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

Product name: *Global Brands Fund*

Legal entity identifier: *ZGXTXPGVP03JQIVJJ255*

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

Does this financial product have a sustainable investment objective?

☐Yes	☒No
☐**It** will make a minimum of **sustainable investments with an environmental objective:** __% ☐**in** economic activities that qualify as environmentally sustainable under the EU Taxonomy ☐**in** economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☒**It 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 10% of sustainable investments ☐**with** an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy ☒**with** an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy ☒**with** a social objective
☐**It** will make a minimum of **sustainable investments with a social objective**: __%	☐**It** promotes E/S characteristics, **but will not make any sustainable investments**

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: (i) companies with any tie to fossil fuels; and (ii) companies in certain other energy intensive sectors.

In addition, the Fund considers social characteristics by applying binding exclusions on: (i) companies whose core business activity involves weapons or civilian firearms; and (ii) that have any tie to controversial weapons.

In addition, a proportion of the Fund's investments will be sustainable investments that make a positive contribution to the UN Sustainable Development Goals.

Further detail on the nature of these exclusions is set out in response to the question, "*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*?" below.

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

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

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

Compliance with the exclusionary screens is measured based on the exclusionary criteria summarised below and the percentage of the Fund's investments which breach the exclusionary screens.

The sustainable investments made by the Fund shall be assessed based on their net positive contribution to the UN Sustainable Development Goals (which shall be determined using contribution assessment scores obtained from third party data providers) and the mandatory principal adverse impact indicators in the Sustainable Finance Disclosure Regulation ("**SFDR**") rules.

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 sustainable investments that the Fund intends to make will seek alignment with the UN Sustainable Development Goals ("**SDGs**"). The UN SDGs include environmental (e.g. Climate Action or Life on Land) and social (e.g. Good Health and Well-Being) objectives. In order to be classified as sustainable investments, the Fund's investments have to make a net positive contribution across the UN SDGs, either through their products and services (e.g. a health care company's essential medical products may positively contribute to the Good Health and Well-Being SDG), or through business practices such as policies, actions and targets aimed at meeting one or more of the SDGs (e.g. a company with robust carbon reduction plans may contribute to the Climate Action SDG by reducing its own emissions, switching to renewable energy or by seeking emission reductions in its value chain by engaging with suppliers and/or through product design). More information on the UN SDGs can be found at: https://www.undp.org/sustainable-development-goals.

The Investment Adviser defines an investment's positive contribution to the UN SDGs as simultaneously meeting three criteria assessed using third-party data: 1) having 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), 2) having sufficient positive alignment (in the Investment Adviser's view) with at least one individual SDG and 3) not having any material mis-alignments on any of the SDGs.

In limited cases, and where it is satisfied that it is appropriate to do so based on its internal analysis (having regard to its engagements with the company or other data sources), the Investment Adviser may treat an investment as failing or passing its sustainable investment criteria, contrary to the position indicated by the third-party SDG alignment score. The Investment Adviser may do this when, for example, it considers the third-party SDG alignment data to be out of date or incorrect based on the Investment Adviser's own engagement efforts or research.

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 do no significant harm (DNSH) methodology applied by the Investment Adviser seeks to ensure that investments causing significant harm to any of the principal adverse impact ("**PAI**") indicators for companies which are mandatory for the Investment Adviser to consider under the EU SFDR rules and which are relevant to the investment, or which do not meet the minimum social safeguards set out in the SFDR rules, are not classified as sustainable investments.

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

The Fund gains data to assess the PAI indicators (listed below) from third-party providers as well as internal research. The Fund may use reasonable proxies for those PAIs for which the Investment Adviser considers that the data is not widely or reliably available (currently these are the 'Unadjusted gender pay gap', 'Activities negatively affecting biodiversity sensitive areas' and 'Emissions to water' indicators). These proxies will be kept under review and will be replaced by data from third-party data providers, when the Investment Adviser determines that sufficiently reliable data has become available.

