

C0. Introduction

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C0.1

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**(C0.1) Give a general description and introduction to your organization.**

Morgan Stanley is a global financial services firm. Our subsidiaries and affiliates advise, originate, trade, manage and distribute capital for governments, corporations, institutions and individuals. We maintain significant market positions in our three business segments—Institutional Securities, Wealth Management and Investment Management. These businesses provide a wide variety of products and services to a large and diversified group of clients and customers.

Our core values—Doing the Right Thing, Putting Clients First, Leading With Exceptional Ideas, Giving Back and Committing to Diversity and Inclusion—guide everything we do. Through the talents and effort of our 68,000 employees in more than 39 countries, we aim to deliver results for our stakeholders today while setting strategic goals for the future.

Institutional Securities provides investment banking, sales and trading, lending, and other services to corporations, governments, financial institutions and high to ultra high net worth clients. Other activities include Asia Wealth Management services, investments and research.

Wealth Management provides a comprehensive array of financial services and solutions to individual investors and small- to medium-sized businesses and institutions covering: financial advisor-led brokerage and investment advisory services; self-directed brokerage services, including through the E\*TRADE platform; financial and wealth planning services; workplace services including stock plan administration; annuity and insurance products; securities based lending, residential real estate loans and other lending products; banking; and retirement plan services.

Investment Management provides a broad range of investment strategies and products that span geographies, asset classes, and public and private markets to a diverse group of clients across institutional and intermediary channels. Strategies and products, which are offered through a variety of investment vehicles, include equity, fixed income, liquidity and alternative/other products.

C0.2

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**(C0.2) State the start and end date of the year for which you are reporting data.**

	Start date	End date	Indicate if you are providing emissions data for past reporting years	Select the number of past reporting years you will be providing emissions data for
Reporting year	January 1 2020	December 31 2020	No	<Not Applicable>

C0.3

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**(C0.3) Select the countries/areas for which you will be supplying data.**

Argentina  
Australia  
Brazil  
Canada  
Chile  
China  
China, Hong Kong Special Administrative Region  
Colombia  
France  
Germany  
Hungary  
India  
Indonesia  
Israel  
Italy  
Japan  
Mexico  
Netherlands  
Peru  
Poland  
Republic of Korea  
Russian Federation  
Saudi Arabia  
Singapore  
South Africa  
Spain  
Sweden  
Switzerland  
Taiwan, Greater China  
Thailand  
Turkey  
United Arab Emirates  
United Kingdom of Great Britain and Northern Ireland  
United States of America

**C0.4**

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**(C0.4) Select the currency used for all financial information disclosed throughout your response.**

USD

**C0.5**

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**(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your chosen approach for consolidating your GHG inventory.**

Operational control

**C-FS0.7**

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**(C-FS0.7) Which organizational activities does your organization undertake?**

Bank lending (Bank)  
Investing (Asset manager)

**C1. Governance**

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**C1.1**

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**(C1.1) Is there board-level oversight of climate-related issues within your organization?**

Yes

**C1.1a**

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**(C1.1a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for climate-related issues.**

Position of individual(s)	Please explain
Board-level committee	The Nominating and Governance (N&G) Committee of the Morgan Stanley Board of Directors oversees corporate governance principles, and ESG initiatives, including climate change. The Committee receives periodic updates from the Chief Sustainability Officer (CSO), and Environmental and Social Risk Management (ESRM) Group, who each report on climate-related information. The Risk Committee oversees risks related to climate, and receives updates from the Chief Risk Officer, as appropriate. Both committees report key information to the full Board.
Chief Sustainability Officer (CSO)	Our CSO leads our efforts to promote sustainability through the global capital markets and drives our corporate sustainability strategy, including our approach to climate change assessment and management. Positioned under the CSO and the firm's Vice Chairman, the Global Sustainable Finance (GSF) group works with our business units—Institutional Securities Group, Wealth Management and Investment Management—to integrate climate change into client solutions and business activities. In 2020, under our CSO, we were the first major U.S. headquartered global financial services firm to commit to achieving net-zero financed emissions by 2050 and the only U.S.-based global financial institution to join the Steering Committee of PCAF. In 2020, the CSO also guided the firm's first Task Force on Climate-related Financial Disclosures (TCFD) report.
Chief Risk Officer (CRO)	The Chief Risk Officer oversees several committees, which include oversight of climate-related risks across our businesses and operations. The CRO and senior team regularly engage the Board and the Board Risk Committee on the firm's progress around building a climate risk management framework, meeting net zero targets, and other relevant issues. In 2020, our CRO advanced the firm's commitment to reach net-zero financed emissions by 2050. In 2020, the CRO also approved the risk content in the firm's first Task Force on Climate-related Financial Disclosures (TCFD) report. The CRO also appointed global co-heads of Climate Change Firm Risk to help coordinate climate integration into firm risk management efforts. In 2020, our CRO approved a risk management process to identify, assess and manage climate-related risks. Our CRO also approved the quantitative integration of climate risks into the firm's risk management assessments.
Chief Executive Officer (CEO)	Our CEO is the Chairman of our Board of Directors. The Board receives periodic updates from the firm's Chief Sustainability Officer. Our CEO also chairs the Morgan Stanley Institute for Sustainable Investing Advisory Board, which meets twice a year. The Advisory Board reviews the firm's overall sustainability performance, and also helps to ensure that our sustainability strategy, including our climate strategy, is comprehensive, rigorous and innovative. Presently, the Advisory Board membership includes one current and one former Morgan Stanley Board Member. In 2020, the CEO signed off on the firm's commitment to reach net-zero financed emissions by 2050. The CEO also provided an introductory letter in the firm's first Task Force on Climate-related Financial Disclosures (TCFD) report. In 2020, the Advisory Board supported the Institute's Sustainable Investing Summit, which included a panel discussion dedicated to climate change.
Board Chair	Morgan Stanley's CEO also serves as Board Chair, so the information mentioned above also applies.
Chief Investment Officer (CIO)	The Co-Head and Chief Investment Officer of Morgan Stanley Investment Management's Solutions and Multi-Asset Group is the co-sponsor of the Investment Management Sustainability Council, an advisory council of cross-functional leaders that oversee Investment Management's approach to ESG integration, including climate related issues. In 2020, this individual also championed Investment Management's onboarding of climate data and build out of climate related solutions. Please note that Morgan Stanley Investment Management does not have a central CIO.
Other, please specify (Chair of Board Risk Committee)	The Board Risk Committee has oversight responsibility for climate-related risks at Morgan Stanley.

**C1.1b**

**(C1.1b) Provide further details on the board’s oversight of climate-related issues.**

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Please explain
Scheduled – some meetings	Reviewing and guiding strategy Reviewing and guiding risk management policies Monitoring implementation and performance of objectives Monitoring and overseeing progress against goals and targets for addressing climate-related issues	Climate-related risks and opportunities to our own operations Climate-related risks and opportunities to our bank lending activities Climate-related risks and opportunities to our investment activities The impact of our own operations on the climate The impact of our bank lending activities on the climate	The Nominating and Governance (N&G) Committee of the Morgan Stanley Board of Directors oversees ESG initiatives, including those related to climate change. To monitor and guide the firm’s strategy, the Committee receives periodic updates from the Chief Sustainability Officer who leads the firm’s efforts to promote global sustainability through capital markets. Material amendments of the firm’s Environmental and Social Policy Statement and Environmental and Social Risk Management (ESRM) Policy are presented to the N&G Committee for its review.
Scheduled – some meetings	Reviewing and guiding strategy Reviewing and guiding risk management policies Monitoring implementation and performance of objectives Monitoring and overseeing progress against goals and targets for addressing climate-related issues	Climate-related risks and opportunities to our own operations Climate-related risks and opportunities to our bank lending activities Climate-related risks and opportunities to our investment activities Climate-related risks and opportunities to our other products and services we provide to our clients The impact of our bank lending activities on the climate The impact of other products and services on the climate	The Risk Committee oversees matters related to climate risk and receives updates from the Chief Risk Officer, as appropriate.
Scheduled – some meetings	Reviewing and guiding strategy Reviewing and guiding risk management policies Monitoring implementation and performance of objectives Monitoring and overseeing progress against goals and targets for addressing climate-related issues	Climate-related risks and opportunities to our own operations Climate-related risks and opportunities to our bank lending activities Climate-related risks and opportunities to our investment activities The impact of our own operations on the climate	The Morgan Stanley Chief Sustainability Officer periodically presents to the full Board of Directors, of which the CEO is Chair.
Scheduled – all meetings	Reviewing and guiding strategy	The impact of our own operations on the climate The impact of our investing activities on the climate The impact of other products and services on the climate	The Morgan Stanley Institute for Sustainable Investing is housed within Global Sustainable Finance (GSF) and has an external advisory board chaired by Morgan Stanley’s chairman and CEO. The Institute’s advisory board includes corporate, sustainability, academic and philanthropic leaders, and informs our innovative and rigorous approach to sustainability and sustainable investing, including climate change.

**C1.2**

**(C1.2) Provide the highest management-level position(s) or committee(s) with responsibility for climate-related issues.**

Name of the position(s) and/or committee(s)	Reporting line	Responsibility	Coverage of responsibility	Frequency of reporting to the board on climate-related issues
Other C-Suite Officer, please specify (Vice Chairman)	CEO reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	More frequently than quarterly
Chief Risks Officer (CRO)	Reports to the board directly	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities	As important matters arise
Chief Sustainability Officer (CSO)	Corporate Sustainability/CSR reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our investing activities Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	More frequently than quarterly
Other, please specify (Head of Global Sustainable Finance)	Corporate Sustainability/CSR reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our investing activities Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	As important matters arise
Risk committee	CEO reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our investing activities Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	As important matters arise
Risk manager	CEO reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our investing activities Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	As important matters arise
Sustainability committee	Other, please specify (This is a cross-divisional committee made up representatives who report to various business lines)	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our investing activities Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	As important matters arise
Other, please specify (Global Head of Corporate Services)	Operations - COO reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our own operations	As important matters arise
Environment/ Sustainability manager	Corporate Sustainability/CSR reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our investing activities Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	As important matters arise
Other committee, please specify (Operating Committee)	CEO reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our investing activities Risks and opportunities related to our other products and services	As important matters arise

**C1.2a**

**(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored (do not include the names of individuals).**

The Vice Chairman is a member of the Morgan Stanley Operating Committee, and is responsible for many of the firm's operational divisions, including:

Global Sustainable Finance (GSF) is responsible for driving sustainability integration across policies activities, products and services. The team partners with senior leadership across Institutional Securities, Wealth Management and Investment Management, as well as support services and risk functions. The Morgan Stanley Institute for Sustainable Investing is part of GSF and is dedicated to accelerating the adoption of sustainable investing strategies. This input from the market feeds into our assessment of climate-related risks and opportunities. GSF reports to the Vice Chairman through the CSO.

Our Chief Sustainability Officer focuses on addressing climate solutions and firmwide sustainable product innovation, thought leadership and strategic integration into our core business units.

Corporate Services (CS) leads a wide range of initiatives that aim to reduce our operational environmental impact and partners with GSF to develop and manage our operational climate goals. CS reports to the Vice Chairman through the Head of CS.

Our Chief Risk Officer has responsibility for assessing and managing climate related risks in our lending business, and reports to the board's Risk Committee. Our CRO is a member of the Firm Risk Committee, the highest-level governance body that oversees risk matters at the firm.

Our Regional and Global Franchise Committees are responsible for overseeing franchise risk to the firm, including reputational risks associated with environmental and social issues. The franchise committees consist of senior stakeholders from risk, legal and other control functions and from the business. The Global Franchise Committee is chaired by the Chief Legal Officer. Transactions that meet designated environmental and social criteria may require approval by our franchise committees in addition to senior management.

Morgan Stanley also has several firmwide sustainability councils and working groups that provide expertise and input on specific aspects of our sustainability efforts, including those related to climate change. GSF staff, the Global Head of Corporate Services, Risk Managers, and Environment/Sustainability Managers play various roles on each of these groups, including convening, participating or advising.

The Operating Committee is the most senior level leadership committee in the firm, composed of heads of businesses and divisions most of whom report directly to our CEO. In 2020, the Operating Committee approved the firm's net-zero commitment and will continue to review future climate commitments as appropriate.

The Firm Risk Committee (FRC) is the most senior risk governance body. The FRC has primary responsibility for all relevant and material risks to the firm. It is chaired by our CEO and includes C-suite executives across Morgan Stanley's business units and control functions, including our Chief Risk Officer. In 2020, the FRC considered how climate change risk may impact the firm, our business and our clients, including by piloting quantitative climate impact scenarios.

The Climate Risk Committee (CRC) is the senior body responsible for integration of climate-related risk considerations across the firm and is co-chaired by the Chief Risk Officer and the Chief Sustainability Officer. In 2020, the CRO appointed Global Co-heads of Climate Risk and a Head of EMEA Climate Risk to help coordinate climate integration under the CRO into Firm Risk Management (FRM). In 2020, our CRO approved a risk management process to identify, assess and manage climate-related risks; and approved the quantitative integration of climate risks into the firm's risk management assessments.

The Climate Risk Working Group was created in 2020 as a collaboration between FRM and GSF to design and execute the firm's climate risk management process. The group meets weekly and convenes risk managers across the relevant risk functions (such as credit, market and risk analytics) as well as GSF. Members coordinate information sharing and support the technical integration of climate change.

The Sustainability Disclosure Committee convenes senior leaders from across the firm to provide input on, review and approve corporate sustainability disclosures, including our CDP response. The Committee is convened by GSF and its membership includes senior stakeholders from our finance, legal, risk, investor relations, corporate communications and businesses, as well as other subject matter experts as needed.

### C1.3

**(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?**

	Provide incentives for the management of climate-related issues	Comment
Row 1	Yes	Executives with responsibility for sustainability, including but not limited to the Vice Chairman, Chief Sustainability Officer, Head of Global Sustainable Finance and the Global Head of Corporate Services are evaluated against sustainability performance, goals and targets.

## (C1.3a) Provide further details on the incentives provided for the management of climate-related issues (do not include the names of individuals).

Entitled to incentive	Type of incentive	Activity incentivized	Comment
Other C-Suite Officer	Monetary reward	Emissions reduction target	Morgan Stanley's Vice Chairman reports to the firm's CEO. The Vice Chairman's responsibilities include oversight of the Global Sustainable Finance (GSF) and Corporate Services (CS) groups. As such, the Vice Chairman's compensation is associated with the firm's sustainability performance. In 2017, Morgan Stanley committed to become carbon neutral by 2022, aiming to source 100 percent of our global operational electricity needs from renewable energy. In 2020, Morgan Stanley committed to reach net-zero financed emissions by 2050, and announced a commitment to finance the development of a new wind farm in central Illinois. The wind farm will bring significant additional renewable energy to the North America electrical grid, and the power generated will account for 52% of Morgan Stanley's electricity consumption, and 30% of our carbon footprint globally, helping us work toward 100% renewable electricity by 2022. As these goals are led by the GSF and CS groups, the Vice Chairman will be evaluated against them.
Other C-Suite Officer	Monetary reward	Energy reduction target	Morgan Stanley's Vice Chairman reports to the firm's CEO. The Vice Chairman's responsibilities include oversight of the Global Sustainable Finance (GSF) and Corporate Services (CS) groups. As such, the Vice Chairman's compensation is associated with the firm's sustainability performance. Alongside Morgan Stanley's commitment to become carbon neutral, we are aiming to reduce energy usage by 20 percent by 2022. In September 2020, Corporate Services, in close partnership with Global Sustainable Finance and Morgan Stanley Capital Group Inc., announced a commitment to finance the development of a new wind farm in central Illinois. The wind farm will bring significant additional renewable energy to the North America electrical grid, and the power generated will account for 52% of Morgan Stanley's electricity consumption, and 30% of our carbon footprint globally, helping us work toward 100% renewable electricity by 2022. As these goals are led by the GSF and CS groups, the Vice Chairman will be evaluated against them.
Other C-Suite Officer	Monetary reward	Other (please specify) (Sustainability integration)	Morgan Stanley's Vice Chairman reports to the firm's CEO. The Vice Chairman's performance is linked to the firm's sustainability performance. The Vice Chairman oversees the Global Sustainable Finance (GSF) and Corporate Services (CS) groups and their respective sustainability performance. The Vice Chairman is evaluated against these responsibilities in annual performance reviews.
Chief Risk Officer (CRO)	Monetary reward	Other (please specify) (Management of financial risks from climate change)	Morgan Stanley's Chief Risk Officer reports to the firm's CEO. The Chief Risk Officer responsibilities include oversight and management of financial risks in our lending business, including potential impacts from the risk of climate change.
Chief Sustainability Officer (CSO)	Monetary reward	Emissions reduction target	Morgan Stanley's Chief Sustainability Officer reports to the firm's Vice Chairman, who reports to the firm's CEO. The CSO oversees the firm's efforts to promote global sustainability and sustainable investing. As such, the CSO's compensation is associated with the firm's sustainability performance, including its climate performance. In 2017, Morgan Stanley committed to become carbon neutral by 2022, aiming to source 100 percent of our global operational electricity needs from renewable energy. In 2020, Morgan Stanley committed to reach net-zero financed emissions by 2050 and announced a commitment to finance the development of a new wind farm in central Illinois. The wind farm will bring significant additional renewable energy to the North America electrical grid, and the power generated will account for 52% of Morgan Stanley's electricity consumption, and 30% of our carbon footprint globally, helping us work toward 100% renewable electricity by 2022. As these goals are in part led by GSF, the CSO is evaluated against them.
Chief Sustainability Officer (CSO)	Monetary reward	Energy reduction target	Morgan Stanley's Chief Sustainability Officer reports to the firm's Vice Chairman, who reports to the firm's CEO. The CSO oversees the firm's efforts to promote global sustainability and sustainable investing. As such, the CSO's compensation is associated with the firm's sustainability performance, including its climate performance. Alongside Morgan Stanley's commitment to become carbon neutral, we are aiming to reduce energy usage by 20 percent by 2022. In September 2020, Corporate Services, in close partnership with Global Sustainable Finance and Morgan Stanley Capital Group Inc., announced a commitment to finance the development of a new wind farm in central Illinois. This clean energy plant will bring significant additional renewable energy to the North America electrical grid. The power generated will account for 52% of Morgan Stanley's electricity consumption, and 30% of our carbon footprint globally, helping us work toward 100% renewable electricity by 2022. As these goals are in part led by GSF, the CSO is evaluated against them.
Chief Sustainability Officer (CSO)	Monetary reward	Other (please specify) (Sustainability integration)	Morgan Stanley's Chief Sustainability Officer reports to the firm's Vice Chairman, who reports to the firm's CEO. The Chief Sustainability Officer (CSO) oversees the firm's efforts to promote global sustainability and sustainable investing. The CSO is evaluated against these responsibilities, including those related to climate change.
Business unit manager	Monetary reward	Emissions reduction target	The Head of GSF reports to the firm's Chief Sustainability Officer. The Head of GSF is responsible for the firm's efforts to promote global sustainability and sustainable investing. As such, the Head's compensation is associated with the firm's sustainability performance, including its climate performance. In 2017, Morgan Stanley committed to become carbon neutral by 2022, aiming to source 100 percent of our global operational electricity needs from renewable energy. In September 2020, Corporate Services, in close partnership with Global Sustainable Finance and Morgan Stanley Capital Group Inc., announced a commitment to finance the development of a new wind farm in central Illinois. This clean energy plant will bring significant additional renewable energy to the North America electrical grid. The power generated will account for 52% of Morgan Stanley's electricity consumption, and 30% of our carbon footprint globally, helping us work toward 100% renewable electricity by 2022. As these goals are in part led by GSF, the Head of GSF is evaluated against them.
Business unit manager	Monetary reward	Energy reduction target	The Head of GSF reports to the firm's Chief Sustainability Officer. The Head of GSF is responsible for the firm's efforts to promote global sustainability and sustainable investing. As such, the Head's compensation is associated with the firm's sustainability performance, including its climate performance. Alongside Morgan Stanley's commitment to become carbon neutral, we are aiming to reduce energy usage by 20 percent by 2022. In September 2020, Corporate Services, in close partnership with Global Sustainable Finance and Morgan Stanley Capital Group Inc., announced a commitment to finance the development of a new wind farm in central Illinois. This clean energy plant will bring significant additional renewable energy to the North America electrical grid. The power generated will account for 52% of Morgan Stanley's electricity consumption, and 30% of our carbon footprint globally, helping us work toward 100% renewable electricity by 2022. As these goals are in part led by GSF, the Head of GSF is evaluated against them.
Business unit manager	Monetary reward	Other (please specify) (Sustainability integration)	The Head of GSF reports to the firm's Chief Sustainability Officer. The Head of the Global Sustainable Finance (GSF) group is responsible for implementing sustainable business strategies across the firm and is the engine behind the Institute for Sustainable Investing. The Head is evaluated against these responsibilities, including those related to climate change.
Business unit manager	Monetary reward	Emissions reduction target	The Global Head of Corporate Services (CS) reports to the firm's Vice Chairman, who reports to the firm's CEO. The Global Head of Corporate Services (CS), together with a network of consultants and vendors, leads a wide range of initiatives to reduce the environmental footprint of Morgan Stanley facilities while contributing to a better working environment. CS, in consultation with GSF, reviews and sets greenhouse gas (GHG) emissions and other environment-related targets. In 2017, Morgan Stanley committed to become carbon neutral by 2022, aiming to source 100 percent of our global operational electricity needs from renewable energy. In 2020, Morgan Stanley committed to reach net-zero financed emissions by 2050 and announced a commitment to finance the development of a new wind farm in central Illinois. The wind farm will bring significant additional renewable energy to the North America electrical grid, and the power generated will account for 52% of Morgan Stanley's electricity consumption, and 30% of our carbon footprint globally, helping us work toward 100% renewable electricity by 2022. As these goals are in part led by CS, the Global Head is evaluated against them.
Business unit manager	Monetary reward	Energy reduction project	The Global Head of Corporate Services (CS) reports to the firm's Vice Chairman, who reports to the firm's CEO. The Global Head of Corporate Services (CS), together with a network of consultants and vendors, leads a wide range of initiatives to reduce the environmental footprint of Morgan Stanley facilities while contributing to a better working environment. CS, in consultation with GSF, reviews and sets GHG emissions and other environment-related targets. Alongside Morgan Stanley's commitment to become carbon neutral, we are aiming to reduce energy usage by 20 percent by 2022. In September 2020, Corporate Services, in close partnership with Global Sustainable Finance and Morgan Stanley Capital Group Inc., announced a commitment to finance the development of a new wind farm in central Illinois. This clean energy plant will bring significant additional renewable energy to the North America electrical grid. The power generated will account for 52% of Morgan Stanley's electricity consumption, and 30% of our carbon footprint globally, helping us work toward 100% renewable electricity by 2022. As these goals are in part led by CS, the Global Head is evaluated against them.
Environment/Sustainability manager	Monetary reward	Emissions reduction target	The Corporate Services (CS) Global Head of Operational Sustainability, in collaboration with firm functional teams, is responsible for implementing the firm's operational sustainability strategy. CS, in consultation with GSF, reviews and sets greenhouse gas (GHG) emissions and other environment-related targets. In 2017, Morgan Stanley committed to become carbon neutral by 2022, aiming to source 100 percent of our global operational electricity needs from renewable energy. In 2020, Morgan Stanley committed to reach net-zero financed emissions by 2050 and announced a commitment to finance the development of a new wind farm in central Illinois. The wind farm will bring significant additional renewable energy to the North America electrical grid, and the power generated will account for 52% of Morgan Stanley's electricity consumption, and 30% of our carbon footprint globally, helping us work toward 100% renewable electricity by 2022. As these goals are in part led by CS, the CS Global Head of Operational Sustainability is evaluated against them.

