Environmental and Social Policy Statement

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1. Introduction

Morgan Stanley recognizes that global sustainability challenges, including climate change and human rights, are of critical importance and must be addressed. As a global financial services provider, Morgan Stanley partners with clients and other stakeholders to mobilize capital at scale to help find solutions to these challenges.

To help Morgan Stanley deliver long-term value for our clients, shareholders and employees, we employ comprehensive risk management policies that include environmental and social risk. Morgan Stanley’s Environmental and Social Policy Statement outlines the Firm’s commitment and approach to identifying and assessing environmental and social risks. This Policy Statement incorporates ongoing dialogue with internal and external stakeholders and is an evolving document that we review annually and update to reflect our strategy and key developments.

2. Approach to Sustainability

We see sustainability leadership as a business opportunity, a risk mitigant and an essential aspect of our firm’s core values of Doing the Right Thing, Putting Clients First, Leading With Exceptional Ideas, Committing to Diversity and Inclusion, and Giving Back. Morgan Stanley’s Global Sustainable Finance (GSF) Group is responsible for implementing our sustainability strategy, helping integrate sustainability across our policies, business activities and operational practices through three main areas of focus:

- **Solutions and Services**: Connecting clients to sustainable investing products and services, and mobilizing capital to drive progress on key issues such as climate change, inclusive growth and the circular economy.

- **Firmwide Sustainability**: Integrating environmental, social and governance (ESG) considerations into our business activities and operations.

- **Field Building through the Institute for Sustainable Investing**: Accelerating the adoption of sustainable investing strategies across capital markets through the Morgan Stanley Institute for Sustainable Investing, which leverages the firm’s expertise to promote product innovation, deliver actionable analysis for investors and develop the next generation of leaders in the field.

Central to our approach are our firmwide sustainability goals:

- Becoming carbon neutral by the end of 2022, with an aim to source 100% of our global operational electricity needs from renewable energy and offset any remaining emissions.
Mobilizing $1 trillion in capital toward sustainability solutions in support of the UN Sustainable Development Goals by 2030. This includes an updated low-carbon financing¹ target of $750 billion announced in 2021, tripling our initial 2018 commitment of $250 billion.

Helping facilitate the prevention, reduction and removal of 50 million metric tons of plastic from the natural environment by 2030 through the Morgan Stanley Plastic Waste Resolution.

Reaching net-zero financed emissions² by 2050.

3. Sustainable Finance and Investing

Morgan Stanley’s goal is to be the financial services partner of choice for creating sustainable, long-term value for clients and stakeholders. Our Institutional Securities, Wealth Management and Investment Management Business Units partner with the GSF Group to offer scalable financial solutions and advisory services that seek to deliver competitive financial returns while driving positive environmental and social impact for our clients. In doing so, we leverage our resources to scale sustainable investing products in the markets in which we operate.

A summary of our approach for each Business Unit is provided below. Refer to our annual Sustainability Report for more information.

Institutional Securities

Institutional Securities uses the scale and speed of capital markets to generate positive environmental and social benefits for companies, utilizing a range of levers, including mergers and acquisitions, equity financing and debt underwriting. Teams across the business—including Global Capital Markets, Public Finance, Investment Banking, Sales and Trading and Research—work with clients to meet these objectives. In 2020, we established the ESG Center of Excellence to coordinate and drive our expanding commercial, client-focused sustainability activity. Morgan Stanley offers a wide range of sustainable solutions and services including green, social and sustainability bonds, thematic and stock-specific ESG research, and ESG data and analytics. For in-depth information on the sustainability capabilities of Morgan Stanley’s Institutional Securities group, refer to our annual Sustainability Report.

Wealth Management

Morgan Stanley Wealth Management connects clients with opportunities to make a positive difference in the world with their capital. Morgan Stanley Investing with Impact (IIP) delivers a range of investment products, portfolio solutions, tools and analysis for clients who seek to generate both market-rate financial returns and measurable, positive environmental and social impact. The Investing with Impact platform includes more than 150 investment strategies plus additional customizable opportunities including restriction overlay screening. Investors can choose to advance broad sustainability solutions or focus on particular issues such as mitigating climate change, supporting diversity and inclusion, or

¹ Our business activities in clean technology and renewable energy financing, sustainable bonds and other relevant transactions and investments contribute to this commitment.