PAI indicators:

Investee companies

1. GHG emissions
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact and OECD
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD

12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

To determine whether significant harm is caused, initial thresholds for each mandatory PAI indicator are generally set in two ways:

- for binary indicators (e.g. 'Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises'), a binary pass/fail test is applied, based on the data;
- for indicators using quantifiable numerical data (e.g. 'GHG intensity of investee companies'), the worst performers (based on their relative performance within the broader investable universe, which itself is limited to issuers for which data is available – subject to the exceptions noted below), are deemed to fail the initial test.

For both types of indicators, where data is not available, the investment is deemed to fail the initial test and cannot be regarded as a sustainable investment. However, in cases where the third-party data provider determines that a particular PAI indicator is not meaningful given the nature or the industry of the issuer, and therefore does not provide data on that PAI indicator, the investment is deemed to pass the initial test on the basis that the investment's activities are unlikely to be causing significant harm to the environmental or social theme covered by that PAI indicator. For example, in the case of software companies with a limited physical presence, the expectation is that their activities are unlikely to have significant negative impacts on water quality, therefore the 'emissions to water' PAI is considered by the third-party provider to be not meaningful for that industry.

Instances in which the third-party data provider determines that a PAI indicator is not meaningful will be kept under periodic review by the Investment Adviser, in case the third-party data provider subsequently deems the PAI indicator meaningful for the issuer (in which case the Investment Adviser will re-assess the issuer against the relevant PAI indicator data).

Additionally, the outcome of the initial test may be supplemented (as appropriate) by the Investment Adviser's internal qualitative assessments on significant harm (having regard to other data sources and/or its engagements with the investment) on one or more PAIs. For example, the Investment Adviser may treat a company which does not report its share of non-renewable energy consumption as not failing the initial PAI test, if the Investment Adviser is satisfied through its qualitative assessment that the company in question has a low energy consumption intensity overall. Similarly, where the Investment Adviser considers that an issuer is taking appropriate and credible remedial actions to rectify its failings on a PAI, the issuer may still be considered a sustainable investment, subject to the Internal Adviser's ongoing review and tracking of the issuers' remedial actions.

As part of its long-term investment approach, the investment team also seeks to engage with company management teams and boards to encourage companies towards better ESG practices and to minimise or mitigate the principal adverse impacts of their activities.

- ***<u>How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:</u>***

The Fund will not treat as sustainable investments:

- issuers that fail to comply with the themes and values promoted by the UN Global Compact or the OECD Guidelines for Multinational Enterprises (which incorporate the ILO Fundamental Principles); and

- issuers which lack processes and compliance mechanisms to monitor compliance with the themes and values promoted by the UN Global Compact principles and OECD Guidelines for Multinational Enterprises (which incorporate UN Guiding Principles and ILO conventions).

In each case, this assessment is based on information obtained from third-party data providers and/or internal assessments.

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.

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The "do no significant harm" principle applies only to the portion of the Fund's investments that are sustainable investments.

<u>Does this financial product consider principal adverse impacts on sustainability factors?</u>

☒Yes

☐No

Principal 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.

All the mandatory PAI indicators in the SFDR rules are considered by the Investment Adviser (in the manner set out above) for the purposes of classifying some of the Fund's investments as sustainable investments.

PAIs are also considered with respect to the other investments of the Fund in the following manner:

- the environmental and social characteristics promoted by the Fund incorporate consideration of the following PAIs through binding exclusions:
  - PAI indicator 4: exposure to companies active in the fossil fuel sector;
  - PAI indicator 14: exposure to controversial weapons (using third-party data with a methodology that complies with the Sustainable Finance Disclosure Regulation ("**SFDR**") definition);
- engagement and stewardship with issuers across all relevant mandatory PAI indicators in the SFDR rules (except on controversial weapons as they are excluded) on a materiality basis (i.e., if the Investment Adviser considers a particular PAI indicator to be materially relevant to the long-term sustainability of high returns on capital, or materially adversely impacted by the activities of the issuer).

