

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: **Emerging Leaders Equity Fund**

Legal entity identifier: **549300RVZ11RNS16PV05**

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?

- | | |
|---|---|
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| <input type="checkbox"/> It made sustainable investments with an environmental objective : ____% <ul style="list-style-type: none"> <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy | <input type="checkbox"/> It promoted Environmental/Social (E/S) characteristics and while it did not have as its objective a sustainable investment, it had a proportion of ____% of sustainable investments <ul style="list-style-type: none"> <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with a social objective |
| <input type="checkbox"/> It made sustainable investments with a social objective : ____% | <input checked="" type="checkbox"/> 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, firstly, the Fund promoted the environmental characteristic of contributing towards climate change mitigation by seeking to achieve a lower carbon footprint than the MSCI Emerging Markets (Net) Index in aggregate at the portfolio level.

Secondly, the Fund avoided investments in certain industries with the potential to cause harm to the environment and to human health and wellbeing, such as tobacco and weapons, by applying binding exclusions. Further detail on the nature of these exclusions is set out below (in response to the question, "How did the sustainability indicators perform?").

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

How did the sustainability indicators perform?

Sustainability Indicator	Indicator Threshold	2022 Indicator Value
Exclusions:		
Sector-based exclusions:		
% of the Fund's exposure to issuers involved in the manufacturing or production of which derive revenue from:	0.00%	0.00%
Tobacco (directly manufacture or >5% revenue)	0.00%	0.00%
Adult entertainment (directly produce or own a majority stake (>50%))	0.00%	0.00%
Manufacture of civilian firearms	0.00%	0.00%
Controversial Weapons (manufacture, or are a majority owner, or majority owned by)	0.00%	0.00%
Coal (>10% revenue from mining and extraction of thermal coal, or >10% revenue from coal-fired power)	0.00%	0.00%
Oil Sands (>5% revenue from extraction or production)	0.00%	0.00%
Arctic oil (>5% revenue from oil extraction or production in the Arctic region)	0.00	0.00
Gambling (>5% revenue)		
Lower Carbon Footprint:		
Carbon Footprint lower than that of the MSCI Emerging Markets (Net) Index. Measured by weighted average carbon intensity, Scope 1 and 2 emissions. The carbon footprint of the index and that of the Fund were:	322.60	58.15
Reference universe reduction:		
The Investment Adviser aimed for a certain % reduction of the reference universe by the binding exclusions described above [and additional issuers based on indicators such as MSCI ESG ratings/scores or consideration of certain GICS sectors. The target % universe reduction, and the actual % universe reduction caused by the exclusions were:	20.00%	21.30%*

* Calculated based on the number of stocks in MSCI EM Index.

Appendix 9: Sustainable Finance Disclosure (unaudited)

As at 31 December 2022 (continued)

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 include 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 some of the principal adverse impacts (“PAI”) on sustainability factors through the Fund’s exclusionary criteria as follows:

- The Fund excluded issuers whose core business is in thermal coal mining and extraction and thermal coal power generation. 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.

Appendix 9: Sustainable Finance Disclosure (unaudited)

As at 31 December 2022 (continued)



The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 56.13%

What were the top investments of this financial product?

Security	Sector	% Assets	Country
Li Ning Co. Ltd.	Textiles, Apparel & Luxury Goods	7.52%	China
MercadoLibre, Inc.	Internet & Direct Marketing Retail	7.35%	United States of America
Bajaj Finance Ltd.	Consumer Finance	6.39%	India
Shenzhou International Group Holdings Ltd.	Textiles, Apparel & Luxury Goods	6.11%	China
ICICI Bank Ltd.	Banks	5.49%	India
AU Small Finance Bank Ltd., Reg. S	Banks	5.12%	India
Globant SA	IT Services	4.87%	Argentina
Chailease Holding Co. Ltd.	Diversified Financial Services	4.84%	Taiwan
Proya Cosmetics Co. Ltd. 'A'	Personal Products	4.31%	China
Voltronic Power Technology Corp.	Electrical Equipment	4.13%	Taiwan



What was the proportion of sustainability-related investments?