² Financed emissions are defined as “absolute greenhouse gas emissions that banks and investors finance through their loans and investments” in the Global GHG Accounting and Reporting Standard for the Financial Industry. For more information, refer to Section 5, Climate Change.
promoting community economic development across a range of approaches. For in-depth information on the sustainability capabilities of Morgan Stanley Wealth Management, refer to our annual Sustainability Report.

Investment Management

Morgan Stanley Investment Management (MSIM) is committed to ESG-informed investment decision-making across asset classes to support the interests of our clients and their portfolios. We believe that ESG factors drive new investment opportunities and are a material contributor to both risk mitigation and long-term investment returns. In addition, we leverage our influence as an investor to drive better investment performance alongside improved corporate sustainability practices and outcomes.

MSIM comprises several independent investment teams and asset class platforms. The specific approach to sustainability deployed by each portfolio management team will depend on multiple factors including, but not limited to, the objectives of the product, asset class and investment time horizon, as well as the specific research and portfolio construction, philosophy and process used by that team. Investment teams deploy their skill and judgment in assessing the materiality of ESG-related risks and opportunities as appropriate for each investment strategy across both public and private markets.

MSIM’s investment teams act as responsible long-term investors and are responsive to ESG factors that can present both risks and opportunities to investment portfolios in a manner that is consistent with our fiduciary duties and the investment strategies of our clients.

For more information on Investment Management’s approach to sustainable investing, please refer to the Sustainable Investing page of our website, MSIM’s Sustainable Investing Policy and our annual Sustainability Report.

4. Environmental and Social Risk Management

Environmental and social risk management is a priority for Morgan Stanley. Our due diligence and risk management processes are designed to identify, assess and address potentially significant environmental and social issues that may impact the firm, our clients and other stakeholders.

Among other activities, the Environmental and Social Risk Management Group (“ESRM”) provides internal subject matter expertise on environmental and social risk, conducts due diligence on relevant transactions, engages with stakeholders, and monitors emerging risks and developments in partnership with the Business Units and GSF Group.

Process and Scope

Morgan Stanley’s environmental and social risk due diligence processes and the sector and cross-sector approaches outlined in this Policy Statement apply globally across our Business Units to the following types of transactions:

- lending (corporate and project),
- debt and equity underwriting,
Morgan Stanley

- private placements,
- investment banking and capital markets advisory assignments,
- investment management activities related to private equity, private real assets and private credit investing, and
- other transactions or activities as applicable and appropriate.

We aim to apply this Policy Statement to transactions involving a joint venture between Morgan Stanley and other entities.

Due Diligence

Business Units and internal control groups refer transactions to ESRM for due diligence when they identify potential environmental and social issues that may pose franchise risk to Morgan Stanley.

ESRM analyzes environmental and social risks through a due diligence process that incorporates international frameworks, such as the International Finance Corporation (IFC) Performance Standards and the World Bank Group Environmental, Health and Safety Guidelines, as well as relevant industry good practices and sector-specific internal guidelines. Companies\(^3\) are expected to comply with all relevant local and national laws, as well as with host-country obligations under international laws. For project financing, the due diligence process incorporates consideration of the Equator Principles.

In the due diligence process, we assess a company’s environmental and social risk management framework, policies and practices, governance, performance, and risk mitigants. When analyzing environmental and social risks, ESRM utilizes a sector-based risk management approach and leverages resources such as in-house expertise, publicly available information and company responses to due diligence questions.

Enhanced Due Diligence

ESRM undertakes enhanced due diligence (EDD) when considering certain transactions, including as outlined in the Sector and Cross-Sector Approaches sections of the Environmental and Social Policy Statement, or if a particular environmental or social issue is identified in the diligence process. EDD may include a comprehensive review of a company’s operations, track record and management of specific risks. The EDD process may include engagement with companies and/or reports by or consultation with third parties.

Client Engagement

Morgan Stanley engages with clients on material environmental and social issues. In instances where a specific issue has been identified, Morgan Stanley may engage with a client to adopt appropriate practices to mitigate environmental and social risks and impacts.

