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.

Product name:	**Legal entity identifier:**
Asia Equity Fund	3YN85S5L733W17SQIB18

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 _% 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 will make a minimum of **sustainable investments with a social objective: __%**	☒ It promotes E/S characteristics, but **will not make any sustainable investments**

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.

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

The fund promotes the following environmental and social characteristics:

- the fund promotes the environmental characteristic of limiting negative environmental externalities by avoiding investments in certain industries with the potential to cause harm to the environment, such as coal, arctic oil and arctic gas; and
- the fund promotes the social characteristic of limiting negative social externalities by avoiding investments in certain industries with the potential to cause harm to human health and wellbeing, such as alcohol, gambling, tobacco and weapons.

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?").

The fund does not use a reference benchmark for the purposes of attaining its environmental or social characteristics.

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

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

The sustainability indicator used to measure the attainment or the environment and social characteristics promoted is:

Objective	Sustainability indicators
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.

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?

Not Applicable.

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?

Not Applicable.

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.

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

Not Applicable.

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

Not Applicable.

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 some of the principal adverse impacts ("PAI") on sustainability factors through the fund's exclusionary criteria as follows:

- The fund excludes issuers whose core business is in thermal coal mining and extraction. 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 will make information available on how it has incorporated the PAIs into the fund 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.

The investment manager integrates environmental, social, or governance (ESG) risks into the investment process by using certain ESG criteria as a lens for additional fundamental research, which can contribute to investment decision-making. The investment manager seeks to understand how certain ESG criteria may affect a company's risk profile and may engage with company management on what it deems to be materially important.

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,

In particular, the fund excludes investments in the following:

(i) companies with more than 10% revenue from thermal coal mining extraction, adult entertainment, tobacco or alcohol;

(ii) companies with more than 5% revenue from Arctic oil and gas, oil sands, gambling and civilian firearms; and

(iii) companies with any exposure to controversial weapons.

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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. Such additional investment restrictions will be disclosed in the fund's SFDR Website Disclosure.

[The exclusions are determined using third party data except on rare occasions where the data is proven to be incorrect. The exclusions criteria are applied to all equity investments within the fund based on available data from third parties. Investments that are held by the fund but become restricted after they are acquired due to the application of the ESG criteria will be sold. Such sales will take place over a time period to be determined by the investment manager, taking into account the best interests of the shareholders of the fund.]

[The fund references third party ESG data during the security research process, but does not rely on third party ESG data for the purposes of constructing the portfolio. The investment manager relies on its own proprietary analysis for security selection and portfolio construction rather than third party analysis. However, in some cases data on specific issuers or the exclusions noted above may not be available and/or may be estimated by the investment manager using reasonable estimates or third party data.]

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 element of the investment strategy used to select the investments to achieve the environmental and social characteristics promoted is the following:

- The exclusionary criteria applied by the fund

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

Not applicable.

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

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

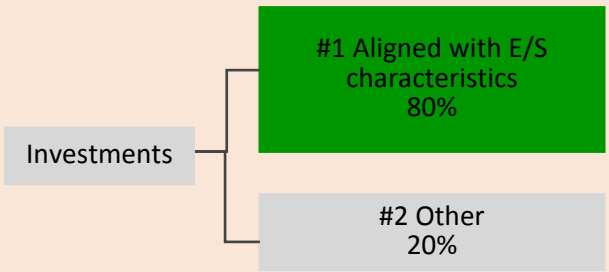
All investee companies within the fund are assessed on their governance which is embedded in the investment process and considered as part of initial research and stock selection. The team also engages with companies and boards directly on issues material to governance, among other issues. An investment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

A minimum of 80% of the fund's investments will be aligned with environmental and social characteristics promoted by the fund ("#1 Aligned with E/S Characteristics").

The remaining 20% of the fund's investments will be invested in (i) hedging instruments and/or (ii) cash held for ancillary liquidity ("#2 Other"). These investments are not subject to minimum environmental or social safeguards. .

- ***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.

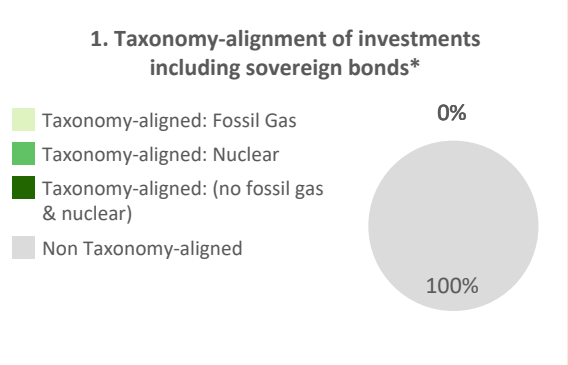
● ***Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy?***[1]

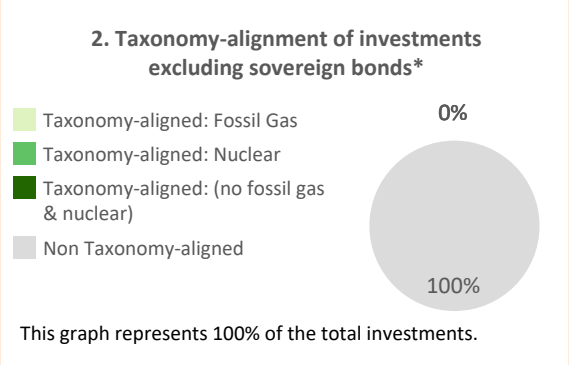
☐ **Yes:**

☐ 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.*





This graph represents 100% of the total investments.

* *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?

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

The fund promotes environmental and social characteristics but does not commit to making any sustainable investments. As a consequence, the fund does not commit to a minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy.

[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.

What is the minimum share of socially sustainable investments?

Not applicable.

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) hedging instruments and/or (ii) 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?

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

Not applicable

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_asiaequity_en.pdf