Entitled to incentive	Type of incentive	Activity incentivized	Comment
Environment/Sustainability manager	Monetary reward	Energy reduction target	The Corporate Services (CS) Global Head of Operational Sustainability, in collaboration with firm functional teams, is responsible for implementing the firm's operational sustainability strategy. CS, in consultation with GSF, reviews and sets GHG emissions and other environment-related targets. Alongside Morgan Stanley's commitment to become carbon neutral, we are aiming to reduce our energy usage by 20 percent by 2022. In September 2020, Corporate Services, in close partnership with Global Sustainable Finance and Morgan Stanley Capital Group Inc., announced a commitment to finance the development of a new wind farm in central Illinois. This clean energy plant will bring significant additional renewable energy to the North America electrical grid. The power generated will account for 52% of Morgan Stanley's electricity consumption, and 30% of our carbon footprint globally, helping us work toward 100% renewable electricity by 2022. As these goals are in part led by CS, the CS Global Head of Operational Sustainability is evaluated against them.
Facilities manager	Monetary reward	Energy reduction target	The Property Services Group within Corporate Services has specific key performance indicators (KPIs) tied to the firm's overall energy use, as well as carbon emission reduction targets and service level agreements, including improving Energy Star Scores, achieving building certifications and managing utilities budgets. Employees involved in Property Services have explicit goals related to energy management, including reducing energy use, increasing energy efficiency/conservation, employing renewable energy, reducing emissions, and environmental stewardship. As such, members of the Property Services Group are evaluated against these responsibilities in annual performance reviews.
Facilities manager	Monetary reward	Emissions reduction target	The Property Services Group within Corporate Services has specific key performance indicators (KPIs) tied to the firm's overall energy use, as well as carbon emission reduction targets and service level agreements, including improving Energy Star Scores, achieving building certifications and managing utilities budgets. Employees involved in Property Services have explicit goals related to energy management, including reducing energy use, increasing energy efficiency/conservation, employing renewable energy, reducing emissions, and environmental stewardship. As such, members of the Property Services Group are evaluated against these responsibilities in annual performance reviews.
Environment/Sustainability manager	Monetary reward	Other (please specify) (Sustainability integration)	The Global Sustainable Finance (GSF) group is responsible for implementing sustainable business strategies across the firm. In fulfilling its duties, GSF focuses on engagement with and disclosure to investors and other stakeholders and is the engine behind the Institute for Sustainable Investing. GSF is also responsible for helping to set the firm's operational sustainability goals in partnership with CS. As such, team members are evaluated against these responsibilities, including those related to climate change, in annual performance reviews.
Environment/Sustainability manager	Monetary reward	Emissions reduction target	The Global Sustainable Finance (GSF) group is responsible for implementing the firm's sustainability strategy. In 2017, Morgan Stanley committed to become carbon neutral by 2022, aiming to source 100 percent of our global operational electricity needs from renewable energy. In 2020, Morgan Stanley committed to reach net-zero financed emissions by 2050 and announced a commitment to finance the development of a new wind farm in central Illinois. The wind farm will bring significant additional renewable energy to the North America electrical grid, and the power generated will account for 52% of Morgan Stanley's electricity consumption, and 30% of our carbon footprint globally, helping us work toward 100% renewable electricity by 2022. As these goals are in part led by GSF, select team members are evaluated against them.
Environment/Sustainability manager	Monetary reward	Energy reduction target	The Global Sustainable Finance (GSF) group is responsible for implementing the firm's sustainability strategy. Alongside Morgan Stanley's commitment to become carbon neutral, we are aiming to reduce our electricity usage by 20 percent by 2022. In September 2020, Corporate Services, in close partnership with Global Sustainable Finance and Morgan Stanley Capital Group Inc., announced a commitment to finance the development of a new wind farm in central Illinois. This clean energy plant will bring significant additional renewable energy to the North America electrical grid. The power generated will account for 52% of Morgan Stanley's electricity consumption, and 30% of our carbon footprint globally, helping us work toward 100% renewable electricity by 2022. As these goals are in part led by GSF, select team members are evaluated against them.
Risk manager	Monetary reward	Other (please specify) (Manage E&S franchise risk exposure)	The firm's Environmental and Social Risk Management (ESRM) Group provides internal subject matter expertise on environmental and social risk, acts as an advisor to the businesses, conducts diligence on relevant transactions, and monitors emerging risks. The ESRM Group provides guidance to deal teams globally on potentially material franchise environmental and social risks and monitors related emerging issues.
Dedicated Responsible Investment staff	Monetary reward	Other (please specify) (Sustainable investing)	The Investing with Impact team within Wealth Management is responsible for providing clients with a suite of investment options and portfolios across asset classes that seek to generate both market-rate financial returns and measurable, positive environmental and social impact. In FY2020, MSIM appointed its first Global Head Sustainability for Investment Management who leads a centralized team that is responsible for implementing MSIM's sustainability business efforts and governance processes, supporting and working with MSIM's investment teams on enhancements to their ESG investment integration practices, including climate change, helping to launch Sustainable Funds, advising clients on sustainability matters, and producing sustainability data, tools and research to support our investment teams. The team partners with the Sustainable Investing leads on each of our investment platforms to coordinate global Sustainable Investing initiatives, including those related to climate change, and continually enhance ESG integration practices, and aims to deliver best-in-class sustainability products and solutions. The MSIM Sustainability Team also includes the MSIM Global Stewardship function, which supports and where relevant, coordinates our stewardship and investee engagement agenda and activities alongside our investment teams.
Environment/Sustainability manager	Monetary reward	Emissions reduction target	The Global Sustainable Finance (GSF) group is responsible for implementing the firm's sustainability strategy. In 2020, Morgan Stanley committed to reach net-zero financed emissions by 2050. As this goal is in part led by GSF, select team members are evaluated against it.

## C-FS1.4

**(C-FS1.4) Does your organization offer its employees an employment-based retirement scheme that incorporates ESG principles, including climate change?**

	We offer an employment-based retirement scheme that incorporates ESG principles, including climate change.	Comment
Row 1	Yes, as an investment option for some plans offered	In the United States, Morgan Stanley's 401k retirement plan provides two Environmental, Social and Governance-related retirement options. Our colleagues in the UK also have at least one sustainable investing fund available.

## C2. Risks and opportunities

### C2.1

**(C2.1) Does your organization have a process for identifying, assessing, and responding to climate-related risks and opportunities?**

Yes

### C2.1a

**(C2.1a) How does your organization define short-, medium- and long-term time horizons?**

	From (years)	To (years)	Comment
Short-term	0	3	
Medium-term	3	5	
Long-term	5	50	

**C2.1b**

**(C2.1b) How does your organization define substantive financial or strategic impact on your business?**

In recent years, alongside growing global conversations around climate change, Morgan Stanley has dedicated additional resources to understanding the potential financial and strategic impacts climate change poses on our businesses. Where Morgan Stanley may potentially face substantial transition and physical risks from the impacts of climate change, we utilize expertise and resources from many parts of the business to explore these issues. Through the multidisciplinary companywide risk identification, assessment, and management processes described above, we continually monitor climate risks on an ongoing basis and assess time horizons ranging from immediate to long term on a case-by-case basis. In the context of this report, we define substantive impacts as those that would cause the firm a loss or gain great enough to change our internal approach to managing the risk. Currently, the firm takes an integrated approach to risk identification, assessment and management.

**C2.2**

**(C2.2) Describe your process(es) for identifying, assessing and responding to climate-related risks and opportunities.**

**Value chain stage(s) covered**

Downstream

**Risk management process**

Integrated into multi-disciplinary company-wide risk management process

**Frequency of assessment**

More than once a year

**Time horizon(s) covered**

Short-term

Medium-term

Long-term

**Description of process**

Downstream risks: Morgan Stanley has an opportunity to be part of the solution to climate change by leveraging our longstanding leadership in both sustainability and global finance. In 2020, Morgan Stanley was the first major global, U.S. headquartered financial services firm to join The Partnership for Carbon Accounting Financials (PCAF) and its global Steering Committee, the initiative's highest governing body, to focus on the complex challenge of measuring financed emissions. Our commitment to net-zero financed emissions by 2050 is the foundation for our climate change strategy. To support this ongoing work, we joined PCAF to help develop a harmonized, global methodology to account for financed emissions. Using PCAF's methodology will help us understand where certain companies or portfolios may have outsized concentrations of carbon intensity, making them particularly vulnerable to changes in policy and technology. In response to this work, the firm has started to utilize the PCAF methodology internally to start tracking and assessing our financed emissions. Our aim is to pursue opportunities to help our clients successfully transition to a low-carbon economy. We can't make progress if they don't. Morgan Stanley may face potential financial risk from climate change, and the firm is deploying significant resources to identify the sources and magnitude of potential losses across our portfolio. Following the emerging industry best practice, we continue to design and implement a range of stress tests based on both physical and transition scenarios, seeking to identify vulnerabilities in our lending and other financing activities. Based on the results of this analysis, we consider actions to manage the identified risks effectively. Through this multi-disciplinary, company-wide risk identification, assessment, and management process, we continually monitor climate risks, and assess time horizons ranging from immediate to long term on a case-by-case basis. Morgan Stanley has endeavored to learn more about potential risks to our business. In our ongoing journey responding to climate change, we identified the risk that flooding could pose as a potential physical risk to the firm. To help assess this potential risk, we took steps to better understand our risk exposure. The firm developed a stress test scenario based on extreme flooding events in the western United States and explored the potential impacts on our portfolios. As a result, we on-boarded new datasets which help Morgan Stanley continuously monitor potential and evolving risks. We have also identified the risk that a price on carbon could pose a potential transition risk to the firm. To help assess this potential risk, we took steps to better understand our risk exposure. In response, the firm developed a stress test scenario. In response, the firm developed an enterprise-wide transition risk scenario that examined the impacts of a comprehensive political and policy response to address climate change in the United States. The scenario included the potential adoption of a carbon tax, expanded renewable energy subsidies and restrictions on fossil fuel developments. During this process, we engaged with leading economists and climate experts from leading academic institutions and the Center for Climate and Energy Solutions (C2ES) to help ensure the scenario reflects the latest developments in policy design. In response to this work, the firm put in place new governance procedures to monitor the changing global regulatory landscape. We also on-boarded new datasets as a result of this work to help better understand the implications of a potential global price on carbon. To identify potential transition risks, we also track climate-related regulations at the local, state, federal and international levels to assess potential transition risks to our business. Firm Risk Management (FRM) oversees climate-related financial risks, among other types of risk, in our lending operations. In 2020, our CRO and senior Risk Management leaders updated the Board of Directors on our scenario work around transition policy risks in the US and presented the firm's plan to integrate climate into risk management. GSF and FRM continue to work together to identify, test and onboard new tools and datasets to help assess climate risk and to help determine which may have the potential for substantive impact. A key priority for the firm from the beginning has been education. In order to work toward a common level of understanding, GSF and FRM established Climate Change University (CCU). CCU provides employees with a multifaceted curriculum of external and internal expert speakers from academia and industry, a reference library of reading materials, a weekly digest and commentary on global climate change news, and real-time access to external experts to consult with as specific questions arise. The firm's Environmental and Social Risk Management (ESRM) Group reviews transactions that could expose the firm to franchise risks raised by environmental and social issues. Transactions in-scope of the Global Environmental and Social Risk Management Policy Statement and with potentially significant environmental and social risk are submitted to the ESRM Group for review. Morgan Stanley's Global and Regional Franchise Committees are responsible for overseeing franchise risk to the firm, including reputational risks 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. Downstream opportunities: Our business segments partner with GSF to offer scalable financial solutions and advisory services that seek to deliver competitive financial returns while driving positive environmental and social impact. The Global Sustainability Bond Leadership and the Investment Management Sustainability Councils help the firm to identify climate-related opportunities. Due to growing demand for low-carbon products coupled with the need to rapidly scale climate finance to meet the goals of the Paris Agreement, in April 2018, we announced plans to mobilize \$250 billion to support low-carbon solutions by 2030. Our business activities in clean-tech and renewable energy financing, sustainable bonds and other relevant transactions and investments contribute to this commitment. Through 2020, we have mobilized approximately \$210 billion in capital toward this goal. We also develop informative analysis on climate change to help clients and other stakeholders navigate the low-carbon transition and seize opportunities. Our Sustainability Research team

and the Institute for Sustainable Investing lead this work. For example, in 2020, the Sustainability Research team published research on the EU Green Deal and China's net-zero target, among other climate and sustainability topics.

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**Value chain stage(s) covered**

Direct operations

**Risk management process**

Integrated into multi-disciplinary company-wide risk management process

**Frequency of assessment**

More than once a year

**Time horizon(s) covered**

Short-term

Medium-term

Long-term

**Description of process**

For risks in direct operations: Corporate Services, Business Continuity Management and Operational Risk within FRM assess physical risks and other disruptions to our business operations. To identify risks, including those that may have substantive impact, we map our physical locations and leverage external data and subject matter experts to understand how climate change will drive shifts in physical events in those areas. We track acute events such as windstorms and floods, as well as longer-term issues such as extreme heat to understand the impact on our footprint and employees. For example, this includes conducting emergency communication drills and simulated crisis scenarios, including physical climate risk scenarios, at various points throughout the year, and an annual corporate services risk control self-assessment. As a result, this analysis informs our real estate and property management strategies, disaster recovery and business continuity management. In 2020, the firm reacted to 13 extreme weather and natural hazard events related to hurricanes, wildfires, blizzards, and earthquakes. For example, in late July our Crisis Management Operations (CMO) team monitored the formation of Hurricane Isaias in the Caribbean, forewarned potentially vulnerable business units via their Fusion Planning Officers and tracked the storm's progress from south Florida along the U.S. east coast. Although as many as 10% of our employees in affected areas lost power while working from home, there was minimal impact to our business operations. To help manage our transition risks, in 2017, we set a target to become carbon neutral by 2022, with an aim to source 100% of our global operational electricity needs from renewable sources, and to offset any remaining emissions. In September 2020, Corporate Services, in close partnership with Global Sustainable Finance and Morgan Stanley Capital Group Inc., announced a commitment to finance the development of a new wind farm in central Illinois, which will bring significant additional renewable energy to the North America electrical grid. The power generated will account for 52% of Morgan Stanley's electricity consumption, and 30% of our carbon footprint globally, helping us work toward 100% renewable electricity by 2022. To achieve this goal, we are also seeking to develop on-site power generation, purchase renewable energy credits and pursue carbon offsets, as appropriate. For opportunities in direct operations: To prioritize opportunities to reduce our impacts of our facilities on the climate, we monitor the environmental performance closely. Our internal standards for construction and renovation projects require green technologies and equipment. The Corporate Services Global Sustainability Council helps ensure we explore climate-related opportunities in our operations by executing our operational sustainability strategy, which focuses on resource efficiency, renewable energy and identifying innovative ways to minimize the environmental impact of our operations globally.