Morgan Stanley also acknowledges the need to accelerate the transition to a low-carbon economy. Our focus remains on understanding and actively supporting our clients’ climate strategies and helping them

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\(^3\) For purposes of this Policy Statement, the term ‘companies’ is used to refer to clients, companies in which Morgan Stanley invests, and other relevant counterparties. This term may refer to public entities or other non-corporate entities.
navigate a world where climate risks and opportunities are becoming increasingly important to all stakeholders. As appropriate, we will engage with clients to understand their greenhouse gas reduction initiatives and diversification strategies.

Through these efforts, we believe we are able to deepen our relationships with our clients, and better serve our shareholders and other stakeholders.

Escalation

Morgan Stanley’s Global and Regional Franchise Committees oversee the process for escalation and review of matters posing potentially significant franchise risk, including those associated with environmental and social issues. Certain transactions may require escalation to the Global or Regional Franchise Committees and/or senior management based on the identification of environmental and social issues in the due diligence process. We will be prudent in the transactions we undertake.

Sector Approaches

Morgan Stanley has tailored approaches to certain sectors and activities, including the following:

Power

Coal-Fired Power Generation

We will seek to reduce the proportion of our energy financing to coal-fired power generation.

We will not finance transactions globally that directly support the development of new or physical expansions of coal-fired power generation or provide financing for a stand-alone coal-fired power plant, unless there is carbon capture and storage or equivalent carbon emissions reduction technology.

When considering other transactions involving coal-fired power generation, we will conduct enhanced due diligence. Enhanced due diligence considerations include technology and emissions controls used, impacts on biodiversity and community, and the company’s framework for and track record in managing greenhouse gas and other emissions, waste and wastewater, occupational health and safety, human rights, and compliance with regulations and international standards.

Morgan Stanley supports the transition to a low-carbon economy and the goal of achieving net-zero by 2050. We will engage with clients in the power sector that derive revenue from coal-fired power generation to understand their greenhouse gas reduction initiatives, strategies to diversify away from coal and net-zero commitments.

Nuclear Energy

When considering financings directly related to the construction of new or upgrades of existing nuclear power plants, we will conduct enhanced due diligence.

Enhanced due diligence considerations include the host country and international legal, regulatory, and safety frameworks, environmental and social impacts, including community impacts, and the company’s
framework for and track record in managing seismicity, material and waste management, water use, and occupational health and safety.

**Hydropower**

When considering financings directly related to the construction of new large-scale hydropower projects, we will conduct enhanced due diligence.

Enhanced due diligence considerations include review of available environmental and social impact assessments and impacts on protected areas and local communities. The International Hydropower Association Sustainability Assessment Protocol will be referenced as guidance.

**Mining**

**Thermal Coal Mining**

We have reduced and will continue to reduce our exposure to thermal coal mining globally.

- *Mountaintop removal mining* – We will not provide financing where the specified use of proceeds would be directed toward mountaintop removal (MTR) mining. We will not provide financing for companies that rely on MTR 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.

- *New thermal coal mining* – We will not provide financing where the specified use of proceeds would be directed toward new thermal coal mine development or expansion of existing mines.

When considering transactions involving thermal coal mining, we will conduct enhanced due diligence. Enhanced due diligence considerations include impacts on biodiversity, freshwater resources, and local communities and Indigenous Peoples, and the company's framework for and track record in managing emissions, waste and wastewater, occupational health and safety, human rights, and compliance with regulations and international standards.

Financing transactions for thermal coal mining companies will require escalation and senior management approval.

We will engage with companies that derive revenue from thermal coal mining operations to understand their plans to diversify away from thermal coal mining.

By 2025, we will not provide lending, capital markets or advisory services to any company with greater than 20% of revenue from thermal coal mining, unless such company has a public diversification strategy or the transaction being provided by our lending, capital markets or advisory services facilitates diversification.

By 2030, we will phase out our remaining credit exposure to companies with greater than 20% of revenue from thermal coal mining globally.
Metals Mining

When considering transactions involving metals mining, we will conduct enhanced due diligence. Enhanced due diligence considerations include impacts on biodiversity and natural resources and local communities and Indigenous Peoples, and the company’s framework for and track record in managing waste (such as tailings storage facilities), water resource management, land acquisition and involuntary resettlement, labor, occupational health and safety, human rights, and compliance with regulations and international standards.

Oil and Gas

Morgan Stanley supports the transition to a low-carbon economy and the goal of achieving net-zero by 2050. We will engage with clients in the oil and gas sector to understand their greenhouse gas reduction initiatives, net-zero commitments and other relevant strategies.

