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: FCH Morgan Stanley Sustainable Euro Strategic Bond
(the "Financial Product")

Legal entity identifier: 213800FXRPSKEFCNBN04

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.

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 10% 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**

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

The Financial Product promotes the following environmental and social characteristics:

- **Low carbon intensity and net zero target:**

The Financial Product seeks to promote the environmental characteristic of climate change mitigation by:

- maintaining a lower carbon intensity than the corporate portion of the Bloomberg Euro Aggregate index; and
- aiming to achieve net zero emissions at the portfolio-level for corporate investments by 2050. As an interim target for net zero, the Financial Product aims to halve its carbon intensity by year-end 2030, compared to year-end 2021.

- **Exclusions:**

The Financial Product promotes the environmental characteristic of climate change mitigation by excluding investments in certain types of fossil fuels. In addition, the Financial Product promotes the social characteristic of avoiding investments in activities which can cause harm to human health and wellbeing, in sovereign issuers that significantly violate social rights, and in securitisations that violate responsible business or lending practices. Further detail on the nature of these exclusions is set out below (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?*").

- **Best-in-class ESG tilts:**

The Financial Product also seeks to invest in companies and sovereigns and securitisations that it considers to be best-in-class on ESG matters, based on relative or absolute proprietary ESG scores calculated by the investment manager of the Financial Product (the "Investment Manager"), and in doing so, it seeks to promote environmental and social themes such as, but not limited to the following:

  - Climate change mitigation, responsible use of natural resources, sustainable waste management, inclusive human capital management, and gender equality, for corporate issuers;
  - Climate change mitigation and adaptation, and human economic welfare standards, for sovereign issuers;
  - Energy efficiency, inclusive and affordable lending, for securitisations.

- **Sustainable Investments:**

The Financial Product aims to make a minimum of 10% sustainable investments in:

  - Corporate issuers whose business practices, products or solutions, make a net positive contribution towards the United Nations' Sustainable Development Goals ("SDGs");
  - Sovereign issuers with ESG scores in the top-2 ranks according to the Investment Manager's proprietary scoring methodology, associated with positive environmental or social attributes; or
  - Sustainable Bonds, from any type of issuer, 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 Financial Product 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?

The following sustainability indicators are used to measure the attainment of the Financial Product's environmental and social characteristics:

Binding environmental and social characteristic	Indicator	Methodology
Lower carbon intensity than the corporate portion of the Bloomberg Euro Aggregate Index	Weighted Average Carbon Intensity ("**WACI**": tons CO2e./US$ million revenue)	The Financial Product's WACI is measured in terms of Scope 1 and 2 emissions, in tons of CO2 equivalent, normalised by a company's US$ million revenues, based on third-party data, and weighted based on the Financial Product's corporate bond holdings.
Net zero emissions by 2050, and carbon intensity halved by 2030 for corporate investments	Financial Product's year-end decarbonisation rate against baseline	Measured as the annual reduction rate in the Financial Product's WACI (Scope 1 and 2 tons CO2e/US$ million revenue) at year-end at a portfolio level for corporate investments. The baseline is calculated as of December 31, 2021 (which corresponds to the date of the launch of the strategy of the Financial Product). While the

		attainment of the binding environmental characteristic will be assessed as of year-end 2030 and year-end 2050, progress will be monitored and reported on an annual basis.
Exclusions	Financial Product's exposure to issuers that violate any of the exclusion criteria	Measured in terms of the Financial Product's percentage market value invested in such securities.
Best-in-class ESG tilt for corporates	ESG Corporate Score (1-10, 10 best)	The score is based on the Investment Manager's proprietary ESG scoring methodology.
Best-in-class ESG tilt for sovereigns	ESG Sovereign Score (1-5, 5 is best)	The score is based on the Investment Manager's proprietary ESG scoring methodology.
Best-in-class ESG tilt for securitisations	ESG Securitisation Score (1-5, 5 is best)	The score is based on the Investment Manager's proprietary ESG scoring methodology.

- ***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 Financial Product's Sustainable Investments will fall within one of the following categories:

- Green, Social or Sustainability Bonds ("Sustainable Bonds"), as labelled in the securities' documentation, 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 multiplicity 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.