The Fund will report on the above matters in the Fund's periodic report.

<u>What investment strategy does this financial product follow?</u>

The investment strategy guides investmentdecisions based on factors such as investment objectives and risk tolerance.

The Fund will seek to achieve its investment objective by investing primarily in equity securities of companies in the world's developed countries. The Fund will invest in a concentrated portfolio of companies whose success the Fund believes depends on intangible assets (for example, but not limited to, brand names, copyrights or methods of distribution) underpinning a strong business franchise.

The Fund may also invest, on an ancillary basis in preference shares, debt securities convertible into common shares or preference shares, warrants on securities and other equity linked securities to gain exposure to companies in developed and emerging markets, as well as equity securities of emerging market companies and China A-Shares via Stock Connect.

The Fund's investment process focuses on high quality companies with sustainably high returns on operating capital. As an essential and integrated part of the investment process, the investment team assesses relevant factors material to long-term sustainably high returns on operating capital including ESG factors and seeks to engage with company management teams as part of this.

Subject to the Fund's investment objective and its binding Article 8 characteristics (as explained above), the investment team retains discretion over which investments are selected for inclusion in the Fund.

The Fund is actively managed by the Investment Adviser on an ongoing basis in accordance with its investment strategy. The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser and the Management Company. The Investment Adviser'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, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

The environmental and social characteristics promoted by the Fund are incorporated within the investment guidelines and subject to ongoing monitoring by the portfolio managers. Morgan Stanley Investment Management's Portfolio Surveillance team also codes the investment guidelines into the firm's surveillance system. The Portfolio Surveillance team uses an automated process to monitor adherence to investment guidelines, including pre- and post-trade guideline monitoring and exception-based screening, and informs the Investment Team of any possible guideline violations.

- ***<u>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?</u>***

1. The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in any company that the Investment Adviser determines:

  - to have any tie to fossil fuels (such as oil, gas and coal) as classified by the MSCI ESG Business Involvement Screening Research database ("MSCI ESG BISR");
  - or any company that has been assigned the following sectors or industries under the MSCI Global Industry Classification Standards ("MSCI GICS"): energy, construction materials, utilities (excluding renewable electricity and water utilities), or metals and mining.

2. The Fund also applies the following binding screens:

- the Fund's investments shall not knowingly include any company whose core business activity involves the following, as classified by the MSCI ESG BISR database:
    a. civilian firearms; or
    b. weapons.

- the Fund shall also not invest in any company that is defined by the MSCI ESG BISR database to have any tie to controversial weapons.

Investments that are held by the Fund but become restricted because they breach the investment restrictions set out above after they are acquired for the Fund will be sold. Such sales will take place over a time period to be determined by the Investment Adviser, taking into account the best interests of the Shareholders of the Fund. The details of the above exclusions can be found in the Fund's exclusion policy which is available on the Company's website (www.morganstanleyinvestmentfunds.com and on www.morganstanley.com/im).

Further to the above, the Investment Adviser may, in its discretion, elect to apply additional ESG-related investment restrictions over time that it believes are consistent with its investment objectives. Such additional restrictions will be disclosed as they are implemented on www.morganstanleyinvestmentfunds.com and on www.morganstanley.com/im.

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

  Not applicable. No minimum reduction rate has been defined in relation to the Fund's scope of investments.

- ***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 companies within the Fund are assessed on their governance, and the investment process is focussed on identifying high quality companies that can sustain their high returns on operating capital over the long term through effective governance. Governance criteria are therefore embedded within the investment process and considered as part of initial research, portfolio selection and weighting as well as ongoing monitoring (using third party data and governance related controversy screens). An investment has to be considered by the Investment Adviser 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, remuneration of staff and tax compliance. The Investment Adviser 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 Adviser may take into account any remedial actions being undertaken by the company.