Arctic Oil and Gas

Transactions in the Arctic region will require escalation and senior management approval.

We will not directly finance new oil and gas exploration and development in the Arctic, including the Arctic National Wildlife Refuge (ANWR).

When considering transactions in the Arctic region that are not prohibited by the foregoing, we will conduct enhanced due diligence. Enhanced due diligence considerations include impacts on biodiversity, freshwater resources, and local communities and Indigenous Peoples, and the company’s framework for and track record in managing energy use, greenhouse gas emissions, spills and leaks, emergency response, waste and wastewater, and occupational health and safety.

Oil Sands

When considering transactions related to oil sands development, we will conduct enhanced due diligence.

Enhanced due diligence considerations include impacts on biodiversity, freshwater resources, and local communities and Indigenous Peoples, including Canada’s First Nations communities, and the company’s framework for and track record in managing greenhouse gas emissions reduction strategies and actions, spills and leaks, waste and wastewater management and occupational health and safety.

Ultra Deepwater Oil and Gas

When considering transactions related to ultra deepwater oil and gas, we will conduct enhanced due diligence.

Enhanced due diligence considerations include impacts on biodiversity and the company’s framework for and track record in managing greenhouse gas emissions, spills and leaks, and occupational health and safety.
Shale Oil and Gas

When considering transactions related to the exploration and production of shale oil or gas using hydraulic fracturing, we will conduct enhanced due diligence.

Enhanced due diligence considerations include impacts on biodiversity and freshwater resources, local communities and Indigenous Peoples, and the company's framework for and track record in managing seismicity, greenhouse gas emissions, including methane, spills and leaks, water use, waste and wastewater management, and occupational health and safety.

Oil and Gas Transportation Pipelines and Liquefied Natural Gas (LNG) Export

When considering transactions related to the construction or operation of oil and gas transportation pipelines or LNG plants and terminals, we will conduct enhanced due diligence.

Enhanced due diligence considerations include impacts on biodiversity, protected areas and freshwater resources and local communities and Indigenous Peoples, and the company's framework for and track record in managing spills and leaks and occupational health and safety.

Forestry

Deforestation and forest degradation pose significant threats to the environment, communities, and biodiversity. We seek to support the sustainable management of forests, including the protection of high conservation-value forests.

We will not knowingly finance companies or projects that collude with or are knowingly engaged in illegal logging or that utilize illegal or uncontrolled fire or commercial logging projects in United Nations Educational, Scientific and Cultural Organization (UNESCO) World Heritage sites.

When considering direct financing for forestry projects that impact high conservation-value forests, we expect companies that are directly involved in timber logging to have obtained or be working toward Forest Stewardship Council (FSC) certification or a comparable certification. Compliance with applicable local, national and international laws and regulations is required. Companies that are in compliance with applicable laws and regulations but have not obtained or are not working toward FSC or a comparable certification will be considered on a case-by-case basis if they can demonstrate compliance with the FSC Principles. In such cases, we will introduce or refer relevant clients to credible experts who can help them establish a rigorous, time-bound, step-wise approach to achieve certification within three years. For these transactions, due diligence considerations include a company's policies and practices to manage impacts on local communities and Indigenous Peoples, biodiversity, and sensitive areas, such as peatlands.

When considering transactions with companies that process, purchase or trade wood products from high-risk countries, diligence considerations include practices for ensuring wood comes from legal sources, such as the use of third-party certification for chain-of-custody systems.
**Palm Oil**

Morgan Stanley will not provide financing for companies that are directly involved in the upstream production of palm oil unless the companies have achieved Roundtable on Sustainable Palm Oil (RSPO) certification or have a time-bound plan to achieve this. Compliance with local, national and international laws and regulations is required. For these transactions, we will conduct enhanced due diligence and consider a company’s policies and practices for managing impacts on local communities and Indigenous Peoples, biodiversity, and sensitive areas, such as peatlands, including reviewing the company’s commitment to no deforestation, no peatland development and no exploitation of human rights.

**Cross-Sector Approaches**

**Biodiversity, Critical Habitats and Critical Cultural Heritage**

Morgan Stanley recognizes the importance of biodiversity, critical habitats and critical cultural heritage as part of its environmental and social risk management framework. Considerations regarding potential impacts on biodiversity, local communities, Indigenous Peoples and cultural heritage are incorporated into our sector-specific due diligence processes.

