

MORGAN STANLEY COAL POLICY STATEMENT

Morgan Stanley recognizes that climate change poses significant risks to the global economy and that reducing carbon emissions is critical to our success in addressing the challenges presented by a changing climate. As a financial institution, our greatest impact lies in how we can leverage the capital markets to scale low-carbon sources of energy and other sustainability strategies.

Morgan Stanley has committed substantial resources to reduce carbon emissions by making alternative energy more affordable and competitive. Since 2011 we have mobilized more than \$25 billion for renewable energy and clean technologies, while concurrently significantly reducing our financing for coal mining.

Due to the complexity of addressing climate change in both developed and emerging economies, a transition to a low-carbon economy will necessitate joint efforts by governments, business, and individuals. Morgan Stanley has a responsibility to contribute to that transition.

We will continue to shift our lending and capital raising efforts toward cleaner and renewable sources of energy and reduce the proportion of our energy financing to coal mining and coal-fired power generation.

We commit to the following:

MINING

1. We have reduced and will continue to reduce our exposure to coal mining globally.
2. We will not provide financing where the specified use of proceeds would be directed towards mountaintop removal mining (MTR). We will not provide financing for companies that rely on mountaintop removal for anything more than a limited portion of their annual coal production, nor will we provide financing for any company that does not have a plan to eliminate existing MTR operations in the foreseeable future.
3. Any financing transactions for coal mining companies will require escalation and senior approval. Considerations for financing new coal mines or expansions of existing mines include, but are not limited to: inherent sector risks; the company's EHS history; the company's EHS risk management framework; regulatory compliance and ability to meet international practices where local regulation is lagging; litigation, violations and citations; ecological impacts of siting; remediation methods; impact of operations on water quality and availability; and community relations and human rights issues.

POWER

1. In the U.S. and other developed economies¹ we will decline financing transactions that directly support the development of new or physical expansions of coal-fired power

¹ We define developed economies based on the FTSE Country Classification as of September 2015.

- generation, unless there is sufficient carbon capture and storage or equivalent emissions and pollutant reduction technology in place.
2. Financing transactions that directly support the development of new coal-fired power generation in developing economies² will require escalation and senior approval. Considerations include, but are not limited to: assessment of low-carbon alternatives feasibility and cost; technology and emissions controls used; the energy needs and affordability in the region; regulatory compliance; and the company's efforts to report and reduce GHG emissions.
 3. We will continue to work with our clients to increase their energy efficiency, reduce emissions and provide financing to increase the proportion of their low-carbon energy sources.

TRANSPARENCY

1. We will engage with our stakeholders, including clients, shareholders, industry groups, environmental organizations and scientific experts, in order to ensure we are considering diverse and timely perspectives in our approach to this topic.
2. We will report annually on our progress.

² We define developing economies based on the FTSE Country Classification as of September 2015.