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C2.2a

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**(C2.2a) Which risk types are considered in your organization's climate-related risk assessments?**

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	Legal, regulatory and compliance risk includes the risk of legal or regulatory sanctions, material financial loss including fines, penalties, judgments, damages and/or settlements, or loss to reputation we may suffer as a result of our failure to comply with laws. Our Legal & Compliance Division advises the firm on managing legal risk, and monitors our compliance with current and emerging regulatory and legal requirements, including climate-related regulations where applicable. Our Government and Regulatory Relations teams represent the firm's public policy views, and engage with governments and regulators on behalf of the firm on existing regulations, including those related to climate-regulations. In addition, as outlined in our Environmental and Social Policy Statement, we expect companies to comply with all relevant local and national laws, including laws that implement international agreements. The ESRM Group works with groups across Morgan Stanley, including Firm Risk Management and Legal and Compliance, to monitor emerging trends, including current and proposed regulations.
Emerging regulation	Relevant, sometimes included	Changes in policies, such as carbon taxes, renewable fuel standards or building energy efficient standards, may impact the firm directly or indirectly through our clients, business partners or suppliers. We track climate-related regulations at the local, state, national and international levels to assess potential transition risks to our business. GSF partners with Government Relations and other functions, as appropriate, to coordinate the firm's responses to relevant policy measures. Similar to current regulation, emerging legal, regulatory and compliance risk includes the risk of legal or regulatory sanctions, material financial loss including fines, penalties, judgments, damages and/or settlements, or loss to reputation we may suffer as a result of our failure to comply with laws. We also engage externally to share best practice and stay on top of trends. We engaged regularly with C2ES to keep track of U.S. federal climate policy development. In December 2020, the firm also signed on to a C2ES support letter calling on bipartisan solutions to address climate change from then President-elect Biden and the incoming Congress. In 2019, our Climate Change Firm Risk Lead was appointed to the first panel commissioned by a U.S. market regulator to examine climate-related risks to the financial system. The report was released in September 2020. The panel, formed by the Commodity Futures Trading Commission, provided policy recommendations across a range of climate risks. Morgan Stanley was pleased to be engaged in the CFTC Subcommittee and to help advance the work of U.S. regulators regarding climate risk. We look forward to how further study and examination contribute to evolving regulatory initiatives on this topic. The firm will continue to engage with policymakers as opportunities arise to support development of effective regulatory policies to address climate change.
Technology	Relevant, sometimes included	For transactions or investments in which climate-related technology is material, business units consider it in their analysis. We are also working to better understand how the transition risks associated with emerging climate-related technologies could impact the firm and our clients. For example, we collaborated with peers to explore scenario analysis and stress testing that shed light on the sensitivities of companies' creditworthiness under select climate transition pathways, including a pathway related to a technological breakthrough regarding the rapid adoption of electric vehicles over a three-year time horizon. The analysis did not find significant financial impacts near-term. This information is detailed in the firm's October 2020 Task Force on Climate-related Financial Disclosures (TCFD) report.
Legal	Relevant, always included	Legal, regulatory and compliance risk includes the risk of legal or regulatory sanctions, material financial loss including fines, penalties, judgments, damages and/or settlements, or loss to reputation we may suffer as a result of our failure to comply with laws. Such negative impacts could harm the firm's reputation and have the potential to limit future business opportunities. Our Legal & Compliance Division advises the firm on managing legal risk, and monitors our compliance with current and emerging regulatory and legal requirements, including climate-related regulations where applicable. As outlined in our Environmental and Social Policy Statement, Morgan Stanley's ESRM Group considers counterparties' compliance with applicable laws and regulations – including those related to climate change – as part of its due diligence. 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.
Market	Relevant, sometimes included	Our Market Risk Department assesses, monitors and manages the firm's market related risks globally across various asset classes. The Market Risk Department continues to integrate climate risks (physical and transition risks) into its processes which include risk identification, large transactions analyses, and new product approvals. The Department has also started the process of conducting scenario analyses to help assess potential climate-related vulnerabilities in our global portfolios.
Reputation	Relevant, always included	An example of a reputational risk is if a client's operations create negative environmental impacts, such as water or air pollution, without proper controls in place. Such negative impacts could harm the firm's reputation and have the potential to limit future business opportunities. Morgan Stanley's Global and Regional Franchise Committees are responsible for overseeing franchise risk to the firm, including reputational risks associated with environmental and social issues. Transactions in-scope of the Global Environmental and Social Risk Management Policy and with potentially significant environmental and social risk are submitted to the ESRM Group for review. Depending on the results of the ESRM review, transactions may be escalated to our Global and Regional Franchise Committees and to senior management.
Acute physical	Relevant, always included	Morgan Stanley maintains global programs for business continuity management and technology disaster recovery that aim to protect the firm. A business continuity event is an interruption with potential impact to normal business activity of the firm's people, operations, technology, suppliers, and/or facilities. In anticipation of forecasted events, BCM reviews business units' plans to ensure that detailed recovery strategies (e.g., transference or relocation), which identify and detail the options available to recover critical business processes during an event, are documented. In 2020, the firm reacted to 13 extreme weather and natural hazard events related to hurricanes, wildfires, blizzards, and earthquakes. For example, in late July our Crisis Management Operations (CMO) team monitored the formation of Hurricane Isaias in the Caribbean, forewarned potentially vulnerable business units via their Fusion Planning Officers and tracked the storm's progress from south Florida along the U.S. east coast. Although as many as 10% of our employees in affected areas lost power while working from home, there was minimal impact to our business operations.
Chronic physical	Relevant, always included	Ensuring business continuity and resiliency is a priority at Morgan Stanley. Corporate Services leads a wide range of initiatives to reduce our operational environmental impact and partners with GSF to develop and manage our operational climate goals. For example, we have invested in a number of renewable energy installations that will reduce our carbon footprint. We have also taken a number of measures to improve protection from localized flooding and, where applicable, sea-level rise. As part of our scenario analysis, we have run scenarios to assess the potential impacts of sea-level rise on Morgan Stanley's own real estate footprint. Further, we consider climate change in the design and construction of our offices and data centers, to help ensure they remain functional over the long term.

C-FS2.2b

**(C-FS2.2b) Do you assess your portfolio’s exposure to climate-related risks and opportunities?**

	We assess the portfolio’s exposure	Please explain
Bank lending (Bank)	Yes	<p>Morgan Stanley continues to endeavor to learn more about potential risks to our business. In our journey on responding to climate change, we have identified that flooding could pose a potential physical risk to the firm’s businesses. To help assess this potential risk, we took steps to better understand our risk exposure. In response, the firm developed a stress test scenario surrounding extreme flooding events in the western United States and explored their potential impacts on our portfolios. As a result, we on-boarded new datasets which better help Morgan Stanley continuously monitor potential and evolving risks. We have also identified that a price on carbon could pose a potential transition risk to the firm. To help assess this potential risk, we took steps to better understand our risk exposure. In response, the firm developed an enterprise-wide transition risk scenario that examined the impacts of a comprehensive U.S. political and policy response to address climate change. The scenario included the potential adoption of a carbon tax, expanded renewable energy subsidies and restrictions on fossil fuel developments. During this process, we engaged with leading economists and climate experts from academia and the Center for Climate and Energy Solutions (C2ES) to help ensure the scenario reflects the latest developments in policy design. In response, the firm put in place new governance procedures to monitor the changing global regulatory landscape. We also on-boarded new datasets as a result of this work, which helps Morgan Stanley better understand the implications of a potential global price on carbon. As a first line of defense, business units assess the relevance of climate change as appropriate for their activities and evaluate ESG risks through client and investment-related due diligence. Firm Risk Management has also developed a strategy to integrate climate-related risks into our risk management processes. This includes options for measuring the carbon intensity of our portfolios, the transition preparedness of clients, our vulnerabilities to climate-related events, and consistency with evolving industry and regulatory best practices. These efforts include the development of metrics and targets in line with TCFD recommendations, the inclusion of climate-related considerations into risk appetite decisions.</p>
Investing (Asset manager)	Yes	<p>At the macro level, MSIM’s Global Risk Analysis team has integrated carbon pricing and oil price shock scenarios into its regular risk monitoring approach across public markets. These stress tests include three different types of policy responses to climate change: a phased implementation over time, a more accelerated global implementation in response to extreme weather events, and a redistribution carbon price scenario, which measures the impact of policymakers introducing legislation to simultaneously fight climate change and economic inequality. In addition to the work carried out by MSIM’s Global Risk Analysis team, MSIM’s equity and fixed income teams review the carbon footprint of their portfolios and use this information to identify climate-related risks and opportunities in their portfolios. In some cases, this analysis has led to decisions to exclude or size certain investments based on climate-related risks. Beyond carbon footprinting, MSIM’s Sustainability team, in partnership with Morgan Stanley’s Global Sustainable Finance Group, has also developed internal tools and resources to help portfolio managers analyze climate related data sets including those that forward looking climate analysis such as Paris alignment and earnings risk under different carbon pricing scenarios.. Further, MSIM’s Real Assets team has begun to integrate physical climate risks into its investment process and is enhancing that analysis using new datasets.</p>
Investing (Asset owner)	<Not Applicable >	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable >	<Not Applicable>
Other products and services, please specify	Not applicable	We do not have any other products or services for which we examine climate risks.

**C-FS2.2c**

(C-FS2.2c) Describe how you assess your portfolio's exposure to climate-related risks and opportunities.

	Portfolio coverage	Assessment type	Description
Bank lending (Bank)	All of the portfolio	Qualitative and quantitative	Morgan Stanley has endeavored to learn more about potential risks to our business. In our journey on responding to climate change, we have identified that flooding could pose a potential physical risk to the firm. To help assess this potential risk, we took steps to better understand our risk exposure. In response, the firm developed a stress test scenario surrounding extreme flooding events in the western United States and explored their potential impacts on our portfolios. As a result, we on-boarded new datasets which better help Morgan Stanley continuously monitor potential and evolving risks. Morgan Stanley has also identified that a price on carbon could pose a potential transition risk to the firm. To help assess this potential risk, we took steps to better understand our risk exposure. In response, the firm developed a stress test scenario and developed an enterprise-wide transition risk scenario that examined the impacts of a comprehensive political and policy response to address climate change in the United States. The scenario included the potential adoption of a carbon tax, expanded renewable energy subsidies and restrictions on fossil fuel developments. During this process, we engaged with leading economists and climate experts from academia and the Center for Climate and Energy Solutions (C2ES) to help ensure the scenario reflects the latest developments in policy design. In response to this work, the firm put in place new governance procedures to monitor the changing global regulatory landscape. We also on-boarded new datasets as a result of this work, which better help Morgan Stanley better understand the implications of a potential global price on carbon. Firm Risk Management (FRM) continues to integrate climate-related risks into our risk management processes. This includes calculating the carbon intensity of our lending portfolios, measuring the transition preparedness of clients, identifying our vulnerabilities to physical climate-related events consistent with evolving industry and regulatory best practices. These efforts include the development of metrics and targets in line with TCFD recommendations. FRM, in partnership with GSF, has also conducted numerous scenario and stress test exercises to help assess our exposure to a range of transitional and physical risk events. Our efforts to identify and assess climate risks include our entire lending portfolio across both our Institutional Securities Group and Wealth Management businesses, as any company and/or real asset may be exposed to a combination of transition and physical risks. Initially, Morgan Stanley developed a risk matrix to identify potentially significant physical and transitional risks that could affect clients, by industry. To help assess these risks, we have on-boarded new climate and ESG datasets that will help FRM better understand how material various risks may be. Both the business and risk functions have a wide range of third-party data sources available when assessing climate risks and identifying climate opportunities across our portfolios. These include but are not limited to emissions data, physical production data, scenario alignments and forecasts, revenue breakdowns, counterparty climate policies, controversies and targets, along with a wide range of metrics derived from those sources. To enhance our capacity to identify, assess and respond to climate risk, Global Sustainable Finance and FRM have formed a strategic partnership to educate and engage decision-makers across the firm. One initiative is Climate Change University (CCU). CCU offers an external and internal speaker series, reference library, weekly news digest and access to the latest climate risk-related reports. The program aims to build a common understanding of climate change and its impact to the firm from a business perspective. In 2020, rolled out CCU for employees across the firm. Morgan Stanley is also part of a group of global financial firms to test the PACTA, developed by the 2 Degrees Investing Initiative. This analytical tool enables financial institutions to understand the alignment of their corporate loan portfolios with the goals of the Paris Agreement. Our Environmental and Social Policy Statement outlines restrictions for several sectors including coal power, coal mining and Arctic oil & gas. The policy statement outlines criteria included in enhanced due diligence assessments conducted by the ESRM Group on companies in these sectors.
Investing (Asset manager)	Minority of the portfolio	Qualitative and quantitative	As described in question FS2.2b, exposure to climate risks is assessed by the Global Risk Analytics team across MSIM's entire public markets portfolio and by individual investment teams across their respective investment portfolios. Assessing climate risks differs by investment team and strategy, as climate risks vary across asset classes and time horizons. Our public markets investment teams have access to internal dashboards which provide information on the carbon footprint of their portfolios. Where data is available, measure of exposure to climate risk. The internal dashboards also show how carbon pricing scenarios affect the earnings potential of their underlying investments, demonstrate exposure to carbon intensive sectors and embedded carbon reserves (stranded assets) as other measures of risk. As some of our teams adopt net zero aligned investment approaches, our internal dashboards for public markets funds also demonstrate whether underlying investees have adopted net zero reduction targets or the extent to which their revenues are aligned with climate activities that help to mitigate climate change or aggravate climate change. In addition, MSIM's Emerging Markets Equities team has developed a new country dashboard that tracks climate risks and opportunities across sixty-seven developed, frontier, and emerging markets. The climate change dashboard allows investors to compare markets on forty different climate-related metrics which are grouped into four categories: physical risks, transition risks, climate change governance/policy, and opportunities. By creating this dashboard, team members can access climate-related information which enables them to systematically incorporate geographical climate change considerations into their research Where data is less available through corporate disclosures or third party data providers, such as Real Assets, Private Credit and Equity, some investment teams incorporate climate risks and opportunities into the investment process through proprietary research and data collection and/or through alternative data sources such as physical climate risk. In addition to focusing on climate risk data, our investment teams also develop climate solutions and engage with portfolio companies to assess climate risks within their portfolio. For example, MSIM's Alternative Investment Partners (AIP) Private Markets team launched a fund focusing on climate solutions that seeks to address global warming and pollution, depleting resources and biodiversity, and several of MSIM's public market funds have adopted net zero emissions targets to mitigate the risk and capture the upside potential of the transition to a low carbon economy. In 2020, decarbonization and climate risk was MSIM's most frequently discussed ESG engagement topic across investment teams representing 37% of all ESG engagements.
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	<Not Applicable>	<Not Applicable>	<Not Applicable>

C-FS2.2d

**(C-FS2.2d) Do you assess your portfolio's exposure to water-related risks and opportunities?**

	We assess the portfolio's exposure	Portfolio coverage	Please explain
Bank lending (Bank)	Yes	All of the portfolio	Through the process of scenario analysis, we have examined parts of our portfolios that are more likely at risk of exposure to severe storms. We have also examined the water-related impacts of storms and floods on our office buildings to understand potential losses from business interruptions. While water-related risks may only be material for certain sectors and geographies, our process of examining water-related risks applies to our entire portfolio, as we seek to identify relevant risks for each sector and geography. In addition to increasing the frequency and severity of storms, climate change is likely to make drought more severe in certain parts of the world. On behalf of clients, one of our portfolio strategies teams in our investment management business have made investments in certain technologies and infrastructure that will help address fresh water shortages.
Investing (Asset manager)	Yes	Minority of the portfolio	Where material, MSIM investment teams consider water-related risks and opportunities as part of their ESG integration process. In 2020, we adopted four thematic engagement topics, which include: decarbonization and climate risk; circular economy and waste reduction; diverse and inclusive business; decent work and resilient jobs. Each of these thematic areas include sub-topics and for circular economy and waste, water stewardship is a component. For example, a frequent topic of engagement among our listed real estate companies and our consumer-packaged goods companies is water use, recycling and disclosure. In our Real Assets division, the Real Estate team require the protection of surface and ground water and aquatic ecosystems by controlling and retaining construction pollutants and require water conservation measures for the majority of developments and renovations. Water consumption performance data is also collected for the majority of our real estate assets. The investment team engages with real estate tenants on energy and water consumption and/or waste production for the majority of our buildings/properties. On the opportunity side, the AIP Private Markets team's Global Climate Impact Solutions Fund seeks to address climate-related issues and targets investments that result in measurable sustainability outcomes, including liters of water saved.
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	<Not Applicable>	We do not have any other products or services for which we examine water-related risks

**C-FS2.2e**

**(C-FS2.2e) Do you assess your portfolio's exposure to forests-related risks and opportunities?**

	We assess the portfolio's exposure	Portfolio coverage	Please explain
Bank lending (Bank)	Yes	All of the portfolio	We seek to understand how forest-related risks could impact our portfolios, particularly related in areas facing increased risk of forest fires. Mortgages and real assets are examples of investments that may be exposed to these risks. In 2020, we on-boarded new data services that will help the firm better understand our exposure to physical risks such as forest fires, and we track developments in insurance markets to better understand how shifting coverage could pose a risk to the firm over time. Our Environmental and Social Policy Statement outlines our approach to forestry and palm oil. For example, we expect clients directly involved in timber logging to have obtained or be working toward Forest Stewardship Council (FSC) certification or a comparable certification. 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. Our due diligence considerations for clients involved in these sectors include a review of company's policies and practices to manage impacts on local communities and indigenous peoples, biodiversity and sensitive areas, such as peatlands. We will not knowingly finance companies or projects that collude with or are knowingly engaged in illegal logging or utilize illegal or uncontrolled fire or commercial logging projects in the United Nations Educational, Scientific and Cultural Organization (UNESCO) World Heritage sites.
Investing (Asset manager)	Yes	Minority of the portfolio	MSIM's investment teams consider forest-related risks and opportunities where deemed material to a given investment. In general, deforestation, the use of certified forest products, supply chain integrity is considered most material to paper products, packaging, and land-based agriculture industries. Some of MSIM's investment teams have also started to consider the value-chain impacts of the shift towards a more circular economy more closely, which also implicates forest-based assets. An engagement example from one of MSIM's equities' teams highlights the ways in which teams are considering the reputational and operational risks associated with deforestation in their portfolios. In 2020, the team engaged with a consumer staples company leading up to the company's annual general meeting to discuss a shareholder resolution asking the company to report on efforts to eliminate deforestation. The initial objective was twofold: 1) to understand the company's current program to monitor deforestation in their supply chain and 2) to encourage the company towards best practices where we might observe some gaps. In addition, the team discussed alternative fibers for product formulation. During the engagement, we learned that the company heavily relied on a number of third-party certification schemes to monitor their supply chain on virgin wood fiber. They regularly interacted with suppliers but did not have a formal audit program in place. The team articulated that while external certification schemes provided a certain degree of assurance, the company could explore having company employees do on-site inspections to supplement the work done by the third-party monitors. The team voted for the shareholder resolution, which received majority support. We will continue to engage the company on steps they plan to take in response to the majority supported shareholder resolution. In addition, the Real Estate team within our Real Assets division will assess or measure the impact of our development projects, including material sourcing (e.g., products sourced from companies with sustainable forestry practices) and sustainable procurement during development, design and construction.
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	<Not Applicable>	We do not have any other products or services for which we examine forests-related risks.

**C-FS2.2f**

**(C-FS2.f) Do you request climate-related information from your clients/investees as part of your due diligence and/or risk assessment practices?**

	We request climate-related information	Please explain
Bank lending (Bank)	Yes, for some	When assessing risks in flood prone areas, Firm Risk Management will often require clients to provide proof of flood insurance. The firm requests climate-related information for particular segments of our financing activities, such as real estate and power-sector lending. We will begin requesting this information more systematically beginning this year, in a phased approach by geography and activity. In general, our due diligence process includes both analysis of publicly available information and discussions with clients and stakeholders. Climate-related information assessed can include emissions controls and management, impact on biodiversity, approach to waste, health and safety, as well as compliance with local regulations and international standards. In addition, our Environmental and Social Policy Statement includes enhanced due diligence guidelines for sectors exposed to greater environmental and social risk. ESRM's due diligence processes include leveraging publicly available information as well as discussions with the company and stakeholders and consult advisors as appropriate. Enhanced due diligence considerations may include technology and emissions controls used and the company's framework and track record for managing greenhouse gases and other emissions. For more information on our approach by sector, see our Environmental and Social Policy Statement.
Investing (Asset manager)	Yes	MSIM actively engages with its clients on the topic of climate risk through thought leadership and strategic partnerships. In 2020, MSIM developed a climate solutions investing framework that we use to support clients to 1) identify their priorities for the climate impact on investments and 2) identify the right investment solutions to enable them to achieve their investment priorities. The framework aims to help clients assess the range of climate investing approaches in the marketplace today and to align them with their specific climate investing objectives whether they be divestment, decarbonization, investing in climate solutions or a multi-pronged approach. Another way we are engaging with our clients is through the One Planet Asset Manager Initiative, which we joined in FY2020 and is aimed at supporting the One Planet Sovereign Wealth Fund Framework in accelerating the integration of climate change analysis into the management of large, long-term and diversified asset pools. MSIM investment teams regularly engage with investee companies on climate change risks and opportunities including a company's emissions profile, controls and preparedness to manage climate-related risks. As mentioned previously, decarbonization and climate risk is one of our key thematic engagement priorities and represented 37% of all ESG engagements in FY2020. We also use our shareholder vote to promote climate action. In 2020, MSIM supported 61% of shareholder proposals related to climate change. As active owners, we also encourage investees to publish material climate related information aligned with TCFD, SASB and CDP. In our Real Estate business, the investment team also requests asset-level environmental data annually, including energy, GHG emissions, water, waste and green building certification levels.
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	Not applicable.