We will not knowingly finance projects where the use of proceeds support the development or expansion of projects in UNESCO World Heritage sites unless there is prior consensus between the host country government and UNESCO that the activity would not adversely impact the Outstanding Universal Value of the site.

We will not knowingly finance or invest in industrial projects where the specified use of proceeds would significantly convert or degrade a critical habitat. Critical habitats are areas of high biodiversity value, such as habitats of significant importance to endangered or endemic species and highly threatened and/or unique ecosystems. They include legally protected areas, areas officially proposed by governments as protected areas, and sites identified by a project's environmental impact assessment as vital to the viability of the protected areas.

**Human Rights**

Morgan Stanley will not knowingly engage in transactions where there is evidence of direct involvement in modern slavery, such as forced labor, human trafficking, or harmful or exploitative forms of child labor.

Potential human rights issues (including within a company's supply chain, as may be relevant) are considered in our due diligence processes as appropriate. Areas of potential heightened human rights risk undergo enhanced diligence and may be escalated to senior management. Please refer to Section 6, "Human Rights" for more information on our approach to human rights.
**Indigenous Peoples**

Morgan Stanley recognizes that the identities and cultures of Indigenous Peoples are inextricably linked to the lands on which they live and the natural resources on which they depend. We respect the rights of Indigenous Peoples globally regarding issues affecting their lands and territories, traditionally owned or otherwise occupied and used.

When financing projects where a significant portion of the use of proceeds may directly impact Indigenous Peoples, Morgan Stanley expects project sponsors or borrowers to demonstrate alignment with the objectives and requirements of IFC Performance Standard 7, including the requirements for free, prior and informed consent\(^4\) in the circumstances outlined in the performance standard.

When considering other transactions that may directly and adversely impact Indigenous Peoples, enhanced due diligence will be applied. Considerations include the company’s framework for managing and addressing potential impacts, such as policies on Indigenous Peoples, engagement and consultation processes, including processes to achieve free, prior and informed consent, culturally appropriate communication, avoidance of impacts on critical heritage and land subject to traditional ownership or customary use, and grievance mechanisms.

**5. Climate Change**

Morgan Stanley recognizes the significant potential for climate change to impact the global economy, our clients, investments, operations, employees, and local communities. Effective action on climate change will require a broad transformation of sectors and economies, and management of impacts to workers and communities. Due to the complexity of addressing climate change in developed and emerging economies, a transition to a low-carbon economy necessitates joint efforts by governments, businesses and individuals. For this reason, Morgan Stanley committed in 2020 to reach net-zero financed emissions by 2050. For more information, refer to our net-zero lending page [here](#).

Our approach to managing climate risks and pursuing transition finance opportunities is informed by our four-pillar climate strategy and reported in our most recent Climate Report found [here](#).

**Governance**

The Risk Committee of our Board of Directors assumed responsibility for oversight of climate-related risks in 2019. The Nominating and Governance Committee oversees corporate governance principles and ESG initiatives. Various teams, working groups and councils across the firm support our climate-related work. For example, the Executive Climate Change Risk Steering Committee and Working Group were established in 2019. These have now been merged into the Climate Risk Committee (CRC), co-chaired by our Chief Risk Officer and Vice Chairman for External Affairs. CRC reports to the Firm Risk Committee and is the highest-level governance body dedicated solely to climate change risk, comprising senior leaders from across our Business Units and internal control groups. The Committee’s purpose is

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\(^4\) Although no universal definition of free, prior and informed consent (FPIC) exists, it is well-accepted that it comprises a process and an outcome in which project sponsors and the government engage in good faith negotiation with the affected Indigenous Peoples to agree on the basis for which a project can proceed. FPIC neither requires unanimous support by individuals or sub-groups within the community nor requires the project sponsors to agree to aspects not under their control.
to align our approach to understanding, assessing and managing potential material climate-related risks, and to coordinate a comprehensive and strategic firmwide response. A new subcommittee, called the Financed Emissions Oversight Committee (FEOC), supports the work of CRC, and focuses on, among other items, oversight of financed emissions across the firm, climate target setting, external climate disclosure and data issues. FEOC also makes recommendations to CRC on important matters for consideration.