- Bonds from sovereign issuers with an ESG score of 4 or 5, in a 1-5 range where 5 is best, based on the Investment Manager's proprietary ESG scoring methodology. Ranks of 4 and 5 reflect a country's positive contribution towards environmental and social themes such as decarbonisation, forestry conservation, promotion of education, health and wellbeing, and good living standards. The Investment Manager will, however, not treat the investment as sustainable if the sovereign issuer ranked 4 or 5 has experienced recent negative momentum as assessed through in-house research, which is not captured by ESG data providers. For example, if a country is facing significant political and/or social instability.

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 Financial Product's Sustainable Investments aim not to cause significant harm to any environmental or social objective by avoiding investments in issuers that violate minimum social safeguards and by excluding issuers which breach thresholds set for the principal adverse impact ("PAI") indicators which the Investment Manager is required to consider by the EU Sustainable Finance Disclosure Regulation ("SFDR") rules, and which are relevant to the investment.

This assessment is conducted using in-house proprietary as well as third-party research on the sustainability characteristics of the Financial Product's holdings.

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.

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

The do no significant harm methodology applied by the Investment Manager on sustainable investments seeks to exclude investments that cause harm to any of the PAI indicators (listed below) which are mandatory for the Investment Manager to consider under the EU SFDR rules, and which are relevant to the investment.

- PAI indicators:
  - **Investee companies**
    - 1. GHG emissions
    - 2. Carbon Footprint
    - 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
  - **Sovereign**
    - 1. Sovereign GHG intensity
    - 2. Investee countries subject to social violations

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 as well as in-house research. 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 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 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 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 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, through the Investment Manager's proprietary Sustainable Bond Evaluation Framework. As an example, the Financial Product 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 Financial Product's PAI assessment is supported, on a qualitative basis, by the Investment Manager'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 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 Financial Product excludes from the entirety of the portfolio issuers which have experienced very severe 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 very severe 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, the Financial Product 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 Financial Product that is not made of Sustainable Investments considers the PAI only in part through the Financial Product's exclusionary criteria as follows:

- The Financial Product excludes issuers which derive any revenue from thermal coal mining and extraction. The Financial Product therefore partly considers the PAI indicator 4: exposure to companies active in the fossil fuel sector.
- The Financial Product excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Financial Product therefore considers in whole the PAI indicator 14: exposure to controversial weapons.
- The Financial Product 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 very severe controversies relating to violations of the OECD Guidelines for Multinational Enterprises. The Financial Product therefore considers in whole the PAI indicator 10: violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises.
- The Financial Product excludes any sovereign issuers where there is evidence of them having caused significant harm from social violations, which the Investment Manager defines in relation to the bottom-10% ranked countries on an indicator reflecting the fulfilment of social rights, as further explained 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?*". The Financial Product therefore considers in part the PAI indicator 16: investee countries subject to social violations.

The Financial Product will make information available on how it has incorporated the PAIs into the Financial Product in its periodic reports to investors.

☐ No

What investment strategy does this financial product follow?

The Financial Product aims to provide an attractive rate of relative return, measured in Euro, through investments primarily in Euro denominated Fixed Income Securities, issued by corporations, government or government guaranteed issuers, while reducing exposure to sustainability risks through exclusionary screening, tilting the portfolio in favour of best-in-class ESG-scored issuers, maintaining a lower carbon intensity than the corporate portion of the Bloomberg Euro Aggregate Index, and aiming to achieve portfolio-level net zero emissions for corporate investments by 2050.

In addition to the ESG considerations described in this summary on a binding basis, the Financial Product 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.

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

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

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 below.