**C2.3**

**(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?**

No

**C2.3b**

**(C2.3b) Why do you not consider your organization to be exposed to climate-related risks with the potential to have a substantive financial or strategic impact on your business?**

	Primary reason	Please explain
Row 1	Risks exist, but none with potential to have a substantive financial or strategic impact on business	As explained in C2.1b and above, we have not identified significant risks that would cause the firm to alter its process for managing risk or its general strategy at this time. Morgan Stanley is aware that climate change could create risks to the firm, and to the financial sector broadly. Where Morgan Stanley may face potential transition and physical risks from climate change, we seek to deploy expertise and resources from many parts of the business to explore these issues. In 2020, senior Risk Management leadership, including the Chief Risk Officer, presented scenarios to the Firm Risk Committee and Board Risk Committee that explored impacts from both physical and transitional climate risk events. Morgan Stanley has conducted a number of acute stress physical scenarios against our portfolios. In general, we have not found we are at risk of significant financial impacts except for in the event of some of the most extreme and unlikely events. We will continue to explore stress scenarios and identify vulnerabilities in our financing activities related to climate change. If we identify substantive impacts, we will take the appropriate actions to manage and mitigate those risks. In heeding the TCFD's recommendation to assess strategic resilience to climate change, in 2020, Morgan Stanley developed proprietary climate-related scenarios. The work explored long-term, emerging climate related risks and opportunities that may affect many parts of the firm's business and operational strategy. The firm hosted workshops with internal stakeholders across its business units to identify, create and refine a set of scenarios, and to develop a list of potential risks and opportunities as well as recommendations on how to address them. The scenarios were assigned a projected warming level and related to one of the IPCC's Representative Concentration Pathways (RCPs) and the Shared Socio-Economic Pathways (SSPs). These scenarios will help inform future modeling, analysis, and strategy exercises for firm's business units. For our physical risk identification process, where we may have geographic concentrations of exposures, we seek to understand the range of physical risks we may be exposed to. We have assessed the potential impact of flooding, rising sea-levels, hurricanes, and extreme heat. In response, we have begun developing partnerships with leading academic institutions to draw upon their expertise.

**C2.4**

**(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?**

Yes

**C2.4a**

**(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.**

**Identifier**

Opp1

**Where in the value chain does the opportunity occur?**

Downstream

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Shift in consumer preferences

**Primary potential financial impact**

Other, please specify (Better competitive position to reflect shifting consumer preferences, resulting in increased revenues)

**Company-specific description**

Investor interest in environmental and social solutions continues to rise, enabling our efforts to scale capital for low-carbon ventures. Morgan Stanley's businesses are uniquely positioned to drive the development of low-carbon solutions in partnership with our clients, given our long history of using the scale and speed of capital markets to generate positive environmental and social benefits for innovative companies. A Morgan Stanley Institute for Sustainable Investing survey, which polled 1,000 individual investors in 2019 to understand perceptions, interest and trends in sustainable investing, found that 78% of those surveyed expressed interest in climate change-related investments, and 85% agree that their investment decisions can influence climate change. We are well-placed to respond to increasing individual investor interest in climate change-focused investments, given Investing with Impact (IIP), a holistic solution from Morgan Stanley Wealth Management, offers clients the means to link their financial, societal and environmental impact goals.

**Time horizon**

Short-term

**Likelihood**

Virtually certain

**Magnitude of impact**

Medium

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

<Not Applicable>

**Potential financial impact figure – minimum (currency)**

10500000000

**Potential financial impact figure – maximum (currency)**

42000000000

**Explanation of financial impact figure**

Morgan Stanley reports on the assets under management on our Investing with Impact (IIP) platform, which illustrates the scale of the opportunity. In 2020, approximately \$55Bn in client assets were invested on the Investing with Impact platform, up roughly 62% from 2019. Over the same time period moving forward, we expect the assets under management to continue to rise as investors increasingly demand sustainable investing products. Client assets increased by approximately \$21 billion in 2020. The figures used to estimate the potential impact are derived by dividing the increase in client assets and doubling client assets.

**Cost to realize opportunity**

0

**Strategy to realize opportunity and explanation of cost calculation**

Our efforts to support climate change mitigation and adaptation encompass our policies, activities, products and solutions. In response, we are developing accessible new products, such as Morgan Stanley Impact Quotient®. The Investing with Impact platform offers more than 150 products, tools and analysis for retail investors across thematic issues including climate change. To address the growing demand for sustainable and impact investments, we are also equipping our Financial Advisors with tools to help their clients meet specific objectives. For example, in 2020, we updated our Climate Change Investing Tool Kit, which is designed as a road map for Morgan Stanley Financial Advisors to use with individual and institutional clients to develop a tailored investment approach to incorporate climate change awareness into their portfolios based on their unique objectives. In addition, and recognizing that other sustainability issues are intersectional with climate, we launched the Racial Equity Investing Tool Kit, which aims to provide our Financial Advisors with educational materials and investment resources to implement clients' unique impact goals—from minimizing investment risks to advancing racial equity—across asset classes. In 2020, the Investing with Impact team engaged Financial Advisors through a number of virtual educational events on key sustainability topics, such as climate change. In addition, we hosted our 6th Annual Investing with Impact Directors Gathering for top impact-focused Financial Advisors who hold the Investing with Impact Director designation. Topics presented by internal and external experts included market trends, opportunities across asset classes, highlights on key sustainability themes such as climate change and diversity, equity & inclusion, and enhancements to Morgan Stanley Impact Quotient®. The cost of growing our Investing with Impact client assets is factored into our normal course of business (i.e. staffing and overhead), and we do not foresee any additional costs. Client assets increased by approximately \$21 billion in 2020. The figures used to estimate the potential impact are derived by dividing the increase in client assets and doubling client assets.

**Comment**

Growing Investing with Impact client assets and enhancing our product offering is part of our normal course of business.

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**Identifier**

Opp2

**Where in the value chain does the opportunity occur?**

Downstream

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Development and/or expansion of low emission goods and services

**Primary potential financial impact**

Increased revenues resulting from increased demand for products and services

**Company-specific description**

Recent research from Morgan Stanley finds that sustainable bonds, led by green bonds targeting environmental impact, have more than tripled since 2015. Green bond issuances reached over \$1 trillion in 2020 and there was also a marked increase of social and sustainability bond issuances across a diverse range of issuers.

**Time horizon**

Short-term

**Likelihood**

Virtually certain

**Magnitude of impact**

Medium

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

&lt;Not Applicable&gt;

**Potential financial impact figure – minimum (currency)**

12000000000

**Potential financial impact figure – maximum (currency)**

48000000000

**Explanation of financial impact figure**

We do not currently disclose activity-specific revenue, but we do report sustainable finance activity metrics, which illustrate the scale of the opportunity. From 2013-2020, we led approximately \$150 billion in green, social and sustainable bond transactions, and \$65 billion in 2020 alone. For example, in 2020, Morgan Stanley supported the largest-ever corporate sustainability bond (\$5.75Bn) for Alphabet with proceeds allocated to environmental projects focused on climate mitigation and social projects focused on affordable housing, racial equity and support for small businesses in Black communities.

**Cost to realize opportunity**

0

**Strategy to realize opportunity and explanation of cost calculation**

In 2020, we established the ESG Center of Excellence to coordinate and drive our expanding commercial client-focused sustainability activity. Led by the Co-Head of Fixed Income Capital Markets and the Vice Chairman of Global Capital Markets, the Center convenes senior leaders from Investment Banking, Fixed Income Capital Markets, Equity Capital Markets, Leveraged Finance, Structured Solutions and Global Sustainable Finance. The cost of developing green bonds is factored into the normal course of business (i.e. staffing and overhead), and we do not foresee any additional costs.

**Comment**

Developing green bonds is part of our normal course of business.

**Identifier**

Opp3

**Where in the value chain does the opportunity occur?**

Downstream

**Opportunity type**

Markets

**Primary climate-related opportunity driver**

Use of public-sector incentives

**Primary potential financial impact**

Increased revenues through access to new and emerging markets

**Company-specific description**

Even though the United States formally withdrew from the Paris Climate Accord in November 2020, U.S. businesses and municipalities have come together in recent years as a driving force for climate action (in December 2020, the firm also signed on to a C2ES support letter calling on bipartisan solutions to address climate change from then President-elect Biden and the incoming Congress.). With increased focus in the US regulatory and policy environment on the topic of climate change, there are significant financing opportunities in assisting firms, governments and municipalities in the U.S. to adapt to physical climate changes. Morgan Stanley is well placed to support green infrastructure investments, as in 2019, Morgan Stanley was named Lead Manager of the Year for U.S. Municipal Green Bonds by Environmental Finance. In addition, our Community Development Finance team has been supporting environmentally-friendly affordable housing development for nearly a decade. For example, since 2010, we have committed over \$24 billion in community development loans and investments, funding more than 145,000 affordable housing units and helping to create or retain more than 198,000 jobs.

**Time horizon**

Short-term

**Likelihood**

Virtually certain

**Magnitude of impact**

Low

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

&lt;Not Applicable&gt;

**Potential financial impact figure – minimum (currency)**

22000000000

**Potential financial impact figure – maximum (currency)**

87000000000

**Explanation of financial impact figure**

We do not currently disclose activity specific revenue, but we do report sustainable finance activity metrics, which illustrate the scale of the opportunity. Our range includes a high and low estimate based on recent Public Finance Activity. In 2020, Morgan Stanley Public Finance led 26 green, sustainability and social bonds totaling approximately \$4.9 billion. The transactions funded infrastructure projects that brought environmental and social benefits to communities around the United States, including mass transit

and climate resiliency.

**Cost to realize opportunity**

0

**Strategy to realize opportunity and explanation of cost calculation**

In the U.S. municipal bond market, we fund infrastructure projects that aim to bring environmental and social benefits to communities around the country, including mass transit, climate resiliency, affordable water and wastewater infrastructure, education facilities and community development finance projects. This work is often in partnership with Morgan Stanley's Community Development Finance (CDF) Group, which designs and implements our community development program alongside community partners. In order to support and empower our partners to achieve their goals, CDF executes new and innovative transactions not routinely provided by private investors. Our program seeks to transform communities' quality of life through a focus on: 1) Preservation and development of sustainable, multifamily affordable rental housing 2) Healthy communities 3) Equitable transit-oriented development 4) Economic development that supports quality jobs 5) Capital for underserved, small and rural markets and 6) Capacity building for nonprofits. The majority of our affordable housing projects help improve building resiliency by using environmentally friendly technologies in construction. For example, in 2020, Morgan Stanley financed Canyon Walk Apartments, 70 new units of affordable housing in Los Alamos, New Mexico, with public transit on the doorstep. Residents can walk to the Atomic Trolley line, which provides free service, and the Blue Line bus route to Santa Fe.

**Comment**

Our Public Finance and Community Development Finance activities are part of our normal course of business.

**Identifier**

Opp4

**Where in the value chain does the opportunity occur?**

Downstream

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Development and/or expansion of low emission goods and services

**Primary potential financial impact**

Increased revenues resulting from increased demand for products and services

**Company-specific description**

Investor interest in environmental and social solutions continues to rise, enabling our efforts to scale capital for low-carbon ventures. Morgan Stanley's businesses are uniquely positioned to drive the development of low-carbon solutions in partnership with our clients, given our long history of using the scale and speed of capital markets to generate positive environmental and social benefits for innovative companies. Recognizing the need to rapidly scale climate finance, in April 2018, we announced plans to mobilize \$250 billion to support low-carbon solutions by 2030.

**Time horizon**

Short-term

**Likelihood**

Virtually certain

**Magnitude of impact**

Medium

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

<Not Applicable>

**Potential financial impact figure – minimum (currency)**

25000000000

**Potential financial impact figure – maximum (currency)**

100000000000

**Explanation of financial impact figure**

We do not currently disclose activity specific revenue, but we do report sustainable finance activity metrics, which illustrate the scale of the opportunity. Our range includes a high estimation and a low estimation based on recent activity. In 2020, we mobilized over \$130 billion to support low-carbon solutions (\$210bn raised to date).

**Cost to realize opportunity**

0

**Strategy to realize opportunity and explanation of cost calculation**

Our low-carbon financing target includes business activities in clean-tech and renewable energy financing, sustainable bonds and other relevant transactions and investments contribute to this commitment. The cost of developing low-carbon solutions is factored into the normal course of business (i.e. staffing and overhead), and we do not foresee any additional costs.

**Comment**

Our low-carbon financing target falls within the normal scope of business.

**C3. Business Strategy**

**C3.1**

**(C3.1) Have climate-related risks and opportunities influenced your organization's strategy and/or financial planning?**

Yes

C3.1b

**(C3.1b) Does your organization intend to publish a low-carbon transition plan in the next two years?**

	Intention to publish a low-carbon transition plan	Intention to include the transition plan as a scheduled resolution item at Annual General Meetings (AGMs)	Comment
Row 1	No, we do not intend to publish a low-carbon transition plan in the next two years	<Not Applicable>	In September 2020, Morgan Stanley became the first major U.S. headquartered global financial services firm to commit to achieving net-zero financed emissions by 2050. While we intend to provide more details and interim targets, we laid out the four parts of our low-carbon transition plan in our October 2020 Task Force on Climate-related Financial Disclosures (TCFD) report. The four parts include: financing the transition, embedding climate in risk management, minimizing our carbon footprint and improving our resiliency, and providing transparency in our progress. Given the timing of our 2020 net-zero announcement, Morgan Stanley intends to provide interim targets and details about how we will achieve them in 2021.

C3.2

**(C3.2) Does your organization use climate-related scenario analysis to inform its strategy?**

Yes, qualitative and quantitative

C3.2a

**(C3.2a) Provide details of your organization's use of climate-related scenario analysis.**

Climate-related scenarios and models applied	Details
RCP 2.6 RCP 4.5 RCP 6 RCP 8.5 Other, please specify (Designed our own in partnership with a consultant)	In 2020, heeding the TCFD's recommendation to assess strategic resilience to climate change, Morgan Stanley worked with an outside consultant to develop proprietary climate-related scenarios. The work explored long-term, emerging climate related risks and opportunities that may affect many parts of Morgan Stanley's business and operational strategy. The firm hosted workshops with internal stakeholders across its core business units to identify, create and refine a set of scenarios, and to develop a list of potential risks and opportunities as well as recommendations on how to address them. The scenarios were assigned a projected warming level and related to one of the IPCC's Representative Concentration Pathways (RCPs) and the Shared Socio-Economic Pathways (SSPs). These scenarios will help inform future modeling, analysis, and strategy exercises for the firm. This work builds on a 2018 GSF and FRM collaboration with peers to design two custom scenarios to pilot climate-related stress testing, and shed light on the sensitivities of companies' creditworthiness. The group engaged an external consultant to help design the scenarios, including inputs, assumptions and the analytical method. The pilot stress tests examined the impacts of two short-term transition risk pathways: the rapid expansion of electric vehicles in a three-year time horizon and the sudden implementation of a carbon tax. For the EV scenario we assumed that 20% of new vehicle sales were EVs and car ownership of existing vehicles has a fifteen year turnover rate. For the carbon tax scenario, we explored a range of taxes from \$25/ton CO2 to \$100/ton CO2, which was applied upstream and passed to customers. The short-term nature of the exercise was relevant to our portfolios given the general short to medium term nature of our exposures. The results of the pilot scenarios did not identify climate risks likely to have a substantive financial impact on our business over the time frame tested. The EV scenario had less near-term (less than three years) impact on the financial health of the oil and gas companies we analyzed compared to the carbon tax scenario. The impact on any particular company depends on a number of factors, including its financial situation, carbon intensity, position on the industry cost curve profile, and management's ability to adjust long-term strategy. The purpose of the exercise was to develop a baseline methodology to highlight the potential risks for Morgan Stanley in our oil and gas lending portfolio. The exercise examined a random sampling of companies, but the actual financial impacts to our firm would depend on the size of our exposures as well as a range of other factors. The exercise reinforced the usefulness of scenario analysis and stressing particular companies' balance sheets for potential regulatory changes in our risk management procedures. Morgan Stanley built on this exercise to further analyze our portfolio and assess climate risk across our entire portfolio. As a result, Morgan Stanley is updating its risk management strategy to identify transition-related climate risks across all sectors. FRM and GSF have instituted a process to proactively and systematically track changes to relevant climate-related policies globally that may impact our business. Beyond the oil and gas sector, Morgan Stanley is also exploring scenario analysis across numerous sectors in order to understand strategic opportunities and vulnerabilities related to climate change. The findings will help inform changes to our processes, and determine where we may seek to incorporate climate considerations into firm strategy. As an example, we may consider evaluating where the firm could be vulnerable to outsized, climate-driven losses. To help identify areas potentially exposed to physical climate risks, FRM and GSF mapped our firm exposures by geography, and then cross referenced those geographies to potential hot spots for physical climate impacts.

C3.3

**(C3.3) Describe where and how climate-related risks and opportunities have influenced your strategy.**

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Products and services	Yes	Climate change is a growing global challenge that businesses and investors must understand and act on, alongside the public sector. In 2020, the CEO and the firm's Operating Committee, the most senior leadership group, approved Morgan Stanley's net-zero commitment. The firmwide commitment to net-zero financed emissions by 2050 is the guiding framework for our strategic approach to climate and positions the firm to support our clients with products and solutions to help manage their own low carbon transition. Our aim is to pursue opportunities at scale for our clients, mitigate our climate-related risks, reduce the climate impact of our own footprint and enhance our climate disclosures. In 2018, we also committed to mobilize \$250 billion in capital to support low-carbon solutions by 2030, and raised approximately \$210 billion as of the end of 2020. It is another example of how we are supporting clients on their climate journey. Institutional Securities: Since 2013, Morgan Stanley has supported over \$150 billion in green, social and sustainability bond issuances across corporate, municipal and sovereign clients. Wealth Management: In 2020, we updated The Morgan Stanley Climate Change Investing Tool Kit to help Morgan Stanley Financial Advisors support clients develop tailored investment approaches to incorporate climate change awareness into their portfolios based on their unique objectives. Investment Management: Climate-related risks and opportunities are integrated across various elements of MSIM's strategy. We have launched climate investment dashboards to provide enhanced portfolio analytics to investors and started to integrate climate risk monitoring across public markets funds. Climate influences our business strategy through the development of new products and solutions. In 2020, five public markets funds adopted net zero aligned investment approaches and we launched one climate solutions-oriented strategy and aim to launch additional products aligned with our clients' climate investing objectives. Climate influences our issuer engagement strategy and has been a central theme of our thematic enjoyment strategy and approach to voting. Climate is now an integral component of our client engagement strategy executed either through direct partnerships with our clients on climate solutions or through joining collaborative industry initiatives.
Supply chain and/or value chain	Yes	In 2020, we established a Sustainable Sourcing Initiative, which includes the integration of ESG factors into our supplier selection process. To promote support for Morgan Stanley's environmental objectives including climate change, we aspire to develop effective relationships with contractors and suppliers to encourage their environmental awareness, and to promote support for Morgan Stanley's environmental objectives (e.g., environmental purchasing policies, assessing vendor compliance with accepted environmental standards and minimizing greenhouse gas emissions). We published a Supplier Code of Conduct, which, among other criteria, requires our suppliers to uphold our environmental and social risk management policies, and encourages them to implement their own policies and measures to reduce the environmental impact and greenhouse gas emissions of their operations.
Investment in R&D	Yes	We have two distinct teams within the firm dedicated to research on sustainability topics, which help us monitor and understand existing and emerging climate-related risks. The Morgan Stanley Institute for Sustainable Investing is dedicated to accelerating the adoption of sustainable investing strategies, which seek to deliver both competitive financial returns and positive environmental and social impact. One of the core tenets of the Institute for Sustainable Investing its emphasis on developing thought leadership and building capacity in sustainable investing and finance. The Institute, which is the firm's internal engine of innovation internally and within the field, develops insightful analysis to inform and empower investors. Climate change and related risks and opportunities is one of two thematic focus areas of the Institute's thought leadership in the short, medium and long-term. In April 2020, the Institute for Sustainable Investing published a white paper on Climate Impact: Understanding Vulnerability as the Missing Piece in the Climate Risk Puzzle. The paper presents a three-dimensional assessment framework to help companies and investors broaden their understanding and estimation of climate change risks and account for climate vulnerabilities throughout the investment process. Investment groups and risk managers across Morgan Stanley have adopted the framework when assessing their business decisions in the context of climate change. Founding the Institute was one of the most substantive strategic decisions made to date by GSF driven by climate change opportunity. Within Equity Research, the Sustainability Research team provides insights into risks and opportunities related to ESG issues that can impact short, medium and long-term investment performance, including those related to climate change. In the long-term, we see the opportunity to leverage thought leadership to drive the market for sustainable finance, including climate-related opportunities, as an opportunity. One opportunity of our thought leadership is to highlight opportunities arising from climate change for investors. In the short-term, in 2020, the team published research on the EU Green Deal and China's net-zero target, among other climate and sustainability topics. Our sector analysts also assess climate-related factors, as appropriate for their coverage.
Operations	Yes	Climate-related opportunities such as use of lower-emission sources of energy have impacted our operations. In 2017, Morgan Stanley committed to become carbon neutral by 2022, with an aim to source 100% of our global operational electricity needs from renewable sources and to offset any remaining emissions. This is another important strategic decision driven by climate change opportunity. In addition, we aim to reduce energy usage by 20% by 2022, from a 2012 baseline. In September 2020, Corporate Services, in close partnership with Global Sustainable Finance and Morgan Stanley Capital Group Inc., announced a commitment to finance the development of a new wind farm in central Illinois. The wind farm will bring significant additional renewable energy to the North America electrical grid, and the power generated will account for 52% of Morgan Stanley's electricity consumption, and 30% of our carbon footprint globally, helping us work toward 100% renewable electricity by 2022. Since 2006, we have reduced our annual office greenhouse gas emissions per square foot by over 51%. The overall magnitude of impact of this opportunity is medium currently, as we are still working to address our carbon neutrality goal. Once we have achieved our goal the impact will be high.