**Strategy**

Morgan Stanley has a four-pillar strategy to drive progress on climate change:

- Supporting the transition to a low-carbon economy – Partnering with clients on solutions by mobilizing capital, and publishing thought leadership for investors that highlights the opportunities in the climate transition.

- Managing climate risk – Integrating climate considerations into our risk management process and governance structures.

- Enhancing the climate resilience of our operations – Minimizing our footprint and enhancing our operational safety.

- Providing transparent, relevant climate-related disclosures – Reporting annually on our progress addressing climate change, using the framework created by Financial Stability Board’s Task Force on Climate-Related Financial Disclosures (TCFD).

**Risk Management**

Morgan Stanley deploys expertise and resources to explore how and where we may face potential risks from the ongoing impacts of climate change. GSF and Firm Risk Management (FRM) partner closely to integrate change considerations into the firm’s lending and operational processes to identify, assess, and manage climate risks. GSF and FRM have developed a register of material climate risks by sector that helps us track the evolving risk landscape. GSF and FRM also conduct regular scenario analyses in order to understand where we may have outsized exposures and potential vulnerabilities to particular events. Such calculations in turn help inform how FRM adjusts its approach to risk management.

The primary risks that GSF and FRM track are:

- Physical risks – These risks include both discrete events such as flooding (acute physical risks) or longer-term shifts in climate patterns such as more frequent and prolonged drought (chronic physical risks). Physical risks may have financial implications for organizations, such as direct damage to assets and indirect impacts from supply chain disruption. Financial performance may also be affected by changes in water availability, sourcing and quality, and food security and agricultural productivity. Extreme temperature changes may affect an organization’s physical locations, operations, supply chain, transport needs and employee safety.
• Transitional risks – The transition to a low-carbon economy will likely entail extensive policy, legal, technology and market initiatives as society adapts to climate change and mitigates its causes. Depending on the nature, speed and focus of these changes, transition risks may pose varying types and levels of financial and reputational risk to businesses and other organizations.

In addition, ESRM incorporates climate risk considerations into its reviews of in-scope transactions for specific sectors. In alignment with this Policy Statement, ESRM conducts enhanced due diligence, which may include review of a client’s framework and track record for managing greenhouse gases and other emissions.

**Metrics and Targets**

Morgan Stanley is committed to mobilizing $750 billion to support low-carbon solutions by 2030. We also have a target to achieve carbon neutrality across our global operations and purchase 100% renewable energy globally by the end of 2022.

Morgan Stanley also established a commitment to reach net-zero financed emissions by 2050, joining many of our clients in this strategic goal. We have set interim 2030 financed emissions lending intensity reduction targets for our most carbon-intensive sectors. Our targets cover scopes 1, 2 and 3 emissions across all sectors.

A summary of our targets is below:

<table>
<thead>
<tr>
<th>Sector</th>
<th>2030 Reduction Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto Manufacturing</td>
<td>-35%</td>
</tr>
<tr>
<td>Energy</td>
<td>-29%</td>
</tr>
<tr>
<td>Power</td>
<td>-58%</td>
</tr>
</tbody>
</table>

More details on our targets and metrics, including a methodology document that describes our approach for designing our targets, can be found [here](#).

The targets, for now, apply only to Morgan Stanley’s corporate lending. Morgan Stanley is working with Partnership for Carbon Accounting Financials (PCAF) to develop a methodology for “facilitated emissions.” Once this is published, we will incorporate capital markets activities into our targets.

In addition, we commit to transparent, annual reporting that will help stakeholders understand our progress. We plan to publish initial baseline data related to our financed emissions targets in our 2021 Climate Report. While our interim targets and progress will be iterative over time, our commitment to reaching net-zero financed emissions by 2050 will guide our decision-making in this regard.

For more information, refer to our latest [Climate Report](#).
6. Human Rights

Morgan Stanley is committed to being a responsible corporate citizen and fulfilling the important role business can play in protecting and advancing global standards for human rights, including equal opportunity, the freedom to associate and bargain collectively, and the elimination of modern slavery, human trafficking and harmful or exploitative forms of child labor.\(^5\) We endeavor to exercise our influence by conducting our business operations in ways that seek to respect, protect and promote the full range of human rights, such as those described in the United Nations’ Universal Declaration of Human Rights.