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

Binding criteria	
Low carbon intensity	The Financial Product's corporate investments will maintain a lower carbon intensity than the corporate component of the Bloomberg Euro Aggregate index, as measured by the Weighted Average Carbon Intensity (WACI): Scope 1 and 2 tons CO2e./US$ million Sales, weighted by portfolio holdings.
Net zero	The Financial Product aims to achieve net zero emissions by 2050 at the portfolio level for all corporate investments, measured through the WACI metric. As an interim target for net zero, the Financial Product aims to halve its WACI at the portfolio level for all corporate investments by year-end 2030, compared to year-end 2021. While the binding elements of this environmental characteristic refer to the years 2030 and 2050, the Investment Manager aims to pursue a yearly decarbonisation pathway to achieve those longer-term targets. This pathway will be monitored and reported on an annual basis, using the sustainability indicator described above in response to the question, "*What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?*" If the portfolio of corporate investments does not meet its yearly decarbonisation pathway target for WACI in a given year, the Investment Manager would aim to decrease WACI at a larger rate the following year, such that the Financial Product will still aim to meet its binding commitments for 2030 and 2050.
The Financial Product will not invest in corporate issuers which:	**Derive any revenue from any of the following activities:** • Thermal coal mining and extraction;* • Controversial weapons manufacturing or retail (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons); • Civilian firearms manufacturing or retail; • Tobacco manufacturing; **Derive more than 5% revenue from any of the following activities:** • Oil sands extraction;* • Arctic oil and gas production*; **Derive more than 10% revenue from the following activities:** • Coal-fired power generation;* • Gambling; • Tobacco retail and distribution; • Adult entertainment; or **Violate any of the following norm-based exclusions:** • Are deemed to have violated the UN Global Compact; • Are deemed to have violated the UN Guiding Principles on Business and Human Rights; • Are deemed to have violated the ILO Fundamental Principles; or • Have experienced very severe ESG-related controversies, including in

<table>
<tr><td></td><td>relation to violations of the OECD Guidelines for Multinational Enterprises.

*The Financial Product may, as an exception from the starred bullet points above, invest in labelled Sustainable Bonds issued by fossil fuel companies, which are intended to raise proceeds specifically for projects that promote positive environmental contributions mitigating the adverse sustainability impact of coal, such as renewable energy or energy efficiency, based on information available in the bond issuance documentation.</td></tr>
<tr><td>The Financial Product will not invest in sovereign issuers which:</td><td>Are in the bottom-10% ranked countries for social violations, based on the Investment Manager’s custom indicator.

The social violations custom indicator is calculated by the Investment Manager taking into consideration a country’s performance on issues including, but not limited to, the application of human rights and civil liberties, the quality of contract enforcement and security, freedom of expression, association and free media, as assessed by underlying data from the World Bank.

Investments that are held by the Financial Product but become restricted because they breach the investment exclusions set out above, after they are acquired for the Financial Product, 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 Financial Product.

In addition, any investments in sovereign issuers exhibiting positive momentum with respect to such violations, shall not be subject to the purchase restriction. For example, if a country is in the process of making significant remediation efforts, such as through electoral or policy reforms and engagement with civil society, with regard to any social violations, the Investment Manager may not exclude the investment from the Financial Product, provided this is kept under review by the Investment Manager.</td></tr>
<tr><td>The Financial Product will not invest in securitisations in which:</td><td>The underlying loans show evidence of predatory lending, as determined by the applicable usury laws, and in the context of market rates and borrower’s risk profile;*
The lender or servicer of the underlying assets has committed severe malpractice around payment collection or has unjustifiably aggressive foreclosure practices;
The lender or servicer of the underlying assets has committed a severe breach of consumer protection standards:
as established by the Consumer Financial Protection Bureau (CFPB) in the United States; or
as established by any relevant regulatory and supervisory agency in the jurisdiction where the securitisation’s originator and/or collateral are located;
if the breach relates to the securitisation’s underlying collateral, underwriting and servicing practices, unless there is evidence of the breach having been or being remediated;** or
The originator, lender or servicer has been involved in controversy cases related to business ethics and fraud that the Investment Manager views as “Very Severe” based on data by relevant ESG data providers, and where the Investment Manager considers appropriate remedial action has not been taken.</td></tr>
</table>

