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:**
Euro Corporate Bond Fund	28WYH088EMGB02JCXS87

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 40% 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 environmental characteristic of climate change mitigation by excluding investments in certain types of fossil fuels. In addition, the fund promotes the social characteristic of avoiding investments in certain 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, *"What investment strategy does this financial product follow?"*).

The fund also supports the above environmental and social characteristics by aiming to make a minimum of 40% sustainable investments in:

- Corporate issuers whose business practices, products or solutions, make a net positive contribution towards United Nations' Sustainable Development Goals ("**SDGs**"); or
- Sustainable Bonds, as defined further below, which make a positive environmental or social contribution through their use of proceeds, as explained in response to the question below, *"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 fund has not designated a reference benchmark for the purpose 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 following sustainability indicators are used to measure the attainment of the fund's environmental and social characteristics:

- The fund's exposure, in percentage market value, to issuers that violate any of the exclusion criteria;
- The fund's percentage market value allocated to sustainable investments.

Additional details on the fund's exclusions criteria are provided below in response to the question, "*What investment strategy does this financial product follow?*"

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 fund's sustainable investments will fall within one of the following categories:

- Green, Social or Sustainability Bonds ("Sustainable Bonds"), where the issuer commits to allocate the proceeds to projects making a positive environmental or social contribution. This includes, but is not limited to, bonds that align with the International Capital Market Association (ICMA)'s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines. 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, make 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 manager 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 manager will also only include issuers which have sufficient positive SDG alignment (in the investment manager's view) with at least one individual SDG, and which do not have any material mis-alignments (in the investment manager's view) on any of the SDGs.

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 investment manager seeks to ensure that the sustainable investments of the fund do not cause significant harm to relevant environmental or social sustainable investment objectives by:

- Testing whether the investment meets the thresholds set by the investment manager for each of the mandatory principal adverse impact ("PAI") indicators (see the response to the question, "*How have the indicators for adverse impacts on sustainability factors been taken into account?*" below for the details of this process); and
- Ensuring that the sustainable investments of the fund are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (see the response to the question, "How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?" below for the details of this process).

This assessment is conducted using third-party data on the sustainability characteristics of the fund's holdings.

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

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

The "do no significant harm" methodology applied by the investment manager on sustainable investments seeks to screen investments to identify any significant harm to any of the PAI indicators which are mandatory for the investment manager to consider under the SFDR rules, and which are relevant to the investment.

The investment manager has determined specific metrics and quantitative thresholds for what constitutes significant harm to screen PAI indicators that are relevant to the investment, using third-party data. The thresholds are 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. Different metrics or thresholds may apply to issuers located in developed markets and in emerging markets, respectively. This is intended to reflect the different extent to which the investment manager deems that meeting minimum sustainability standards in these markets is currently achievable. In addition, different relative thresholds may apply to similar indicators: for example, the investment manager currently applies a lower threshold to determine significant adverse impact with respect to scope 3 emissions intensity as compared to scope 1 and 2 emissions intensity. This is because: (i) companies have less control over their indirect emissions; and (ii) data estimates for scope 3 emissions, which currently prevail over reported data compared to scope 1 and 2 emissions, may result in a less accurate PAI assessment.

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

The investment manager generally conducts the PAI assessment at the issuer level. However, where appropriate the assessment may be 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 are directly related to the sustainability factors targeted by the bond's use of proceeds will be assessed at the security level. As an example, the fund may invest in a Green Bond issued by a utility company that has a negative assessment of the PAI indicators related to GHG emissions and/or GHG intensity, as long as the investment manager evaluates that the issuer has a credible strategy to reduce its GHG emissions, and that the Green Bond specifically contributes towards such goal. 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 is supported, on a qualitative and non-binding basis, by the investment manager's engagement with selected issuers on their corporate governance practices, as well as on other material sustainability issues, in line with the investment manager's Fixed Income Engagement Strategy, available on www.morganstanley.com/im.

— *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 sustainable investments exclude issuers which have experienced significant controversies that are deemed to violate the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, and issuers with significant controversies related to violations of the OECD Guidelines for Multinational Enterprises. This screening is done using third-party data.

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

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

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



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

☒ **Yes**

☐ **No**

The fund considers all of the mandatory PAI 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 have the indicators for adverse impacts on sustainability factors been taken into account*?"

The portion of the fund that is not made of sustainable investments considers the PAI only in part through the fund's exclusionary criteria, as follows:

- The fund excludes issuers which derive a certain percentage of revenue from thermal coal mining and extraction, or a portion of revenue from coal-fired power generation. The fund therefore considers the PAI indicator 4: exposure to companies active in the fossil fuel sector.
- 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 significant controversies relating to violations of the OECD Guidelines for Multinational Enterprises. The fund therefore considers the PAI indicator number 10: violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises.
- The fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The fund therefore considers the PAI indicator 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.

As part of its investment strategy, the fund aims at reducing exposure to selected business activities which can cause danger to human health and wellbeing or the environment, through exclusionary screening. The fund will also make sustainable investments in Sustainable Bonds making a positive environmental or social contribution through their use of proceeds, or bonds from corporate issuers whose business practices, products or solutions, make a net positive contribution towards the SDGs.