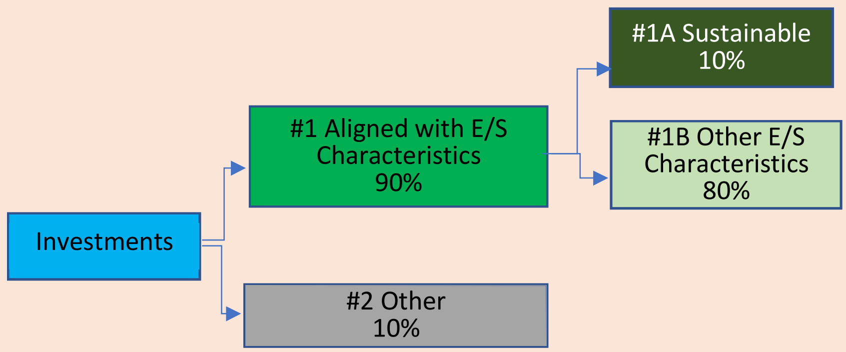
The team also engages with companies on issues material to the sustainability of company returns on operating capital. Direct engagement with companies and boards on material ESG risks and opportunities, and other issues, plays a role in informing the team on the soundness of company management and whether it can maintain high returns on operating capital while growing the business over the long term. Dialogue with companies on engagement topics can be prolonged and require multiple engagements.

<u>What is the asset allocation planned for this financial product?</u>

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 environmental and social exclusions will be applied to 90% of the portfolio and the Fund also expects to allocate a minimum of 10% of its assets to sustainable investments. The remaining 10% is expected to be made up of investments held for ancillary liquidity.

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

- ***<u>How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?</u>***

Not applicable – the Fund does not use derivatives to attain its environmental or social characteristics.

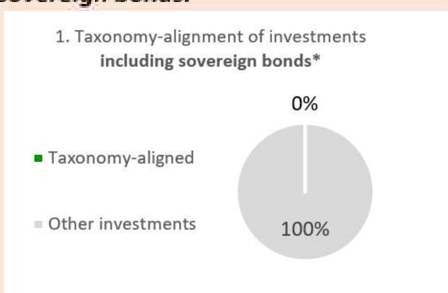
To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

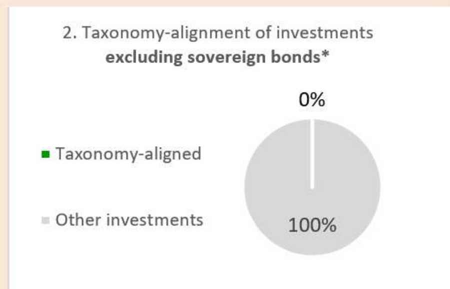
Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

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.

Not applicable – the Investment Manager does not take account of the EU Taxonomy in its management of the Fund and as such the Fund's sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

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.





*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?***

  Not applicable – 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.

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.

10% of the Fund's assets are expected to comprise sustainable investments that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

The Fund may make sustainable investments which contribute to either environmental or social themes and does not commit to any minimum share of sustainable investments which contribute to an environmental (as opposed to social) objective.

The EU Taxonomy does not comprehensively cover all industries and sectors, or even all environmental objectives. This financial product mainly invests in sustainable investments within sectors that are not covered by the EU Taxonomy currently. Accordingly, the Investment Adviser uses its own methodology to determine whether certain investments are environmentally sustainable in accordance with the SFDR sustainable investment test, and then the Investment Adviser invests part of the Fund in such assets.

What is the minimum share of socially sustainable investments?

As noted above, the fund may make sustainable investments which contribute to either environmental or social themes and does not commit to any minimum share of sustainable investments which contribute to a social (as opposed to environmental) theme. While the levels of sustainable investments which contribute to either an environmental or a social objective can both vary independently at any time, these sustainable investments will represent at least 10% 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?

This Fund holds cash and money market instruments for ancillary liquidity. These are included in the "#2 Other" category. No minimum environmental or social safeguards are applied to such investments.

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?

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_globalbrands_en.pdf