Human rights considerations are incorporated into our transaction due diligence process, our engagement with companies, our supplier expectations, and our own operations.

Morgan Stanley’s [Supplier Code of Conduct](#) outlines our expectations for suppliers with regard to human rights, employment and non-discrimination practices, health and safety, and diversity and inclusion. As outlined in the Supplier Code of Conduct, suppliers must conduct their operations in a socially responsible, non-discriminatory manner, and in full compliance with applicable laws including, but not limited to, those associated with equal opportunity, child labor, forced or compulsory labor, working hours and compensation, freedom of association, collective bargaining and harassment-free work environment.

Using a risk-based approach, Morgan Stanley’s vendor due diligence program assesses risks associated with third-party suppliers. The reviews identify, among other things, potential for risks associated with human rights and other social and/or environmental issues.

We are also committed to engaging with stakeholders and partners to understand the evolving global human rights landscape, and we continue to improve our approach.

Please refer to the Section 4 of this Policy Statement and Morgan Stanley’s [Modern Slavery and Human Trafficking Statement](#) for additional information on our approach to this issue.

7. Sustainable Operations

Morgan Stanley believes that our commitment to sustainability must include steps to address our own operations. We seek to minimize our operational greenhouse gas (GHG) emissions while striving toward reductions in energy, water, paper and waste. In 2019, the Firm launched Sustainability at Work, a campaign that educates employees about actions to mitigate the environmental impact of our physical business operations and encourages them to make sustainable choices.

\(^5\) Harmful or exploitative forms of child labor are defined as work that is economically exploitative, is likely to deprive children of their childhood, their potential, and their dignity, and is mentally, physically, socially or morally dangerous and harmful to children.
Climate-Related Practices

In 2017, Morgan Stanley announced a commitment to become carbon neutral by the end of 2022, with an aim to source 100% of our global operational electricity needs from renewable sources and to offset any remaining emissions.

The goal to become carbon neutral covers Scope 1, 2 and 3 operational emissions. To achieve carbon neutrality, we seek to reduce energy consumption and minimize GHG emissions through the continued development of on-site renewable power generation, implementation of power purchase agreements, and purchase of renewable energy credits and carbon offsets, as appropriate.

As part of this commitment, Morgan Stanley established a target of 20% reduction in energy consumption by the end of 2022 (baseline 2012) and added a second target of 25% reduction in energy consumption by 2025 (baseline 2017), on an absolute basis. Our strategy includes the deployment of equipment, systems and operational procedures to improve the efficiency of our facilities.

Resource Management Practices

Morgan Stanley is committed to sustainable and responsible operations through enhanced standards for our owned and leased facilities. We focus on requirements related to location, architecture, energy use, water efficiency, air quality, materials and waste management that incorporate environmental best practice. The firm aims to create a high-performance built environment by achieving Leadership in Energy and Environmental Design (LEED) certification for 50% of our facility square footage by 2025. For new leases and renewals, Morgan Stanley strives to include green lease rights and services to align landlord and tenant incentives for continuous improvement and environmental data reporting transparency. Our aim is for 50% of our leased square footage to incorporate green lease requirements by 2025.

Water conservation is achieved through the deployment of equipment, systems and operational procedures. Improvements to fixtures, cooling and irrigation systems are some of the approaches we employ to enhance the water efficiency of our facilities. Through these activities, the firm aims to achieve a 15% reduction of water consumption by 2025, from a 2018 baseline, on an absolute basis.

Morgan Stanley takes measures to reduce total waste volumes, promote waste separation and to enhance recycling efficacy. Recycling, compost and total waste volumes are monitored and measured at our major facilities to identify opportunities for improvement. We educate our employees on waste management with clear signage at points of disposal. For our major facilities, we strive to divert food waste, mixed compost waste, metal, glass and plastic waste from landfill in support of our goal to achieve 100% landfill diversion by 2025. Additionally, the firm manages supply chain materials and provides mixed compost waste collection to support a goal of 100% reduction of single-use plastic by 2024.

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6 Operational control with respect to GHG emissions, is an approach by which a company accounts for 100% of emissions from operations over which it or one of its subsidiaries has operational control. Morgan Stanley defines operational emissions, for our carbon neutrality goal, as Scope 1 and 2 emissions and Scope 3 business travel, as defined by the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard.