Binding criteria	
The fund will not invest in corporate issuers which:	**<u>Derive any revenue from any of the following activities:</u>** • Controversial weapons manufacturing or retail (including anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons); • Civilian firearms manufacturing or retail; • Tobacco manufacturing; or **<u>Derive more than 5% revenue from any of the following activities:</u>** • Thermal coal mining and extraction;* **<u>Derive more than 10% revenue from any of the following activities:</u>** • Military or conventional weapons, or weapons systems manufacturing or retail; • Gambling; **<u>Derive more than 20% revenue from any of the following activities:</u>** • Coal-fired power generation;* or **<u>Violate any of the following global norms:</u>** • UN Global Compact, UN Guiding Principles on Business and Human Rights, ILO fundamental Principles, or OECD Guidelines for Multinational Enterprises, without evidence of material remediation and improvement. *The fund may, as an exception to the exclusions related to fossil fuels listed above, invest in Sustainable Bonds which are intended to raise proceeds specifically for projects that promote positive environmental contributions mitigating the adverse sustainability impact of those fossil fuels, such as renewable energy or energy efficiency, based on information available in the bond issuance documentation.
Sustainable investments	The fund will maintain a minimum of 40% of sustainable investments, which meet the criteria as set out in response to the question, "*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 investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's SFDR Website Disclosure.

In addition to the ESG considerations described in this summary on a binding basis, the fund integrates ESG considerations in the investment decision-making process to support its environmental and social characteristics on a non-binding basis, based on the investment manager's in-house research and methodologies and on third-party data. In some cases, third-party data on specific issuers, ESG themes or the exclusions noted above may not be available and/or may be estimated by the investment manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary.

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

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

The binding elements of the investment strategy are described in the table above.

The criteria are implemented and monitored by the investment manager using a combination of third-party data and in-house research.

- ***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.

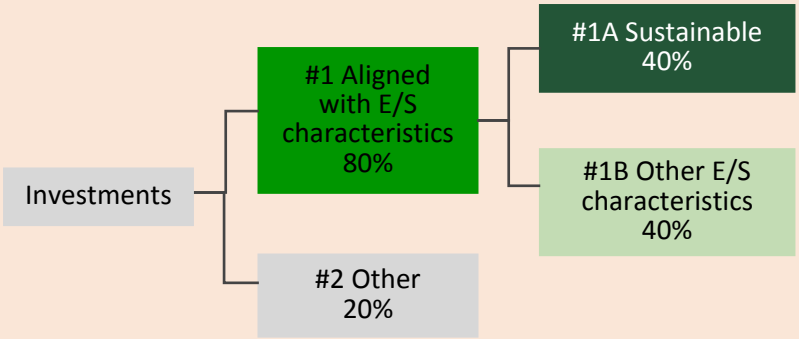
As part of its bottom-up, fundamental research process, the investment manager systematically incorporates the assessment of an issuer's corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.

What is the asset allocation planned for this financial product?

Asset allocation describes the share of investments in specific assets.

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



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.
#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

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

The exclusions (as described above) will be applied to at least 80% of the portfolio, of which the fund also expects to allocate a minimum of 40% of its assets to sustainable investments. Among these sustainable investments, 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.

A maximum of 20% of the fund's assets may be invested in hedging instruments for efficient portfolio management and in cash as ancillary liquidity., which do not align with any environmental or social characteristics.

As explained above, any investments that are held by the fund but become restricted because they breach the investment exclusions set out above, after they are acquired for the fund, will be sold. Such sales will take place over a period of time to be determined by the investment manager, taking into account the best interests of the shareholders of the fund. Such investments are included in the "#2 Other" category.

These percentages are measured according to the value of the investments.

- ***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.

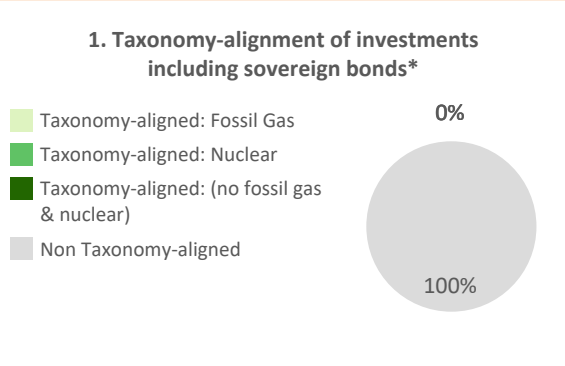
- ***Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy?***[1]

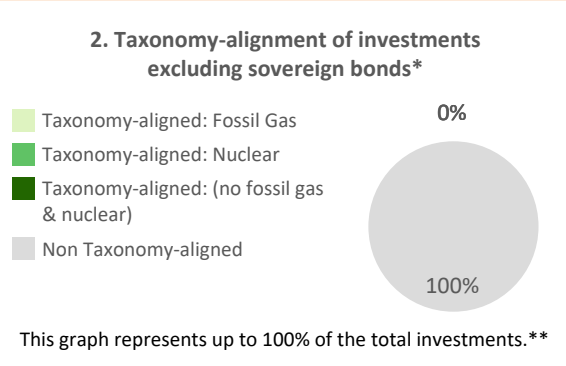
☐ **Yes:**

☐ 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 up to 100% of the total investments.**

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

***The proportion of total investments shown in this graph is purely indicative and may vary over time. As the fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of any sovereign exposure in the fund's portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.*

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

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.

[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 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 intends to make a minimum of 40% sustainable investments with a combination of environmental and social objectives, as described above. 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 40% of the portfolio holdings on an aggregated basis.

Although some of these sustainable investments may be EU Taxonomy aligned, due to lack of available data regarding the EU Taxonomy alignment of the underlying securities, the investment manager has not been able to confirm whether these investments are in fact EU Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable. As such, the investment manager uses its own methodology to determine whether certain investments are sustainable in accordance with the SFDR sustainable investment definition, and then invests in such assets for the fund.

What is the minimum share of socially sustainable investments?

As explained above, the fund may make sustainable investments which contribute to either environmental or social objectives. 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 40% 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 fund may have investments in hedging instruments for efficient portfolio management and in cash as ancillary liquidity. These instruments are included in the "#2 Other" category and are not subject to environmental and/or social screening or any 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_investmentgradecredit_aggregated_en.pdf