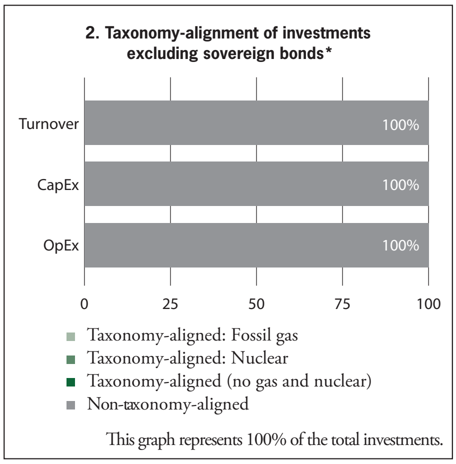
Did the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy[1]?

☐ 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.





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

[1] Fossil gas and/or nuclear activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do no significant harm to 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 Commissions Delegated Regulation (EU) 2022/1214.

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?

18.21% 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.

As noted above in response to the question "What was the asset allocation?", the Fund does not categorise its sustainable investments as having either an environmental objective or a social objective and does not seek to prioritise one over the other in its investment process. Solely for SFDR reporting purposes, the Investment Adviser has equally divided the proportion of the Fund's sustainable investments into environmental and social categories in this question.

What was the share of socially sustainable investments?

18.21% of the Fund's investments were sustainable investments with a social objective during the reference period. As noted above in response to the question "What was the asset allocation?", the Fund does not categorise its sustainable investments as having either an environmental objective or a social objective and does not seek to prioritise one over the other in its investment process. Solely for SFDR reporting purposes, the Investment Adviser has equally divided the proportion of the Fund's sustainable investments into environmental and social categories in this question.

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?

3.52% of the Fund's investments were not aligned with the environmental or social characteristics of the Fund and have been included in the "other" category. These investments comprised cash instruments held for ancillary liquidity and derivatives held for hedging purposes, and they were not subject to any minimum environmental or social safeguards.

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

During the reference period, the Investment Adviser monitored the investment universe according to the Fund's environmental and social characteristics, to avoid any new investments in countries or activities that should be excluded by the Fund's characteristics. The Investment Adviser also monitored any existing holdings in the Fund that were in breach of its E or S characteristics, and took appropriate steps (such as temporarily classifying them under the "Other" category, and formulating remediation plans), taking into consideration the best interest of the Fund's shareholders.

In addition, the Investment Adviser monitored any progress or deterioration in the sustainability performance of the Fund's holdings based on its proprietary research and ESG scoring methodologies, and engaged with selected bond issuers held in the Fund, in relation to their sustainability practices and any controversies, to encourage improvement. Such engagement activities also supported, on a qualitative and non-binding basis, the Fund's PAI and good governance assessment.

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.