7 Target is measured across select locations within global portfolio.

8 Target is measured for in-scope plastics and across select locations within global portfolio.
Morgan Stanley is transforming the firm’s use of printed paper and archived paper records through the optimization of technology and electronic records management. We are pursuing a 30% reduction in printed sheets of paper use by 2023, from a 2018 baseline through a systematic program of multifunction device hardware upgrades and secure print software.

**Sustainable Supply Chain Practices**

We evaluate opportunities to increase sustainable products and services by partnering with suppliers who share our ESG values. Our [Supplier Code of Conduct](#) outlines our expectations and requirements of suppliers with respect to sustainability and other environmental and social factors. We aim to reach 90% supplier agreement with the Code by 2025 with our Corporate Services suppliers. Environmental performance is considered when purchasing products made from recyclable, compostable and biodegradable materials. We also promote policies that maximize product efficiency and reduce our overall purchasing needs (e.g., promoting energy-saving equipment and reducing paper usage through automated and digitized processes). Our Supplier Diversity Program involves providing diverse-owned businesses with an opportunity to provide goods and services to the Firm. These include, but are not limited to, Minority and Women Business Enterprises (MWBEs), Disadvantaged Business Enterprises (DBEs), Veteran Business Enterprises (VBEs) and Lesbian, Gay, Bisexual, Transgender (LGBT) owned businesses.

8. **Governance, Implementation and Reporting**

Morgan Stanley has a governance system in place and takes steps to implement and review this Policy Statement on an annual basis.

**Governance**

The Nominating and Governance Committee of the Morgan Stanley Board of Directors oversees the firm’s ESG initiatives. This Policy Statement is reviewed annually by ESRM, senior representatives of the Business Units, the GSF Group, and other relevant internal control groups, and may be modified to reflect developments in our sustainability strategy or business operations. The results of the review are presented to the Global Franchise Committee, and material amendments are presented to the Nominating and Governance Committee of the Board of Directors for its consideration.

**Training**

Employees and executives across the firm are responsible for implementing our ESG commitments. We train our employees to understand and manage ESG risks and opportunities affecting our business.

**Stakeholder Engagement**

Morgan Stanley values the perspectives and insights of our internal and external stakeholders, and regularly engages with stakeholder groups. We discuss environmental and social issues through meetings and open dialogue with employees, shareholders, investors, clients and corporates, other financial institutions, non-governmental organizations, communities, policy makers and sustainability thought leaders.
With respect to internal stakeholders, our ability to execute our sustainability strategy depends on the
knowledge and enthusiasm of our employees. We regularly share information on the firm’s sustainability
initiatives and invite employees to engage on ESG issues. We believe that dialogue with stakeholders is
important to ensuring that we consider diverse and timely perspectives in our approaches.

Morgan Stanley convenes periodic stakeholder roundtables to gather insights from key external
stakeholders on the firm’s activities related to key sustainability topics. We are members of, and active
participants in, leading sustainable business initiatives and non-governmental organizations, including:

- Business for Social Responsibility (BSR)
- Ceres Investor Network on Climate Risk and Sustainability
- ICMA Green & Social Bond Principles
- Net-Zero Banking Alliance (NZBA)
- Partnership for Carbon Accounting Financials (PCAF)
- Principles for Responsible Investment (PRI)
- Sustainability Accounting Standards Board (SASB)

**Reporting**

Morgan Stanley is committed to regularly providing our stakeholders information about our
environmental and social risk management and sustainability performance. Morgan Stanley publishes
an annual Sustainability Report with a focus on investor-relevant ESG data and information. Additional
information regarding our sustainability policies and performance can be found in the following
locations:

- The Sustainability pages of our website, which highlight our strategy and key aspects of our
  Solutions and Services and firmwide Sustainability, and provides links to sustainability disclosures,
  such as our annual Sustainability Report, CDP response and Climate Report.
- The Institute for Sustainable Investing webpage, which provides insights and thought leadership for
  a broad investor and business audience on the market for sustainable investing and sustainable
  finance, as well as on issues such as climate change and inclusive growth.
- The Corporate Governance page of our website, which includes policies guiding ESG governance.
- Morgan Stanley Investment Management’s Sustainable Investing website.

Morgan Stanley is also committed to continually improving our reporting and disclosure. We leverage the
SASB and TCFD frameworks to guide our reporting and monitor the sustainability reporting landscape.