**C3.4**

**(C3.4) Describe where and how climate-related risks and opportunities have influenced your financial planning.**

	Financial planning elements that have been influenced	Description of influence
Row 1	Revenues Direct costs Capital expenditures Capital allocation Acquisitions and divestments Access to capital Assets Liabilities	Climate-related opportunities related to energy efficiency have affected our direct cost, which is a challenge the firm is working to address. To solve for this, Morgan Stanley actively pursues projects that will reduce our energy use and associated greenhouse gas emissions. Since 2012, we have reduced our annual global energy expenses by \$19.2M USD, a 24% reduction. In a step toward addressing energy reduction measures, in 2020, Morgan Stanley announced a commitment to finance the development of a new wind farm in central Illinois. As a result, it is expected that the wind farm will bring significant additional renewable energy to the North America electrical grid, and the power generated will account for 52% of Morgan Stanley's electricity consumption, and 30% of our carbon footprint globally, helping us work toward 100% renewable electricity by 2022. In response, it is expected that the outcome of this business decision will help the firm on its journey toward carbon neutrality. The overall impact of this opportunity is important in that this new additional renewable energy online did not exist. As a result of Morgan Stanley's commitment, this new farm was able to be built. Without Morgan Stanley's commitment, this wind farm would not exist. Moving forward, we will continue to raise the bar of our renewables strategy by achieving our goal in 2022. Climate-related opportunities in energy efficiency have also affected our capital expenditures. At our own properties, we use data collection and analysis, and measurement against our own goals and standards, to prioritize opportunities related to our facilities. Internal standards for construction and renovation projects require green technologies and equipment, cost evaluation and ability to improve workplaces for employees. External standards used include LEED and BREEAM. A continuous commissioning program monitors numerous data points to optimize energy efficiency and identify opportunities for further improvements in our buildings and data centers. The overall magnitude of impact of this opportunity is medium currently, as we are still working to address our carbon neutrality goal. Once we have achieved our goal, the impact will be high. We do not currently disclose activity-specific revenue, but we do report sustainable finance activity metrics, which illustrates the scale of the opportunity. For example, we have raised approximately \$210 billion toward our low-carbon financing goal from transactions and investments across the firm. As we work to drive demand for climate-related products among our client base and in the market more broadly, we will continue to find revenue-generating opportunities for the firm, while supporting the transition to a low-carbon economy. The overall magnitude of impact of product-related opportunities is high and positive. We expect this opportunity to continue to grow in the coming years given increasing investor and client interest. In October 2020, Morgan Stanley completed its acquisition of E*TRADE. The addition of E*TRADE positions Morgan Stanley to increase the scale and breadth of our Wealth Management franchise, which now oversees \$3.3 trillion in assets. In March 2021, Morgan Stanley completed its previously announced acquisition of Eaton Vance Corp. and its subsidiaries, which include Calvert Research Management, widely recognized as an industry leader in responsible investing, and Parametric, a leading provider of customized, ESG and tax-managed solutions. The combination of MSIM and Eaton Vance offers high quality investment capabilities, delivered with an unwavering commitment to client service while complementing the sustainable investing capabilities developed across MSIM in recent years. With increasing investor interest in ESG issues, our investment banking teams help to advise clients as well as raise and mobilize capital to support sustainability-focused, clean technology and renewable energy businesses. Our industry, regional and country teams provide specialized expertise to corporations, financial institutions and government clients looking to execute innovative solutions to address sustainability challenges and meet sustainability goals. In 2020, Morgan Stanley supported the largest-ever corporate sustainability bond (\$5.75Bn) for Alphabet with proceeds allocated to environmental projects focused on climate mitigation and social projects focused on affordable housing, racial equity and support for small businesses in Black communities. In 2015, Morgan Stanley issued a \$500 million green bond to help fund the development of renewable energy and energy-efficiency projects, which help avoid and reduce greenhouse gas emissions. To provide additional transparency to our process, DNV GL, an independent certification expert, reviewed Morgan Stanley's internal green bond framework and its adherence to the Green Bond Principles. Proceeds from the sale of the notes were deposited into a Morgan Stanley account for tracking disbursements. Morgan Stanley and its consolidated subsidiaries allocated funds in amounts equal to the balance of this account to renewable energy and energy efficiency projects. By December 31, 2015, all of the net proceeds of this issuance were allocated to eligible green projects. When the timing is appropriate and beneficial to our business, we would consider issuing a similar instrument to support further climate-related enhancements at the firm. In addition, investor interest in environmental and social solutions continues to rise, enabling our efforts to scale capital for low-carbon products and solutions. The positive impact of climate-related risks and opportunities on our access to capital is currently medium, but we anticipate further growth in opportunity in the coming years given increasing investor and client interest. Climate-related opportunities such as use of lower-emission sources of energy have influenced operational decisions related to our assets. To achieve our carbon neutrality goal, we are considering on-site power generation, power purchase agreements, renewable energy credits and carbon offsets. In 2019, we completed a 1,800 kW solar array at a data center in Somerset, New Jersey. The overall magnitude of impact of this opportunity is medium currently, as we are still working to address our carbon neutrality goal. Once we have achieved our goal the impact will be high. We took on debt when we issued our green bond in 2015; if we were to issue another bond in the future to support climate-related activities, we would take on debt again. The impact of green bond issuance on our liabilities is low.

**C3.4a**

**(C3.4a) Provide any additional information on how climate-related risks and opportunities have influenced your strategy and financial planning (optional).**

Climate change is an economic reality and a growing risk that businesses and investors are learning to address. At Morgan Stanley, we see tremendous opportunity to be part of the solution, working alongside public policy makers, regulators, civil society and the private sector, and are factoring this opportunity into our business decisions. We seek to support the transition to a low-carbon economy through policies, activities, products and services that support the mitigation of climate risks. We also seek to catalyze market-driven low-carbon opportunities. For this reason, in September 2020, Morgan Stanley became the first major U.S. headquartered global financial services firm to commit to achieving net-zero financed emissions by 2050. To reduce our own footprint, we are committed to achieving carbon neutrality for our global operations by 2022. In September 2020, Corporate Services, in close partnership with Global Sustainable Finance and Morgan Stanley Capital Group Inc., announced a commitment to finance the development of a new wind farm in central Illinois, which will bring significant additional renewable energy to the North America electrical grid. The power generated will account for 52% of Morgan Stanley's electricity consumption, and 30% of our carbon footprint globally, helping us work toward 100% renewable electricity by 2022.

A significant climate-related business decision in 2018 was our commitment to mobilize \$250 billion to support low-carbon solutions by 2030. Our existing business activities in clean-tech and renewable energy financing, sustainable bonds and other relevant transactions and investments contribute to this commitment. Since 2018, we have mobilized approximately \$210 billion in capital toward this goal.

Moving forward, we will continue to explore scenario analysis in order to understand strategic opportunities and vulnerabilities across our business. To support this, we have hired new staff with dedicated climate expertise, spent money on consultants to help us integrate climate consideration into our risk management process, and provided budget to onboard new data sets that will help us assess various climate exposures across both transitional and physical risks.

The most substantial climate-related strategy decision for our own operations is our commitment to become carbon neutral for our global operations by 2022. Our goal is to source 100% of global operational electricity needs from renewable sources and to offset any remaining emissions. Our approach includes developing on-site power generation, securing power purchase agreements, buying renewable energy credits and pursuing carbon offsets. In addition, we aim to reduce energy usage by 20 percent by 2022, from a 2012 baseline.

**C-FS3.6**

**(C-FS3.6) Are climate-related issues considered in the policy framework of your organization?**

Yes, both of the above

**(C-FS3.6a) In which policies are climate-related issues integrated?**

	Type of policy	Portfolio coverage of policy	Description
Bank lending (Bank)	Credit policy Risk policy Underwriting policy Policy related to other products and services	All of the portfolio	Morgan Stanley's Environmental and Social Risk Policy Statement outlines our approach to specific sectors. Our ESRM due diligence processes and sector and cross sector approaches outlined in the Policy Statement are applied globally across our Business Units to the following types of transactions: • lending (corporate and project), • debt and equity underwriting, • private placements, • investment banking and capital markets advisory assignments, and • other transactions or activities as applicable and appropriate. • Morgan Stanley will not finance transactions globally that directly support the development of new or physical expansions of coal-fired power generation, unless there is carbon capture and storage or equivalent carbon emissions reduction technology. We will engage with companies that derive a significant portion of their revenue from coal power generation to understand their strategy to diversify away from coal and reduce their carbon emissions. • 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. We will not provide financing where the specified use of proceeds would be directed toward new thermal coal mine development. • We will not directly finance new oil and gas exploration and development in the Arctic, including the Arctic National Wildlife Refuge (ANWR). Following the review by the ESRM group and the business, transactions that meet designated environmental and social criteria may require approval by our Global or Regional Franchise Committees as well as senior management. Further details can be found in the Morgan Stanley Environmental and Social Policy Statement. Our policies are publicly available on Morgan Stanley's website.
Investing (Asset manager)	Engagement policy Sustainable/Responsible Investment Policy Proxy voting policy	All of the portfolio	Climate change is incorporated into several of MSIM's policy documents, which apply across the investment management business and the entire public markets business. Sustainable Investing Policy: MSIM's Sustainable Investing policy describes how MSIM recognizes that various sustainability factors can pose actual or material risks to our investments and that climate change transition and physical risks, are an example of these types of factors. The policy also describes the ways in which our Global Risk Analysis team and investment teams monitor these risks. Engagement and Stewardship Principles: MSIM's Engagement and Stewardship Principles describe our approach to engagement across our entire public markets business (Fixed Income, Equity and Liquidity), which accounts for approximately 80% of our AUM. The document states that: "as long-term investors, and active owners, we believe we have a duty to be good stewards of the capital we manage. We fulfill this duty by engaging with the companies in which we are invested and by exercising our proxy voting rights. These stewardship activities give us the opportunity to guide companies in which we invest toward better governance practices, which we believe produce long-term, sustainable returns. Investment teams engage with companies throughout their investment process on a broad range of issues including a company's strategy, financial and non-financial performance, risk management, corporate governance, sustainability initiatives such as climate change, and capital structure." Proxy Voting Policy: MSIM's Proxy Voting Policy and Procedures also cover the entire public markets business although are most applicable to listed equities, which account for approximately 31% of our total AUM. The policy states that: "as MSIM believes that relevant social and environmental issues can influence risk and return, we consider how to vote on proposals related to social and environmental issues on a case-by-case basis by determining the relevance of social and environmental issues identified in the proposal and their likely impacts on shareholder value. We generally support proposals that if implemented would enhance useful disclosure, such as disclosures aligned with SASB (Sustainability Accounting Standards Board) and the TCFD (Taskforce on Climate-related Financial Disclosures) and proposals that aim to reduce or mitigate a company's impact on the global climate."
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Please select	Please select	Not applicable

**(C-FS3.6b) Describe your exclusion policies related to industries and/or activities exposed or contributing to climate-related risks.**

Type of exclusion policy	Portfolio	Application	Description
Coal	Bank lending	New business/investment for new projects	Our Environmental and Social Policy Statement outlines our approach to thermal coal mining and coal fired power generation and applies to lending (corporate and project), debt and equity underwriting, private placements, investment management activities related to private equity, real assets and private credit investing, investment banking and capital markets advisory assignments, and other transactions or activities as applicable and appropriate. Coal-fired Power Generation Seek to reduce the proportion of our energy financing to coal-fired power generation. Will not finance transactions globally that directly support the development of new or physical expansions of coal-fired power generation, unless there is carbon capture and storage or equivalent carbon emissions reduction technology. Thermal Coal Mining Mountaintop removal mining — We will not provide financing where the specified use of proceeds would be directed toward mountaintop removal (MTR) mining. 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.
Oil & gas	Bank lending Investing (Asset manager)	New business/investment for new projects	Our Environmental and Social Policy Statement outlines our approach for oil & gas subsectors and applies to lending (corporate and project), debt and equity underwriting, private placements, activities related to private equity, investment banking and capital markets advisory assignments, and other transactions or activities as applicable and appropriate. Arctic Oil and Gas We will not directly finance new oil and gas exploration and development in the Arctic, including the Arctic National Wildlife Refuge (ANWR).

**(C-FS3.7) Are climate-related issues factored into your external asset manager selection process?**

Yes, for some assets managed externally

**(C-FS3.7a) How are climate-related issues factored into your external asset manager selection process?**

Process for factoring climate-related issues into external asset management selection	Comment
<p>Row 1</p> <p>Review asset manager's climate-related policies</p> <p>Preference for asset managers with an offering of low-carbon products</p> <p>Preference for asset managers with an offering of climate-resilient products</p> <p>Assessment of asset manager's climate-related performance (e.g. active ownership, proxy voting records, under-weighting in high impact activities)</p> <p>Use of external data on asset managers regarding climate-related risk management</p>	<p>All third-party asset managers on the Morgan Stanley platform are asked if they consider environmental, social or governance factors in the investment process. Those that do are considered for the Investing with Impact Platform (IIP) and only those that meet a high bar for sustainable investing practices are added to the IIP. While 39% of asset managers on our platform report they have one or more funds that have a documented ESG investment process, only 9% are included in the IIP. For consideration for inclusion on the IIP, we consider how the asset manager integrates ESG factors into the investment process and how well the investment decision makers understand the risks and opportunities associated with ESG factors. We also look at what data is leveraged, if there are restrictions, how the asset manager engages on issues, including climate change, and how they measure and report on impact. Given climate change is one of the most popular impact themes amongst our clients, this is an area we have focused on, and provide a toolkit for Financial Advisors to help them engage with clients on this theme. One element of the toolkit is a list of products that have a climate change focus and includes a description of how the asset manager considers the environment during the investment process. In 2019, we launched Morgan Stanley Impact Quotient®, a portfolio level impact reporting application for clients which leverages data from MSCI, ISS-ESG, Equileap and manager-reported data to show alignment to various impact themes. The data focuses on underlying ESG factors at companies as well as revenue exposure. We also leverage this data to better understand how asset managers perform on environmental, social and governance factors. In 2020, we expanded the data set for areas with growing client interest, such as conservation and the circular economy. For example, clients can understand how their portfolio aligns with companies whose products and services are directly, and indirectly, addressing the climate change theme, such as those that support marine or land conservation, sustainable consumer products and access to clean water.</p>

**C4. Targets and performance**

**C4.1**

**(C4.1) Did you have an emissions target that was active in the reporting year?**

Absolute target

**C4.1a**

**(C4.1a) Provide details of your absolute emissions target(s) and progress made against those targets.**

**Target reference number**

Abs 1

**Year target was set**

2017

**Target coverage**

Company-wide

**Scope(s) (or Scope 3 category)**

Other, please specify (S1+2 (market-based)+3 (Business Travel))

**Base year**

2012

**Covered emissions in base year (metric tons CO2e)**

465350

**Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)**

100

**Target year**

2022

**Targeted reduction from base year (%)**

100

**Covered emissions in target year (metric tons CO2e) [auto-calculated]**

0

**Covered emissions in reporting year (metric tons CO2e)**

202900

**% of target achieved [auto-calculated]**

56.398409799076

**Target status in reporting year**

Underway

**Is this a science-based target?**

No, but we are reporting another target that is science-based

**Target ambition**

<Not Applicable>

**Please explain (including target coverage)**

In September 2017, Morgan Stanley announced a new goal of carbon neutrality for global operations by 2022. The goal (Abs1) covers 100 percent of global Scope 1, Scope 2 market-based, and Scope 3 business travel emissions. Morgan Stanley recognizes this target is not eligible for CDP consideration because it will involve the purchase of carbon offsets, but we are reporting it here to communicate the goal publicly and to our investors. Our additional absolute targets (Abs2 and Abs3) reported below do not involve carbon offsets and will help us achieve our broader goal of carbon neutrality.

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**Target reference number**

Abs 2

**Year target was set**

2017

**Target coverage**

Company-wide

**Scope(s) (or Scope 3 category)**

Scope 1+2 (market-based)

**Base year**

2012

**Covered emissions in base year (metric tons CO2e)**

357990

**Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)**

100

**Target year**

2022

**Targeted reduction from base year (%)**

90

**Covered emissions in target year (metric tons CO2e) [auto-calculated]**

35799

**Covered emissions in reporting year (metric tons CO2e)**

181400

**% of target achieved [auto-calculated]**

54.8091039166209

**Target status in reporting year**

Underway

**Is this a science-based target?**

Yes, we consider this a science-based target, but it has not been approved by the Science-Based Targets initiative

**Target ambition**

1.5°C aligned

**Please explain (including target coverage)**

Abs2 results from two public targets associated with our commitment to achieve carbon neutrality for global operations by 2022. These public targets are (1) our commitment to source 100 percent of global electricity needs from renewable electricity by 2022 (See "Renewable Energy Consumption" in C4.2) and (2) our aim to achieve 20 percent reduction in energy usage by 2022 from a 2012 baseline, on an absolute basis (See "Energy Usage" in C4.2). Translated into carbon terms, these commitments cover 100 percent of our Scope 1 + 2 (market-based) emissions, and they will result in an absolute reduction of more than 90% from our base year 2012 emissions. We consider this a science-based target because it exceeds the 2.1% year-on-year emissions reductions required by CDP as well as the high-end projection of 72% absolute emissions reduction by 2050 from 2010 levels required to stay under 2 degrees Celsius outlined in IPCC Fifth Assessment Report RCP2.6.