92.28% of the Fund's investments attained the promoted environmental and social characteristics of the Fund. The remainder of the investments were investments for cash instruments held for ancillary liquidity and derivatives held for hedging purposes, which did not attain the promoted environmental or social characteristics and were not subject to any minimum environmental or social safeguards.

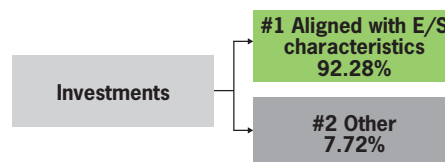
The Fund did not make any sustainable investments within the meaning of the Sustainable Finance Disclosure Regulation ("SFDR").

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 Fund's aim to maintain a lower carbon footprint than the MSCI Emerging Markets (Net) 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).

In which economic sectors were the investments made?

Sector	% Assets
Consumer Discretionary	30.76%
Financials	29.01%
Information Technology	15.05%
Industrials	6.81%
Consumer Staples	5.87%
Materials	4.24%
Health Care	0.55%
Exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels	0.00%

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

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 investments which promoted environmental characteristics 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.

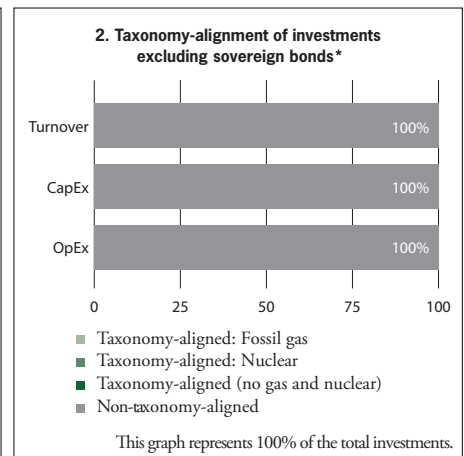
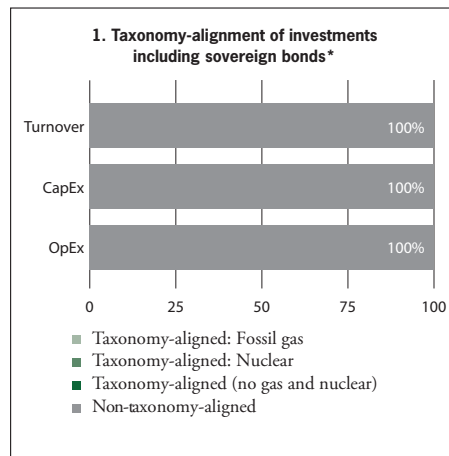
Transitional activities are economic activities for which low-carbon alternatives are not yet available and that have greenhouse gas emission levels corresponding to the best performance.

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

☐ 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.



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

7.72% 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. This is comprised of cash held for ancillary liquidity, which were not subject to any minimum environmental or social safeguards.

Appendix 9: Sustainable Finance Disclosure (unaudited)

As at 31 December 2022 (continued)



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

During the reference period, the promoted environmental and social characteristics were met through the application of exclusions and maintaining a lower carbon footprint than the index at the portfolio level. To ensure the attainment of these promoted environmental and social characteristics, automated tools/screens and portfolio surveillance tools were used by the Portfolio Surveillance team. In addition, the Investment Adviser performed periodic manual desk reviews to ensure compliance.

In evaluating environmental and social risks, the Investment Adviser also engaged with companies on issues most relevant to their businesses. For example, the Investment Adviser engaged companies on their use of carbon and renewable energy, and their decarbonization plans. The investment team also discussed social issues around a company's labor force, community, supply chain and diversity at the management level.

The Investment Adviser also 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. During the year, the Investment Adviser engaged 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.

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.