	* A loan is considered a predatory loan if: • Interest rates do not comply with U.S. usury laws or the equivalent in other jurisdictions; or • Interest rates being offered exceed a limit for which the Investment Manager deems to be exceedingly higher than the industry standard. The Investment Manager may choose to proceed with an investment where interest rates surpass this level if following enhanced due diligence (including through direct engagement with the lending team and/or servicing department on the securitisation deal), the Investment Manager determines that access to the loan is still beneficial to the borrower when taking into consideration its risk profile and alternative borrowing options. The interest rate levels which are considered industry standard are subject to periodic review by the Investment Manager, based on the prevailing market conditions and prevailing rates across the industry at the time. ** This exclusion criterion does not apply to lenders or servicers of U.S. government sponsored mortgage-backed securities, as their compliance of such securitisations with local regulatory standards is already monitored by the U.S. government on an ongoing basis. Such investments will be considered to fall within "#1 Aligned with E/S characteristics", in response to the question, "*What is the asset allocation planned for this financial product?*"
Best-in-class ESG tilt	**Corporate issuers:** The Investment Manager will score every corporate issuer for which underlying data inputs are available, using an ESG Corporate Score. The Financial Product will only invest in the top-80% of ESG-scoring corporate issuers in each corporate sub-sector, according to the Bloomberg Global Sector Classification Scheme. The ESG Corporate Score is a proprietary score determined by the Investment Manager, using third-party data inputs, having regard to material ESG factors determined on a sector-by-sector basis, which include, but are not limited to: reduction in carbon and other toxic emissions, opportunities in low carbon technologies or financing, responsible use of natural resources, sustainable waste management, inclusive human capital management, gender equality, business ethics and corporate governance practices. **Sovereign issuers:** The Financial Product will only invest in the top-80% of ESG-scoring sovereign issuers in each income group (high-, middle-, low-income). Therefore, the Financial Product will only invest in sovereign issuers that rank 2 or above, in an ESG score range of 1-5 (where 5 is best) with homogeneous distribution. The ESG score for sovereign issuers is a proprietary score determined by the Investment Manager, using data inputs from the Official Sector, NGOs and Academic Institutions, having regard to ESG factors including, but not limited to: carbon emissions management, climate vulnerability, forest management, human economic welfare standards, state governance and political stability. A country's performance on such ESG factors is measured relative to its income level peer group, through a panel regression model, and it is then converted into a rank from 1-5, where 5 is best.

	Securitisations: The Financial Product will only invest in securitisations which are rated 3, 4, 5 in an ESG score range of 1-5, where 5 is best. The distribution of ratings is not homogenous. A rating of 3 or greater than 3 signifies that the underlying assets of the securitisation demonstrate responsible lending practices. There is no minimum percentage of securitisations which must be excluded from the investment universe in order to meet this characteristic. The Investment Manager assigns the ESG Securitised Score based on analysis of the nature of the underlying loan/asset, taking into account ESG considerations including, but not limited to: the environmental impact of the underlying properties in commercial mortgage-backed securities (e.g., industrial plants, waste and pollution) and in asset-backed securities (autos or aircraft emissions); the type of borrowers in residential mortgage-backed securities and consumer loan asset-backed securities (e.g., affordable lending to disadvantaged borrowers or to underserved demographics); and lending and collection practices of lenders and servicers. Additional details on the Investment Manager's ESG scoring methodologies are available on www.morganstanley.com/im.
Sustainable Investments	The Financial Product will maintain a minimum of 10% 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?*".
Universe Reduction	The ESG criteria should result in at least 20% reduction of the investible universe of corporates and sovereigns
ESG Analysis	The Investment Manager will use its best efforts to ensure that at least 90% of the corporates in the portfolio are assessed through its ESG scoring methodology

The Investment Manager may apply additional ESG-related investment restrictions over time that it believes are consistent with the Financial Product's investment objectives and its environmental and social characteristics. Such additional investment restrictions will be disclosed as they are implemented.

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

The Financial Product seeks to achieve a minimum reduction rate of 20% of the scope of investments as a result of the exclusions and best-in-class tilts.

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

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

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.