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**Target reference number**

Abs 3

**Year target was set**

2017

**Target coverage**

Company-wide

**Scope(s) (or Scope 3 category)**

Scope 1+2 (market-based)

**Base year**

2012

**Covered emissions in base year (metric tons CO2e)**

357990

**Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)**

100

**Target year**

2033

**Targeted reduction from base year (%)**

90

**Covered emissions in target year (metric tons CO2e) [auto-calculated]**

35799

**Covered emissions in reporting year (metric tons CO2e)**

181400

**% of target achieved [auto-calculated]**

54.8091039166209

**Target status in reporting year**

Underway

**Is this a science-based target?**

Yes, we consider this a science-based target, but it has not been approved by the Science-Based Targets initiative

**Target ambition**

1.5°C aligned

**Please explain (including target coverage)**

Abs3 results from two public targets associated with our commitment to achieve carbon neutrality for global operations by 2022. These public targets are (1) our commitment to source 100 percent of global electricity needs from renewable electricity by 2022 (See "Renewable Energy Consumption" in C4.2) and (2) our aim to achieve 20 percent reduction in energy usage by 2022 from a 2012 baseline, on an absolute basis (See "Energy Usage" in C4.2). Translated into carbon terms, these commitments cover 100 percent of our Scope 1 + 2 (market-based) emissions, and they will result in an absolute reduction of more than 90% from our base year 2012 emissions. We consider this a science-based target because it exceeds the 2.1% year-on-year emissions reductions required by CDP as well as the high-end projection of 72% absolute emissions reduction by 2050 from 2010 levels required to stay under 2 degrees Celsius outlined in IPCC Fifth Assessment Report RCP2.6. We are committed to this target over the medium-term (Abs2) and long-term (Abs3).

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**C4.2**

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**(C4.2) Did you have any other climate-related targets that were active in the reporting year?**

Target(s) to increase low-carbon energy consumption or production

Net-zero target(s)

Other climate-related target(s)

**C4.2a**

---

**(C4.2a) Provide details of your target(s) to increase low-carbon energy consumption or production.**

**Target reference number**

Low 1

**Year target was set**

2017

**Target coverage**

Company-wide

**Target type: absolute or intensity**

Absolute

**Target type: energy carrier**

Electricity

**Target type: activity**

Consumption

**Target type: energy source**

Renewable energy source(s) only

**Metric (target numerator if reporting an intensity target)**

Percentage

**Target denominator (intensity targets only)**

<Not Applicable>

**Base year**

2012

**Figure or percentage in base year**

0

**Target year**

2022

**Figure or percentage in target year**

100

**Figure or percentage in reporting year**

19

**% of target achieved [auto-calculated]**

19

**Target status in reporting year**

Underway

**Is this target part of an emissions target?**

Abs2, Abs3

**Is this target part of an overarching initiative?**

RE100

**Please explain (including target coverage)**

In September 2017, Morgan Stanley announced a new goal of carbon neutrality for global operations by 2022. As part of this goal, Morgan Stanley will source 100 percent of its global electricity needs from renewable energy. With the firm's commitment to procure 100 percent renewable electricity, Morgan Stanley is joining RE100, an initiative led by the Climate Group and CDP uniting more than 100 companies committed to working to increase demand for – and delivery of – renewable energy. This target covers 100% of global operations and is the primary mechanism behind our absolute carbon goals (Abs2 and Abs3).

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C4.2b

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**(C4.2b) Provide details of any other climate-related targets, including methane reduction targets.**

**Target reference number**

Oth 1

**Year target was set**

2017

**Target coverage**

Company-wide

**Target type: absolute or intensity**

Absolute

**Target type: category & Metric (target numerator if reporting an intensity target)**

Energy consumption or efficiency	MWh
----------------------------------	-----

**Target denominator (intensity targets only)**

<Not Applicable>

**Base year**

2012

**Figure or percentage in base year**

873570

**Target year**

2022

**Figure or percentage in target year**

698860

**Figure or percentage in reporting year**

646530

**% of target achieved [auto-calculated]**

129.952492702192

**Target status in reporting year**

Achieved

**Is this target part of an emissions target?**

Abs2, Abs3

**Is this target part of an overarching initiative?**

No, it's not part of an overarching initiative

**Please explain (including target coverage)**

In September 2017, Morgan Stanley announced a new goal of carbon neutrality for global operations by 2022. As part of this announcement, the firm has updated its energy reduction targets and will continue to report on them annually. Morgan Stanley aims to achieve a 20 percent reduction in energy usage by 2022 from a 2012 baseline, on an absolute basis. This target covers 100% of global operations and will help us to achieve our absolute carbon goals (Abs2 and Abs3).

**C4.2c**

**(C4.2c) Provide details of your net-zero target(s).**

**Target reference number**

NZ1

**Target coverage**

Business activity

**Absolute/intensity emission target(s) linked to this net-zero target**

Not applicable

**Target year for achieving net zero**

2050

**Is this a science-based target?**

Yes, but we have not committed to seek validation of this target by the Science Based Targets initiative in the next 2 years

**Please explain (including target coverage)**

In September 2020, Morgan Stanley became the first major U.S. headquartered global financial services firm to commit to achieving net-zero financed emissions by 2050. Given the timing of our 2020 announcement, Morgan Stanley intends to provide the details of our net-zero target in 2021. We intend to disclose elements of our financed emissions in 2021.

**C4.3**

**(C4.3) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.**

Yes

C4.3a

(C4.3a) Identify the total number of initiatives at each stage of development, and for those in the implementation stages, the estimated CO2e savings.

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation	4	0
To be implemented*	4	408
Implementation commenced*	14	383
Implemented*	11	688
Not to be implemented	1	31

C4.3b

(C4.3b) Provide details on the initiatives implemented in the reporting year in the table below.

**Initiative category & Initiative type**

Energy efficiency in buildings	Building Energy Management Systems (BEMS)
--------------------------------	---

**Estimated annual CO2e savings (metric tonnes CO2e)**

51

**Scope(s)**

Scope 2 (location-based)

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

0

**Investment required (unit currency – as specified in C0.4)**

0

**Payback period**

No payback

**Estimated lifetime of the initiative**

6-10 years

**Comment**

**Initiative category & Initiative type**

Energy efficiency in buildings	Heating, Ventilation and Air Conditioning (HVAC)
--------------------------------	--

**Estimated annual CO2e savings (metric tonnes CO2e)**

247

**Scope(s)**

Scope 1

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

98347

**Investment required (unit currency – as specified in C0.4)**

243829

**Payback period**

1-3 years

**Estimated lifetime of the initiative**

6-10 years

**Comment**

**Initiative category & Initiative type**

Energy efficiency in buildings	Lighting
--------------------------------	----------

**Estimated annual CO2e savings (metric tonnes CO2e)**

100

**Scope(s)**

Scope 2 (location-based)  
 Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

79103

**Investment required (unit currency – as specified in C0.4)**

373353

**Payback period**

4-10 years

**Estimated lifetime of the initiative**

6-10 years

**Comment****Initiative category & Initiative type**

Low-carbon energy consumption	Low-carbon electricity mix
-------------------------------	----------------------------

**Estimated annual CO2e savings (metric tonnes CO2e)**

290

**Scope(s)**

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

0

**Investment required (unit currency – as specified in C0.4)**

1680

**Payback period**

No payback

**Estimated lifetime of the initiative**

<1 year

**Comment**

## C4.3c

**(C4.3c) What methods do you use to drive investment in emissions reduction activities?**

Method	Comment
Compliance with regulatory requirements/standards	
Financial optimization calculations	
Internal incentives/recognition programs	
Internal price on carbon	The firm uses carbon pricing now for the most price-sensitive transactions and plans to expand usage more broadly over the next two years.

## C4.5

**(C4.5) Do you classify any of your existing goods and/or services as low-carbon products or do they enable a third party to avoid GHG emissions?**

Yes

## C4.5a

**(C4.5a) Provide details of your products and/or services that you classify as low-carbon products or that enable a third party to avoid GHG emissions.****Level of aggregation**

Group of products

**Description of product/Group of products**

Green bonds are fixed income securities for which the proceeds will be used for projects with clearly mandated environmental benefits. The projects typically involve renewable energy, energy efficiency, sustainable land use and clean water.

**Are these low-carbon product(s) or do they enable avoided emissions?**

Low-carbon product

**Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions**

Other, please specify (Green Bond Principles)

% revenue from low carbon product(s) in the reporting year

% of total portfolio value

**Asset classes/ product types**

Investing	Fixed Income
-----------	--------------

**Comment**

We do not currently disclose activity specific revenue, but we do report sustainable finance activity metrics, which illustrate the scale of the opportunity. Between 2013 and 2020, we have led approximately \$150 billion in green, social and sustainable bond transactions, representing an annual average of over \$20 billion.

**Level of aggregation**

Group of products

**Description of product/Group of products**

Morgan Stanley Capital Group Inc. (MSCGI) helps advance wind farms and solar installations across the U.S. by providing offtake agreements and hedging products to projects. This provides stable cash flows for developers, allowing them to complete the financing and construction process.

**Are these low-carbon product(s) or do they enable avoided emissions?**

Low-carbon product

**Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions**

Other, please specify (Internal due diligence)

% revenue from low carbon product(s) in the reporting year

% of total portfolio value

**Asset classes/ product types**

Investing	Commodities
-----------	-------------

**Comment**

We do not currently disclose activity specific revenue, but we do report sustainable finance activity metrics, which illustrate the scale of the opportunity. In 2020, MSCGI hedged ~1400MW for new build renewable projects.

**Level of aggregation**

Group of products

**Description of product/Group of products**

Recognizing the need to rapidly scale climate finance, in April 2018, we announced plans to mobilize \$250 billion to support low-carbon solutions by 2030. Our business activities in clean-tech and renewable energy financing, sustainable bonds and other relevant transactions and investments contribute to this commitment.

**Are these low-carbon product(s) or do they enable avoided emissions?**

Low-carbon product

**Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions**

Other, please specify (Internal due diligence)

% revenue from low carbon product(s) in the reporting year

% of total portfolio value

**Asset classes/ product types**

Investing	Listed Equity
-----------	---------------

**Comment**

We do not currently disclose activity specific revenue, but we do report sustainable finance activity metrics, which illustrate the scale of the opportunity. Since 2018, we have mobilized approximately \$210 billion in capital toward this goal.

**Level of aggregation**

Group of products

**Description of product/Group of products**

Investing with Impact (IIP), a holistic solution from Morgan Stanley Wealth Management, offers clients the means to link their financial, societal and environmental impact goals. Leveraging capabilities and expertise from across the firm, IIP seeks to generate market-rate financial returns, alongside positive environmental and social impact. IIP investment strategies and solutions are available across all asset classes, including public equity, fixed income (including green bonds) and alternatives.

**Are these low-carbon product(s) or do they enable avoided emissions?**

Low-carbon product

**Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions**

Other, please specify (Internal due diligence)

% revenue from low carbon product(s) in the reporting year

% of total portfolio value

**Asset classes/ product types**

**Comment**

We do not currently disclose activity specific revenue, but we do report sustainable finance activity metrics, which illustrate the scale of the opportunity. As of year-end, IIP client assets totaled approximately \$55 billion.

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## C5. Emissions methodology

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### C5.1

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**(C5.1) Provide your base year and base year emissions (Scopes 1 and 2).**

**Scope 1**

**Base year start**

January 1 2012

**Base year end**

December 31 2012

**Base year emissions (metric tons CO2e)**

30990

**Comment**

**Scope 2 (location-based)**

**Base year start**

January 1 2012

**Base year end**

December 31 2012

**Base year emissions (metric tons CO2e)**

317530

**Comment**

**Scope 2 (market-based)**

**Base year start**

January 1 2012

**Base year end**

December 31 2012

**Base year emissions (metric tons CO2e)**

327000

**Comment**

### C5.2

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**(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.**

The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

## C6. Emissions data

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### C6.1

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**(C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO2e?**

**Reporting year**

**Gross global Scope 1 emissions (metric tons CO2e)**

25400

**Start date**

<Not Applicable>

**End date**

<Not Applicable>

**Comment**

## C6.2

---

**(C6.2) Describe your organization's approach to reporting Scope 2 emissions.**

**Row 1**

**Scope 2, location-based**

We are reporting a Scope 2, location-based figure

**Scope 2, market-based**

We are reporting a Scope 2, market-based figure

**Comment**

## C6.3

---

**(C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO2e?**

**Reporting year**

**Scope 2, location-based**

178000

**Scope 2, market-based (if applicable)**

156000

**Start date**

<Not Applicable>

**End date**

<Not Applicable>

**Comment**

## C6.4

---

**(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?**

Yes

## C6.4a

---

**(C6.4a) Provide details of the sources of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure.**

**Source**

We are excluding emissions from acquisition of E\*TRADE

**Relevance of Scope 1 emissions from this source**

Emissions excluded due to recent acquisition

**Relevance of location-based Scope 2 emissions from this source**

Emissions excluded due to recent acquisition

**Relevance of market-based Scope 2 emissions from this source (if applicable)**

Emissions excluded due to recent acquisition

**Explain why this source is excluded**

In October 2020, Morgan Stanley completed its acquisition of E\*TRADE. Given this acquisition occurred in the 4th quarter of our calendar year we were not able to obtain the necessary information to incorporate into this year's CDP response. Similarly, we are not able to provide an estimated % of the overall impact. We intend to disclose this information in future disclosure responses.

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## C6.5

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**(C6.5) Account for your organization's gross global Scope 3 emissions, disclosing and explaining any exclusions.**

## Purchased goods and services

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

925000

### Emissions calculation methodology

Morgan Stanley global spend data obtained from finance and organized by account codes for all sources was categorized by SIC sector. Emission sources already accounted for in other categories were excluded from calculation (e.g.: utilities, air travel, waste disposal). Emission factors from indirect emissions from the supply chain in Table 13 of DEFRA's "UK's Carbon Footprint 1997-2016" were individually applied to product categories. Global warming potentials come from the IPCC Fourth Assessment Report, 100 year averages.

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

### Please explain

## Capital goods

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

174000

### Emissions calculation methodology

Morgan Stanley global spend data obtained from finance and organized by account codes for all sources was categorized by SIC sector. Members of the finance team flagged appropriate account codes as representing spend on capital goods. Emission sources already accounted for in other categories were excluded from calculation (e.g.: utilities, air travel, waste disposal). Emission factors from indirect emissions from the supply chain in Table 13 of DEFRA's "UK's Carbon Footprint 1997-2016" were individually applied to product categories. Global warming potentials come from the IPCC Fourth Assessment Report, 100-year averages.

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

### Please explain

## Fuel-and-energy-related activities (not included in Scope 1 or 2)

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

42200

### Emissions calculation methodology

Activity data for this category is fuel and energy purchases assembled during compilations of the Scope 1 & 2 inventories. Upstream emissions from fuel purchases are calculated using cradle to gate emission factors from life cycle assessment software. Within the US, upstream emissions from purchased electricity are calculated emission factors calculated using lifecycle analysis software, and T&D losses are calculated using % loss information from EPA's Year 2016 eGRID emission factors, Feb. 2018. Outside of the US, upstream emissions from purchased electricity and emissions from T&D losses are both calculated using emission factors from Defra's 2015 Guidelines. Steam boilers are assumed to operate on natural gas. Water chillers are assumed to operate on electricity from the local grid. Global warming potentials come from the IPCC's Fourth Assessment Report, 100-year averages.

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

90

### Please explain

## Upstream transportation and distribution

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

The minimal data for this category is already included in Category 1

## Waste generated in operations

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

4830

### Emissions calculation methodology

Approximately 26% of total waste generation is tracked at the site level. Using data collected from Morgan Stanley sites in NYC and London, waste and recycling production factors per square foot of office space are estimated for US and International sites. Using these factors, waste and recycling production is extrapolated for all sites in Morgan Stanley's inventory that do not collect primary data. Measured and estimated waste are categorized by type of material and diversion method, including recycling, composting, incineration, and landfilling. Factors based on the US EPA's WARM model are used to assign emission factors per ton of generated waste. Factors are from the EPA, Office of Resource Conservation and Recovery (February 2016) Documentation for Greenhouse Gas Emission and Energy Factors used in the Waste Reduction Model (WARM Version 14) with additional data provided from EPA, WARM-15 Background Data. Waste emissions factors are consistent with the GHG Protocol Scope 3 guidance, and include the voluntary transportation emissions, with an assumed average distance traveled to the processing facility. International waste is assumed to have the same emission factors as US waste. Offsets from recycling, waste to energy, and composting are excluded from reported emissions. Global warming potentials come from the IPCC's Fourth Assessment Report, 100 year average, and are used to convert all waste emission factors into CO2e.

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

26

### Please explain

## Business travel

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

21500

### Emissions calculation methodology

Included in this category are air travel, rail travel, chartered flights, car rentals, car services, and reimbursed mileage for Morgan Stanley's global operations. Activity data is tracked using a third party travel agency. For flights, the activity data includes cabin class and trip duration, which is disaggregated into flight distance thresholds (short haul, medium haul, long haul). Emission factors for flights, by cabin class and distance threshold, are from UK Defra's 2016 Guidelines. For rail travel, emissions are calculated using a standard emission factor from the EPA's Emissions Factors Hub applied to distance traveled. For ground transportation, actual volumes of fuel were converted to emissions using factors from the EPA's Emission Factors hub. Where fuel volumes were unavailable, fuel consumed was estimated using average vehicle gas mileage. Global warming potentials come from the IPCC's Fourth Assessment Report, 100-year averages.

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

### Please explain

## Employee commuting

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

112550

### Emissions calculation methodology

For each business region, FTEs are allocated to three commuting mode types – car, public transport, and walking. For each region, average commute duration and average speed of commute are estimated using data collected from the literature. Average emission factors from the EPA's Emission Factors Hub for car and public transport are applied to the total miles traveled for employees in each region. Global warming potentials come from the IPCC's Fourth Assessment Report, 100-year averages.

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

### Please explain

## Upstream leased assets

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

All leases have already been included within Scopes 1 & 2.

## Downstream transportation and distribution

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO<sub>2</sub>e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

Our Scope 3 screening assessment established that downstream transportation and distribution is not relevant to our business. The screening assessment did identify that client travel to/from our facilities could be classified under the Scope 3 category however it was determined to be insignificant in scale.

## Processing of sold products

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO<sub>2</sub>e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

Our Scope 3 screening assessment established that we do not have intermediate products that require further processing, transformation, or inclusion in another product before use. Therefore, the processing of sold products category is not relevant as there are no emissions resulting from processing our products/services subsequent to sale to our clients and before use by the end consumer.

## Use of sold products

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO<sub>2</sub>e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

Our Scope 3 screening assessment established that we do not have "direct" use-phase emissions from any of our products/services. "Indirect" use-phase emissions were identified for the electricity consumed by our customers to power technology to access our online services. These emissions were concluded to be insignificant in scale.

## End of life treatment of sold products

### Evaluation status

Not relevant, calculated

### Metric tonnes CO<sub>2</sub>e

6000

### Emissions calculation methodology

Activity data for this category is the total global weight of paper-distributed to clients in the form of brochures, statements, envelopes, and stationary, assembled by the paper procurement team in each region. It is assumed that all paper is distributed to clients, and all products find their way to landfills. The US EPA's WARM model (2012) is used to assign end of life emission factors per ton of paper thrown away. International waste paper is assumed to have the same emission factors as US waste paper. Global warming potentials come from the IPCC's Second Assessment Report, 100-year averages.

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

### Please explain

After calculating the emissions in this category based on the total global weight of paper-distributed to clients in the form of brochures, statements, envelopes, and stationary in 2013, we determined that the resultant emissions (6,000 tCO<sub>2</sub>e) are not relevant given the scale of the rest of our Scope 1, 2 & 3 inventory.

**Downstream leased assets**

**Evaluation status**

Relevant, calculated

**Metric tonnes CO2e**

160

**Emissions calculation methodology**

Included in this category are the emissions from electricity use and natural gas consumption in spaces that Morgan Stanley leases to a third party at our Westchester site. Activity data comes from electricity and natural gas invoices paid by Morgan Stanley. Emissions from electricity are calculated using region-specific emission factors from the US EPA's 2016 eGrid. Natural gas emissions are calculated using the emission factor from the US EPA's Emission Factors Hub. Global warming potentials come from the IPCC's Fourth Assessment Report, 100-year averages.

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

100

**Please explain**

**Franchises**

**Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO2e**

<Not Applicable>

**Emissions calculation methodology**

<Not Applicable>

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

<Not Applicable>

**Please explain**

We do not operate Franchises and therefore this Scope 3 category is not relevant to our business.

**Other (upstream)**

**Evaluation status**

**Metric tonnes CO2e**

<Not Applicable>

**Emissions calculation methodology**

<Not Applicable>

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

<Not Applicable>

**Please explain**

**Other (downstream)**

**Evaluation status**

**Metric tonnes CO2e**

<Not Applicable>

**Emissions calculation methodology**

<Not Applicable>

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

<Not Applicable>

**Please explain**

C6.10

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**(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO2e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.**

**Intensity figure**

0.00000376

**Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)**

181400

**Metric denominator**

unit total revenue

**Metric denominator: Unit total**

48198000000

**Scope 2 figure used**

Market-based

**% change from previous year**

23.74

**Direction of change**

Decreased

**Reason for change**

The decrease in emissions per unit total revenue is driven by emission reduction activities (see C4.3b for a full list) that decreased total S1 and S2 (market-based) emissions by 11.3% while revenue increased by 16.4% between 2019 and 2020.

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**Intensity figure**

2.66764706

**Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)**

181400

**Metric denominator**

full time equivalent (FTE) employee

**Metric denominator: Unit total**

68000

**Scope 2 figure used**

Market-based

**% change from previous year**

21.13

**Direction of change**

Decreased

**Reason for change**

The decrease in emissions per full time equivalent (FTE) employee is driven by emission reduction activities (see C4.3b for a full list) reduced total S1 and S2 (market-based) emissions by 11.3%, while FTEs increased by 12.5% between 2019 and 2020.

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## C7. Emissions breakdowns

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### C7.9

**(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?**

Decreased

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### C7.9a

**(C7.9a) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined), and for each of them specify how your emissions compare to the previous year.**

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption	290	Decreased	0.1	This year, several subsidiaries in Europe - in the UK, Sweden, and Germany - increased the amount of electricity secured from suppliers via contracts for 100% renewable electricity backed by Guarantees of Origin. This reduced our total S1+S2 (market-based) emissions by 0.1%. In total 290 tCO2e were avoided by these renewable energy purchases and our total S1 and S2 (market-based) emissions in the previous year were 204,500 tCO2e, therefore we arrived at 0.1% through $(290/204500) * 100\% = 0.1\%$ .
Other emissions reduction activities	398	Decreased	0.2	This year, we have implemented various projects at sites around the globe to reduce our S1+S2 energy use in office space (aligned with our emission reduction target) by 0.2%. In total 398 tCO2e were reduced by our emissions reduction projects, and our total S1 and S2 (market-based) emissions in the previous year were 204,500 tCO2e, therefore we arrived at 0.2% through $(398/204,500) * 100\% = 0.2\%$ .
Divestment		<Not Applicable >		
Acquisitions		<Not Applicable >		
Mergers		<Not Applicable >		
Change in output		<Not Applicable >		
Change in methodology		<Not Applicable >		
Change in boundary		<Not Applicable >		
Change in physical operating conditions		<Not Applicable >		
Unidentified	9200	Decreased	4.5	This unidentified emissions increase is the result of a combination of change in output and business requirements balanced against uncalculated emissions reductions activities due to the ongoing implementation of our energy management programs. We are not including these in the 'change in output' category because we are unable to designate these changes as output increases rather than changes in business requirements or changes resulting from other factors. We had 9,200 tCO2e unaccounted for emission increases from 2019-2020, and our total S1 and S2 (market-based) emissions in the previous year was 204,500 tCO2e, therefore we arrived at 4.5% through $(9200/204500) * 100\% = 4.5\%$ .
Other		<Not Applicable >		

**C7.9b**

**(C7.9b) Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?**

Market-based

**C8. Energy**

**C8.1**

**(C8.1) What percentage of your total operational spend in the reporting year was on energy?**

More than 0% but less than or equal to 5%

**C8.2**

**(C8.2) Select which energy-related activities your organization has undertaken.**

	Indicate whether your organization undertook this energy-related activity in the reporting year
Consumption of fuel (excluding feedstocks)	Yes
Consumption of purchased or acquired electricity	Yes
Consumption of purchased or acquired heat	No
Consumption of purchased or acquired steam	Yes
Consumption of purchased or acquired cooling	Yes
Generation of electricity, heat, steam, or cooling	Yes

## C8.2a

(C8.2a) Report your organization's energy consumption totals (excluding feedstocks) in MWh.

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total (renewable and non-renewable) MWh
Consumption of fuel (excluding feedstock)	HHV (higher heating value)	0	116850	116850
Consumption of purchased or acquired electricity	<Not Applicable>	93880	414820	508700
Consumption of purchased or acquired heat	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired steam	<Not Applicable>	0	2060	2060
Consumption of purchased or acquired cooling	<Not Applicable>	0	17910	17910
Consumption of self-generated non-fuel renewable energy	<Not Applicable>	1010	<Not Applicable>	1010
Total energy consumption	<Not Applicable>	94890	551640	646530

## C9. Additional metrics

### C9.1

(C9.1) Provide any additional climate-related metrics relevant to your business.

## C10. Verification

### C10.1

(C10.1) Indicate the verification/assurance status that applies to your reported emissions.

	Verification/assurance status
Scope 1	Third-party verification or assurance process in place
Scope 2 (location-based or market-based)	Third-party verification or assurance process in place
Scope 3	Third-party verification or assurance process in place

### C10.1a

(C10.1a) Provide further details of the verification/assurance undertaken for your Scope 1 emissions, and attach the relevant statements.

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

Morgan Stanley 2020-GHG Verification Statement Limited.pdf

**Page/ section reference**

1

**Relevant standard**

ISO14064-3

**Proportion of reported emissions verified (%)**

100

### C10.1b

(C10.1b) Provide further details of the verification/assurance undertaken for your Scope 2 emissions and attach the relevant statements.

**Scope 2 approach**

Scope 2 location-based

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

Morgan Stanley 2020-GHG Verification Statement Limited.pdf

**Page/ section reference**

1

**Relevant standard**

ISO14064-3

**Proportion of reported emissions verified (%)**

100

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**Scope 2 approach**

Scope 2 market-based

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

Morgan Stanley 2020-GHG Verification Statement Limited.pdf

**Page/ section reference**

1

**Relevant standard**

ISO14064-3

**Proportion of reported emissions verified (%)**

100

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## C10.1c

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(C10.1c) Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.

**Scope 3 category**

Scope 3: Business travel

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

Morgan Stanley 2020-GHG Verification Statement Limited.pdf

**Page/section reference**

1

**Relevant standard**

ISO14064-3

**Proportion of reported emissions verified (%)**

100

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## C10.2

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(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?

No, but we are actively considering verifying within the next two years

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## C11. Carbon pricing

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### C11.2

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**(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?**

No

### C11.3

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**(C11.3) Does your organization use an internal price on carbon?**

Yes

### C11.3a

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**(C11.3a) Provide details of how your organization uses an internal price on carbon.**

**Objective for implementing an internal carbon price**

Other, please specify (The firm uses carbon pricing now for the most price-sensitive transactions and plans to expand usage more broadly over the next two years.)

**GHG Scope**

Scope 1

Scope 2

Scope 3

**Application**

Depends on the transaction

**Actual price(s) used (Currency /metric ton)**

**Variance of price(s) used**

NA

**Type of internal carbon price**

Shadow price

**Impact & implication**

The firm uses carbon pricing now for the most price-sensitive transactions and plans to expand usage more broadly over the next two years.

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## C12. Engagement

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### C12.1

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**(C12.1) Do you engage with your value chain on climate-related issues?**

Yes, our suppliers

Yes, our customers

Yes, our investee companies

Yes, other partners in the value chain

### C12.1a

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**(C12.1a) Provide details of your climate-related supplier engagement strategy.**

**Type of engagement**

Compliance & onboarding

**Details of engagement**

Code of conduct featuring climate change KPIs

**% of suppliers by number**

76

**% total procurement spend (direct and indirect)**

76

**% of supplier-related Scope 3 emissions as reported in C6.5**

**Rationale for the coverage of your engagement**

In 2018, the Supplier Code of Conduct ("The Code") was established to require our suppliers to follow our environmental policies, while encouraging them to reduce the environmental impact of their own operations. The Code applies to all of our suppliers to ensure a standard level of practice throughout our supply chain, and we have achieved 76% agreement to date.

**Impact of engagement, including measures of success**

Since the implementation of the Code, we established annual targets to obtain compliance to the Code from our core global Corporate Services suppliers. As of 2020 year-end, we have achieved 76% compliance to the Code from our core global Corporate Services suppliers. This information is published on page 13 in the firm's 2020 Sustainability Report. In addition, we will continue to obtain compliance with the Code and evaluate the voluntary measures of all of our suppliers' environmental standards and performance through our ESG RFI questionnaire on an annual basis. The impacts to date have been mostly internal because we are still in the early stages of implementation. We will measure success against the firm's overall climate strategy.

**Comment**

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**Type of engagement**

Information collection (understanding supplier behavior)

**Details of engagement**

Other, please specify

**% of suppliers by number**

**% total procurement spend (direct and indirect)**

**% of supplier-related Scope 3 emissions as reported in C6.5**

**Rationale for the coverage of your engagement**

In 2020, we disseminated 6 ESG RFI questionnaires to a total of 26 global suppliers who participated in the firm's competitive bidding process. The suppliers' responses to the ESG RFI questionnaire included climate change and carbon information and a comprehensive assessment of their sustainability standards were scored and included as criteria in the overall supplier selection process.

**Impact of engagement, including measures of success**

The impact of this engagement has provided an opportunity to understand our suppliers' approach to sustainability, while identifying their best practices and alignment with the firm's sustainability values, particularly as it pertains to climate-related initiatives. For example, the ESG RFI questionnaire, request that suppliers confirm whether or not they are tracking, reporting and managing their carbon footprint (e.g. water usage, energy usage, greenhouse gas (GHG) emissions, etc.). As a result, we are capturing the ability of our suppliers to implement measures to reduce GHG emissions and improve their climate change strategies.

**Comment**

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**C12.1b**

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**(C12.1b) Give details of your climate-related engagement strategy with your customers.**

**Type of engagement**

Collaboration & innovation

**Details of engagement**

Run a campaign to encourage innovation to reduce climate change impacts

**% of customers by number**

100

**% of customer - related Scope 3 emissions as reported in C6.5**

**Portfolio coverage (total or outstanding)**

All of the portfolio

**Please explain the rationale for selecting this group of customers and scope of engagement**

In 2018, we committed to mobilizing \$250 billion to support low-carbon solutions by 2030. Prior to launching the commitment, GSF met with each key business unit to socialize the target and continues to support the campaign around low-carbon financing with external clients in partnership with teams across the firm. Our rationale for this level of coverage, 100% of our portfolio, is that given the significant scale of the opportunity, it is important to explore opportunities across our entire client base and portfolio, as appropriate.

**Impact of engagement, including measures of success**

Success in engaging our clients can be measured by the growth of our sustainable investing products and services. In 2020, we mobilized, advised and catalyzed \$130 billion towards our low-carbon financing goal. As a result, our clients were able to further invest in and deploy low-carbon technology solutions like solar and wind energy and thus help to reduce climate change impacts. For example, Morgan Stanley Capital Group Inc. (MSCGI) supports renewable energy deployment across the United States by providing offtake agreements and hedging products for new and operating wind farms and solar installations. These transactions help ensure stable cash flows for developers to complete financing and construction. In 2020, MSCGI provided long-term hedging transactions across Texas, California and the Midwest totaling nearly 1,400 MW of nameplate capacity for new build renewable projects and nearly 400 MW for existing renewable projects. In 2020, Morgan Stanley supported the largest-ever corporate sustainability bond (\$5.75Bn) for Alphabet with proceeds allocated to environmental projects focused on climate mitigation and social projects focused on affordable housing, racial equity and support for small businesses in Black communities.

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**C-FS12.1c**

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**(C-FS12.1c) Give details of your climate-related engagement strategy with your investee companies.**

**Type of engagement**

Engagement & incentivization (changing investee behavior)

**Details of engagement**

Exercise active ownership

**% of investees by number**

2.6

**% Scope 3 emissions as reported in C-FS14.1a/C-FS14.1b**

**Portfolio coverage**

All of the portfolio

**Rationale for the coverage of your engagement**

Our rationale for this portfolio coverage is that we are active owners and take an active ownership approach across all our investments. As long-term investors and active managers, we believe we have both a duty and an opportunity to act as stewards of the capital we manage. Our investment teams embrace this opportunity by engaging directly and often with their portfolio companies on sustainability topics and by exercising proxy voting rights. Our understanding of climate change risks and opportunities is deepened by active engagement with portfolio companies on their emissions profiles, controls and preparedness to manage climate-related risks. In terms of percentage of investees engaged, in 2020, MSIM investment teams and the Global Stewardship team had more than 700 engagements on ESG issues, addressing 56% of listed equity AUM. Of those engagements, 37% discussed decarbonization and climate risk; therefore approximately 20% of our listed equity AUM was engaged by MSIM on climate related topics. MSIM investment teams prioritize engagements based on a variety of factors including position size, cadence of annual general meetings, headline events, and materiality. In the case of decarbonization and climate risk, issuers are prioritized for this topic if they have relevant exposure to carbon emissions, transition or physical risks and/or are lagging peers in terms of GHG emissions reduction programs, commitments or disclosures.

**Impact of engagement, including measures of success**

We measure the success of our active ownership approach based on the extent to which we believe our engagements have helped influence company behavior or enhance our own investment process. We consider an engagement successful when a company is receptive to our viewpoints and suggestions and takes concrete steps to implement them. We also consider an engagement successful when we believe we have contributed to an issuer's prioritization of material issues, such as climate change. For example, an investment team, in collaboration with the Global Stewardship Team, contacted 10 utility companies in the portfolio to discuss the transition to a low carbon economy. We spoke to companies in developed Europe and the United States. Other topics included just transition, political spending and executive compensation. Our objective was to learn which companies had developed strategies with targets that were aligned with a 1.5 and 2.0 degree per the International Energy Agency (IEA) or the Intergovernmental Panel on Climate Change (IPCC). Our focus was on persuading the companies to expand their renewables operations while accelerating the decommissioning of their coal-based assets. In addition, we articulated concerns on companies' involvement in lobbying groups with anti-climate rhetoric. We plan to monitor each company's progress on alignment and target setting. We plan to vote against board directors at the next annual shareholders meeting for companies that did not have any or had less rigorous targets and transition plans. We also plan to re-engage with each company in 2021 to monitor and judge progress.

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**Type of engagement**

Engagement & incentivization (changing investee behavior)

**Details of engagement**

Support climate-related shareholder resolutions

**% of investees by number**

61

**% Scope 3 emissions as reported in C-FS14.1a/C-FS14.1b**

**Portfolio coverage**

All of the portfolio

**Rationale for the coverage of your engagement**

In 2020, MSIM supported 61% of all shareholder proposals related to climate. Our rationale for portfolio coverage is that our proxy voting policy and procedures apply globally, even though they are most relevant to listed equities. As long-term investors and active managers, we believe we have both a duty and an opportunity to act as stewards of the capital we manage. Our investment teams embrace this opportunity by engaging directly and often with their portfolio companies on sustainability topics and by exercising proxy voting rights. MSIM's proxy voting policy addresses climate related issues in proxy voting by stating that: We generally support proposals that if implemented would enhance useful disclosure, such as disclosures aligned with SASB (Sustainability Accounting Standards Board) and the TCFD (Taskforce on Climate-related Financial Disclosures) and proposals that aim to reduce or mitigate a company's impact on the global climate. MSIM investment teams prioritize engagements based on a variety of factors including position size, cadence of annual general meetings, headline events, and materiality. In the case of decarbonization and climate risk, issuers are prioritized for this topic if they have relevant exposure to carbon emissions, transition or physical risks and/or are lagging peers in terms of GHG emissions reduction programs, commitments or disclosures.

**Impact of engagement, including measures of success**

One measure of success is the % of shareholder proposals supported that we consider material. In 2020 we supported 61% of shareholder proposals related to climate change, which we consider a success as it is in line with, if not higher than, our peers and therefore signals the importance we place on this topic to our investees and the market. In one case we supported a resolution asking a company to report on the business impacts of climate change. The proposal did not gain majority support and the company has made little progress on reporting. Shareholders have submitted the proposal again for 2021 and we plan to support and potentially withhold support from board members charged with overseeing the company's sustainability efforts. While not successful yet, we will continue to track the company's progress and use our engagement and voting tools to continue to put pressure on the company to improve their climate footprint and reporting.

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**C12.1d**

**(C12.1d) Give details of your climate-related engagement strategy with other partners in the value chain.**

Morgan Stanley has an opportunity to be part of the solution to climate change by leveraging our longstanding leadership in the global capital markets to help scale climate finance solutions. Our commitment to net-zero financed emissions by 2050 is the guiding framework for our approach. With that as the backdrop, our aim is to pursue opportunities at scale for our clients, mitigate our climate-related risks, reduce the climate impact of our own footprint and enhance our climate disclosures.

In 2020, we joined global partnerships and consortia dedicated to furthering action on climate change.

In July 2020, Morgan Stanley joined The Partnership for Carbon Accounting Financials (PCAF) and its global Steering Committee, the initiative's highest governing body, to focus on the complex challenge of measuring financed emissions. Morgan Stanley was the first major global, U.S. headquartered financial services firm to join PCAF. As we were developing our internal approach to climate risk management, we found there was no global carbon accounting standards for portfolio emissions. We also found that there was no global methodology. Our task was to create the methodology to identify such paths forward. We joined PCAF to help develop a harmonized, global methodology to account for financed emissions. Using PCAF's methodology will help us understand where certain companies or portfolios may have outsized concentrations of carbon intensity, making them particularly vulnerable to changes in policy and technology. The firm has started to utilize the PCAF methodology internally in order to start tracking and assessing our financed emissions. Membership at the time of the firm's joining was 66 formal members, which included financial institutions from around the world and represented more than \$5.3 Trillion USD in assets. Following Morgan Stanley's leading commitment, a number of the firm's peers joined, increasing those numbers. As a result of our joining, we played a significant role in developing the methodologies and publishing the world's first major methodology for global emissions in November 2020.

In heeding the TCFD's recommendation to assess strategic resilience to climate change, in 2020, Morgan Stanley developed proprietary climate-related scenarios, The work explored long-term, emerging climate related risks and opportunities that may affect many parts of Morgan Stanley's business and operational strategy. The firm hosted workshops with internal stakeholders across its core business units to identify, create and refine a set of scenarios, and to develop a list of potential risks and opportunities as well as recommendations on how to address them. The work explored long-term, emerging climate related risks and opportunities that may affect many parts of Morgan Stanley's business and operational strategy. The scenarios were assigned a projected warming level and related to one of the IPCC's Representative Concentration Pathways (RCPs) and the Shared Socio-Economic Pathways (SSPs). These scenarios will help inform future modeling, analysis, and strategy exercises for the firm. The Global Sustainable Finance group continues to work with the firm's business units on integrating this important work.

In addition to our participation in PCAF, Morgan Stanley has been involved in providing input to the Science-Based Targets Initiative for Financial Institutions (SBTi-FI) for the last several years. We also recognize that SBTi is one of many emerging options for investors to better understand and evaluate their approaches to climate change.

In 2020, the firm continued its efforts to better understand climate change by engaging throughout the climate value chain. We spoke with leading academics from Columbia University and the University of Georgia, among many others. We also joined numerous C2ES organized calls to discuss potential climate policy implications regarding the 2020 election. As members of the C2ES' Business Environmental Leadership Council (BELC), the firm joined regular calls to receive briefings regarding regulatory and legislative updates. Where relevant, information on these calls was shared on frequent internal updates. In December 2020, the firm also signed on to a C2ES support letter calling on bipartisan solutions to address climate change from then President-elect Biden and the incoming Congress.