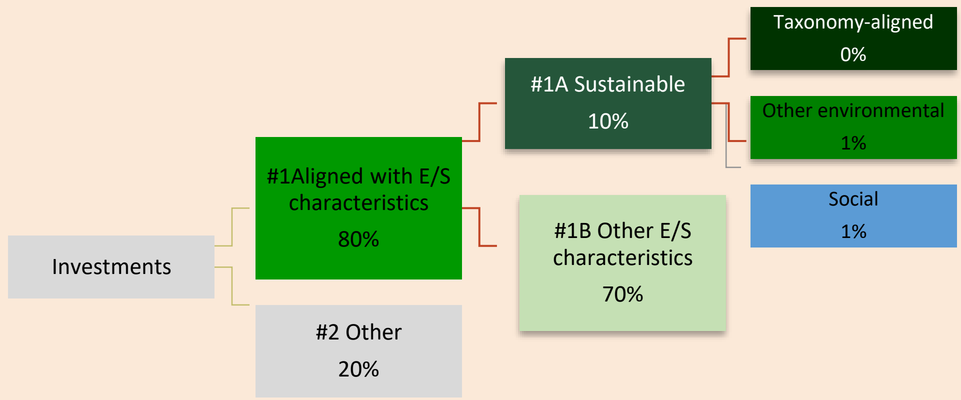
In addition, the Financial Product's Sustainable Investments exclude any company that is involved in very severe governance-related controversies.

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.

#2Other 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 low carbon intensity and net zero characteristics, exclusions and best-in-class ESG tilts (as described above) will be applied to at least 80% of the portfolio, however the Financial Product also expects to allocate a minimum of 10% of its assets to Sustainable Investments.

As explained above, the low carbon intensity and net zero characteristics are 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).

A maximum of 20% of the Financial Product may be invested in hedging and/or cash instruments for efficient portfolio management purposes, which do not align with any environmental or social characteristics. 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.

As explained above, any investments that are held by the Financial Product but become restricted because they breach the investment exclusions set out above, after they are acquired for the Financial Product, 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 Financial Product.

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*?**

Derivatives may be used by the Financial Product for investment or efficient portfolio management (including hedging) purposes only. These instruments are not used to attain the environmental or social characteristics of the Financial Product.

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.

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

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

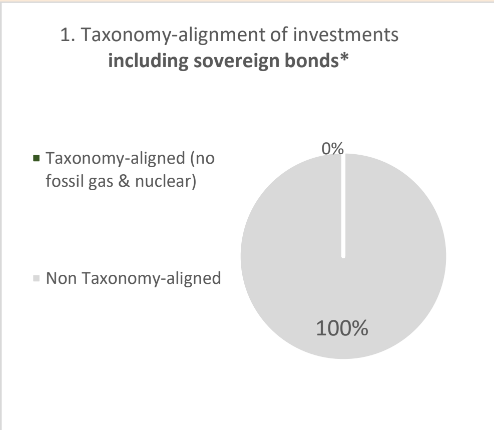
Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy[1]?

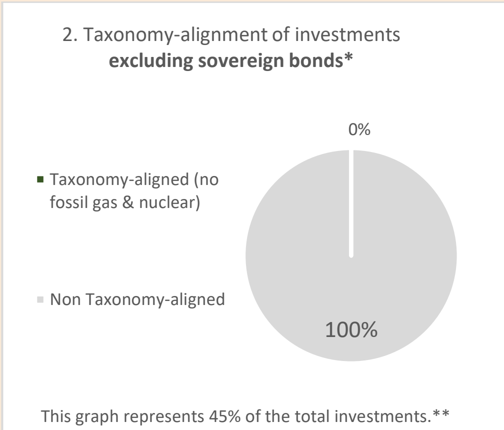
☐ Yes

☐ 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.





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

*** This percentage is purely indicative and may vary*

[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 investments in transitional and enabling activities?

Not applicable - Although the Financial Product 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.

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

What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Financial Product intends to make a minimum of 10% Sustainable Investments, as defined under the SFDR, 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 10% of the portfolio holdings on an aggregated basis.

The Financial Product may make Sustainable Investments which contribute to either environmental or social objectives and does not commit to any minimum share of Sustainable Investments which contribute to an environmental (as opposed to social) objective.

The Financial Product's Sustainable Investments with an environmental objective **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

Although some of these Sustainable Investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Manager has not been able to confirm whether these investments are in fact 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 test, and then invests in such assets for the Financial Product.

What is the minimum share of socially sustainable investments?

The Financial Product intends to make a minimum of 10% Sustainable Investments, as defined under the SFDR, 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 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?

The Financial Product 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?

Not applicable

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

Where can I find more product specific information online?

More product-specific information can be found on the website:

https://www.amundi.lu/amundi-funds