Lastly, we frequently engage with NGOs on climate-related issues. Engagement with NGOs on climate-related topics may include:

Direct engagement through one-on-one or small group dialogues on specific sustainability topics, risks or emerging issues;

Involvement in collaborative initiatives and membership organizations; and

Participation in virtual third-party events and networks.

**C12.3**

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**(C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?**

- Direct engagement with policy makers
- Trade associations
- Funding research organizations

**C12.3a**

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**(C12.3a) On what issues have you been engaging directly with policy makers?**

Focus of legislation	Corporate position	Details of engagement	Proposed legislative solution
Climate finance	Support	During 2017, Morgan Stanley supported two joint corporate statements urging the United States to stay in the Paris Agreement, coordinated by the Center for Climate and Energy Solutions and the B Team global business leaders group. Morgan Stanley has previously publicly supported climate finance through public policy engagement. For example, in advance of the 2015 UNFCCC COP 21, Morgan Stanley and six other major U.S. banks issued a joint statement calling for cooperation among governments in reaching a global climate agreement. The statement called for clear, stable policy frameworks that are needed to accelerate and further scale investments in climate solutions.	The statements signed in 2017 support the U.S. staying in the Paris Agreement.
Climate finance	Support	In 2017, our CEO, James Gorman, joined around 100 global business leaders in signing a statement of support for the TCFD.	No proposed legislation, but the TCFD was convened by the FSB.
Climate finance	Support	In November 2018, Morgan Stanley participated in a roundtable hosted by the Prudential Regulatory Authority to discuss their draft supervisory statement addressing banks' approach to managing the financial risks from climate change.	The PRA has issued a supervisory statement requiring banks and insurers to embed the consideration of the financial risks from climate change into governance, risk management, strategy and disclosure.
Climate finance	Support	In 2019, the Commodities Futures Trading Commission (CFTC) established the Climate-related Market Risk Subcommittee in order to identify and examine climate change-related financial and market risks. The committee consists of 35 climate and finance experts from a range of backgrounds, including financial services, non-governmental organizations, think tanks and commodities firms. Morgan Stanley's climate change lead in FRM served as a member of the committee.	No specific proposed legislation. The CFTC released a report in September 2020 with a broad set of recommendations for the CFTC to consider across a range of topics from climate scenario analysis to disclosure. We were pleased to be engaged in the CFTC subcommittee on climate change and to help advance the work of U.S. regulators to manage climate risk. We look forward to seeing how further study and examination contributes to evolving regulatory initiatives on this topic.
Other, please specify (Emissions)	Support	In 2019, Morgan Stanley joined the Center for Climate and Energy Solutions' (C2ES) Business Environmental Leadership Council, a group of 35 Fortune 500 companies that promote business engagement to develop efficient and durable solutions to the climate challenge.	No specific proposed legislation but C2ES helps companies understand and engage on a broad range of climate-related issues with policymakers.
Carbon tax	Support	As reported in our October 2020 TCFD Report, Morgan Stanley is a member of the Business Roundtable (BRT) and contributed to the working group that developed its updated climate policy position paper, released in September 2020. It calls for a robust, market-based approach to reducing U.S. emissions, including a carbon tax, other sector-based policies, and more support for research and development of low-carbon technologies.	No specific proposed legislation but the BRT climate policy position paper calls for a robust, market-based approach to reducing U.S. emissions, including a carbon tax, other sector-based policies, and more support for research and development of low-carbon technologies.
Climate finance	Support	In December 2020, Morgan Stanley signed a statement of support organized by C2ES to urge then-President-elect Joe Biden and the new Congress to work together to enact ambitious, durable and bipartisan climate policies.	No specific proposed legislation but C2ES helps companies understand and engage on a broad range of climate-related issues with policymakers.
Clean energy generation	Support	In December 2020, Morgan Stanley signed a statement of support organized by C2ES to urge then-President-elect Joe Biden and the new Congress to work together to enact ambitious, durable and bipartisan climate policies.	No specific proposed legislation but C2ES helps companies understand and engage on a broad range of climate-related issues with policymakers.

**C12.3b**

**(C12.3b) Are you on the board of any trade associations or do you provide funding beyond membership?**

Yes

**C12.3c**

**(C12.3c) Enter the details of those trade associations that are likely to take a position on climate change legislation.**

**Trade association**

Australian Financial Markets Association (AFMA)

**Is your position on climate change consistent with theirs?**

Consistent

**Please explain the trade association's position**

The Australian Financial Markets Association (AFMA) is the peak industry association for Australia's wholesale banking and financial markets. These markets play a pivotal role in the Australian economy by making it possible for Australian financial institutions and companies to conduct business with each other and with their counterparts overseas. AFMA represents over 130 industry participants in the wholesale banking and financial markets, including Australian and foreign banks, securities companies, state government treasury corporations, fund managers, traders in electricity and other specialized markets and industry service providers.

**How have you influenced, or are you attempting to influence their position?**

Morgan Stanley participates on AFMA's environmental markets working group to engage on topics of the emissions trading scheme that is legislated in Australia and the Mandatory Renewable Energy Target legislation. The firm's engagement focuses on implementation and details of how these mechanisms are implemented (i.e., detail of implementation and scheme design). Morgan Stanley supports proposals that increase efficiency, transparency, stability and effectiveness of the mechanisms.

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**Trade association**

The Electric Power Research Institute, Inc. (EPRI)

**Is your position on climate change consistent with theirs?**

Mixed

**Please explain the trade association's position**

The Electric Power Research Institute, Inc. (EPRI) conducts research, development and demonstration relating to the generation, delivery and use of electricity for the benefit of the public. As an independent, nonprofit organization, EPRI brings together scientists, engineers and experts from academia and the industry to help address challenges in electricity, including generation, delivery and use, management and environmental responsibility.

**How have you influenced, or are you attempting to influence their position?**

Morgan Stanley engages through shared leadership in the form of a senior Morgan Stanley executive on the board and executive committee of EPRI. In addition, a Morgan Stanley executive sits on the EPRI Advisory Council.

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**Trade association**

The U.S. Partnership for Renewable Energy Finance (US PREF)

**Is your position on climate change consistent with theirs?**

Consistent

**Please explain the trade association's position**

The U.S. Partnership for Renewable Energy Finance (US PREF) is a coalition of senior-level financiers who invest in all sectors of the energy industry, including renewable energy. PREF members meet with policymakers to provide their perspectives on how renewable energy finance policies affect the market, and how proposed policies could affect the market. US PREF is not a lobbying organization or an advisory committee to government, rather, it is an educational program that provides expert input on how the renewable energy finance market works.

**How have you influenced, or are you attempting to influence their position?**

Morgan Stanley is an active member of US PREF.

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**Trade association**

American Council on Renewable Energy

**Is your position on climate change consistent with theirs?**

Consistent

**Please explain the trade association's position**

The American Council on Renewable Energy (ACORE) is a 501(c)(3) national nonprofit organization that unites finance, policy and technology to accelerate the transition to a renewable energy economy.

**How have you influenced, or are you attempting to influence their position?**

Morgan Stanley is a member of the American Council on Renewable Energy and engages through shared leadership in the form of a Morgan Stanley Managing Director on the board and executive committee.

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**C12.3d**

**(C12.3d) Do you publicly disclose a list of all research organizations that you fund?**

No

**C12.3f**

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**(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?**

We have integrated issues and policies around climate risk and opportunity into all of the most important decision-making bodies of the firm, including the Board, the Climate Risk Committee (CRC) and the Firm Risk Committee (FRC). The Firm Risk Committee (FRC) is the most senior risk governance body. The FRC has primary responsibility for all relevant and material risks to the firm. It is chaired by our CEO and CRO and, includes C-suite executives across Morgan Stanley's business units and control functions, including our Chief Risk Officer. In 2020, the FRC considered how climate change risk may impact the firm, our business and our clients, including by piloting quantitative climate impact scenarios. The Climate Risk Committee (CRC) is the senior body responsible for integration of climate-related risk considerations across the firm and is co-chaired by the Chief Risk Officer and the Chief Sustainability Officer. In 2020, the CRO appointed Global Co-heads of Climate Risk and a Head of EMEA Climate Risk to help coordinate climate integration under the CRO into Firm Risk Management (FRM). In 2020, our CRO approved a risk management process to identify, assess and manage climate-related risks; and approved the quantitative integration of climate risks into the firm's risk management assessments.

In addition, our Chairman and CEO chairs the advisory board of the Morgan Stanley Institute for Sustainable Investing, helping to ensure coordination and communication. Several members of our firm Board, and of the Institute's advisory board, have extensive climate and public policy experience, helping to guide the firm on public policy activities as they relate to climate change. The advisory board helps to ensure that our sustainability strategy, including as it relates to climate change, is comprehensive, rigorous and innovative. Several members of the advisory board have extensive public policy experience and help guide the firm on public policy activities as they relate to climate change. In April 2020, the Institute for Sustainable Investing published a white paper on Climate Impact: Understanding Vulnerability as the Missing Piece in the Climate Risk Puzzle. The paper presents a three-dimensional assessment framework to help companies and investors broaden their understanding and estimation of climate change risks and account for climate vulnerabilities throughout the investment process. Investment groups and risk managers across Morgan Stanley have adopted the framework when assessing their business decisions in the context of climate change. Since GSF was founded over a decade ago, we have worked with our Global Regulatory Relations and Government Relations teams on policies related to climate change. To ensure coordination, GSF convenes or participates in all of the sustainability-related councils across the firm and engages regularly with colleagues in other regions to understand and contribute to relevant climate policy activity.

Externally, Morgan Stanley participates actively in industry groups shaping climate policy, such as the Business Roundtable and the US Chamber of Commerce's Task Force on Climate Actions. Morgan Stanley is also a member of the Business Roundtable and was a contributor to the working group that helped develop their climate policy position paper. GSF and Government Relations partner to represent the firm in various trade associations to the extent they have climate and sustainability-focused working groups to help represent the firm's views. For example, GSF has been coordinating with the Regulatory Relations and Firm Risk Management teams in the U.K. to engage and respond to the Prudential Regulatory Authority draft supervisory statement addressing banks' approach to managing the financial risks from climate change. GSF partnered with the Risk Management Division in London to develop both short- and long-term scenarios in the United Kingdom to help test resilience to potential material financial risks. Further, The Prudential Regulatory Authority (PRA) Climate Risk Working Group oversees Morgan Stanley's response to the Prudential Regulatory Authority's April 2019 supervisory statement on climate risk management at banks and insurance companies in the United Kingdom. Members from our UK Risk Management, Regulatory Relations and Government Affairs teams along with GSF representatives, identified potentially relevant climate risks for our UK entity and developed appropriate climate scenarios. The Working Group coordinates with U.S. Risk Management leadership to align approaches.

**C12.4**

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**(C12.4) Have you published information about your organization's response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).**

**Publication**

In mainstream reports

**Status**

Complete

**Attach the document**

2021\_Proxy\_Statement.pdf

**Page/Section reference**

29

**Content elements**

Governance  
Strategy  
Risks & opportunities  
Emission targets

**Comment**

This content is currently available online at: [https://www.morganstanley.com/about-us-2020ams/pdf/2020\\_Proxy\\_Statement.pdf](https://www.morganstanley.com/about-us-2020ams/pdf/2020_Proxy_Statement.pdf) [https://www.morganstanley.com/about-us-2021ams/2021\\_Proxy\\_Statement.pdf](https://www.morganstanley.com/about-us-2021ams/2021_Proxy_Statement.pdf)

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**Publication**

In voluntary sustainability report

**Status**

Complete

**Attach the document**

Morgan-Stanley\_2020-Sustainability-Report\_Final.pdf

**Page/Section reference**

Climate change is referenced throughout the document, particularly pages 14 and 15.

**Content elements**

Governance  
Strategy  
Risks & opportunities  
Emission targets  
Other metrics

**Comment**

This content is currently available online at: [https://www.morganstanley.com/pub/content/dam/msdotcom/sustainability/Morgan-Stanley\\_2020-Sustainability-Report\\_Final.pdf](https://www.morganstanley.com/pub/content/dam/msdotcom/sustainability/Morgan-Stanley_2020-Sustainability-Report_Final.pdf)

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**Publication**

In mainstream reports, incorporating the TCFD recommendations

**Status**

Complete

**Attach the document**

Morgan\_Stanley\_TCFD\_Report\_2020.pdf

**Page/Section reference**

Morgan Stanley published its first TCFD report in October 2020. Our 2020 Sustainability Report, mentioned in the line above, incorporates many of the elements recommended by TCFD.

**Content elements**

Governance  
Strategy  
Risks & opportunities  
Emission targets  
Other metrics

**Comment**

Morgan Stanley published its first TCFD report in October 2020. Our 2020 Sustainability Report, mentioned in the line above, also incorporates many of the elements recommended by TCFD.

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C-FS12.5

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**(C-FS12.5) Are you a signatory of any climate-related collaborative industry frameworks, initiatives and/or commitments?**

	Industry collaboration	Comment
Reporting framework	Partnership for Carbon Accounting Financials (PCAF) Principles for Responsible Investment (PRI) Task Force on Climate-related Financial Disclosures (TCFD) Other, please specify (Sustainability Accounting Standards Board (SASB))	Morgan Stanley's Chairman and CEO, James Gorman, signed the TCFD Statement of Support in 2017. In 2020, we published our first TCFD report. Morgan Stanley's Chief Sustainability Officer is a board member of the SASB Foundation, helping ensure that emerging sustainability metrics are relevant to investors. Morgan Stanley's annual sustainability report incorporates elements of SASB's reporting guidance for the Investment Banking, Commercial Banking and Asset Management industries. Morgan Stanley Investment Management joined PRI in 2013 and complies with the mandatory reporting requirements. In addition, MSIM participates in SASB's Investor Advisory Group (IAG), an asset owner and manager initiative to promote the SASB disclosure framework with corporate issuers, and climate-related disclosures, aligned with TCFD are a focus area of the group.
Industry initiative	Partnership for Carbon Accounting Financials (PCAF) Principles for Responsible Investment (PRI) Ceres Science-Based Targets Initiative for Financial Institutions (SBTI-FI) Other, please specify (Center for Climate and Energy Solutions (C2ES) and 2 Degrees, Green Bond Principles)	In 2020, Morgan Stanley joined The Partnership for Carbon Accounting Financials (PCAF) and its global Steering Committee, the initiative's highest governing body, to focus on the complex challenge of measuring financed emissions. Morgan Stanley was the first major global, U.S. headquartered financial services firm to join PCAF. We joined PCAF to help develop a harmonized, global methodology to account for financed emissions. Using PCAF's methodology will help us understand where certain companies or portfolios may have outsized concentrations of carbon intensity, making them particularly vulnerable to changes in policy and technology. The firm has started to utilize the PCAF methodology internally in order to start tracking and assessing our financed emissions. Membership at the time of the firm's joining was 66 formal members, which included financial institutions from around the world and represented more than \$5.3 Trillion USD in assets. Following Morgan Stanley's leading commitment, a number of the firm's peers joined, increasing those numbers. As a result, we played a significant role in developing the methodologies and publishing the world's first major methodology for global emissions in November 2020. In 2020, MSIM joined the One Planet Summit asset manager initiative, which is aimed at supporting the One Planet Sovereign Wealth Fund Framework in accelerating the integration of climate change analysis into the management of large, long-term and diversified asset pools. In 2019, Morgan Stanley joined the Center for Climate and Energy Solutions' (C2ES) Business Environmental Leadership Council, a group of 35 Fortune 500 companies that promote business engagement to develop efficient and durable solutions to the climate challenge. C2ES has published research analyzing various climate pricing bills in Congress, and we utilized their research to inform our scenario analysis work. We have also engaged with Ceres for many years, and benefit from their insights on policy. Morgan Stanley is a member of the Ceres Investor Network on Climate Risk and Sustainability, and the CEO of Ceres is a member of the Morgan Stanley Institute for Sustainable Investing Advisory Board. SBTi have been in the process of developing a methodology for financial institutions to develop science-based targets. We test the various methodologies and provide feedback as a member.
Commitment	Other, please specify (Paris Agreement)	In September 2020, Morgan Stanley became the first major U.S. headquartered global financial services firm to commit to achieving net-zero financed emissions by 2050.

**C14. Portfolio Impact**

**C-FS14.1**

**(C-FS14.1) Do you conduct analysis to understand how your portfolio impacts the climate? (Scope 3 portfolio impact)**

	We conduct analysis on our portfolio's impact on the climate	Disclosure metric	Comment
Bank lending (Bank)	No, but we plan to do so in the next two years	<Not Applicable >	In July 2020, Morgan Stanley officially joined the Partnership for Carbon Accounting Financials as a member of its Steering Committee. Morgan Stanley had been engaging with PCAF, a bank-led initiative to design an accounting methodology for financial firms to measure and disclose their scope 3 financed emissions. The initiative is working to fill an important gap as there is currently not a widely recognized or utilized methodology to account for scope three emissions in a manner that would be comparable across financial institutions. PCAF has developed methodologies for six asset classes and we have started using them to calculate and assess our financed emissions. By joining PCAF, Morgan Stanley has committed to starting to disclose our financed emissions within three years of joining. We plan to start disclosing some level of emissions in 2022. Beyond scope three emissions accounting, there is no widely utilized, comparable and accurate method to measure concepts like Paris alignment. However, as banks work to understand how their portfolio decisions may impact climate change, new tools, datasets, consulting practices and frameworks are emerging. Morgan Stanley is exploring which resources may be helpful to us, and we are providing feedback on their development, as appropriate. For example, we are part of a group of global financial firms testing the Paris Agreement Capital Transition Assessment (PACTA), developed by the 2 Degrees Investing Initiative. The software tool enables financial institutions to understand the alignment of their corporate loan portfolios with the goals of the Paris Agreement. The tool compares the energy technology mix of our loan book and the projected pathways for the corporate economy in its current state, as well as the IEA Sustainable Development (SDS) scenarios to determine climate risk exposure. These IEA scenarios illustrate a technology mix pathway that would keep the planet from warming below 2°Celsius threshold. The tool focuses on technological pathways for emissions, and covers a number of the most climate-relevant sectors like power, energy, cement and steel. We participated in the pilot with 17 other global banks. We are also monitoring, and providing feedback on, the Science-based Target Initiative's (SBTI) development of a methodology for the financial sector.
Investing (Asset manager)	No, but we plan to do so in the next two years	<Not Applicable >	As described in FS 2.2b, some of MSIM's equity and fixed income teams review the carbon footprint of their portfolios and use this information to assess their portfolio's impact on the climate. In some cases, this analysis has led to decisions to exclude or size certain investments based on climate-related risks. MSIM is endeavoring to roll out this analysis across its entire portfolio in order to enable a portfolio level view of its impact on the climate with sector and country level analysis. Beyond carbon footprinting, MSIM's Sustainability team, in partnership with Morgan Stanley's Global Sustainable Finance Group, has developed internal tools and resources to help portfolio managers access additional climate related data sets including those that enable climate scenario analysis.
Investing (Asset owner)	<Not Applicable >	<Not Applicable >	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable >	<Not Applicable >	<Not Applicable>
Other products and services, please specify	Not applicable	<Not Applicable >	We do not have any other products or services for which we examine climate risks.

**C-FS14.1c**

**(C-FS14.1c) Why do you not conduct analysis to understand how your portfolio impacts the climate? (Scope 3 Category 15 “Investments” emissions or alternative carbon footprinting and/or exposure metrics)**

In July 2020, Morgan Stanley became the first major global, U.S. headquartered financial services firm to join The Partnership for Carbon Accounting Financials (PCAF) and its global Steering Committee to focus on the complex challenge of measuring financed emissions. As part of this commitment, Morgan Stanley has actively supported and guided PCAF's development of a global accounting standard that can be used by all financial institutions to measure and reduce their climate impact. The initiative is working to fill an important gap as previously there was not a widely recognized or utilized methodology to account for scope three emissions in a manner that would be comparable across financial institutions. PCAF finished and released its initial methodologies for six asset classes toward the end of 2020, and Morgan Stanley has already started to utilize the methodologies internally to assess our portfolios.

There is no widely utilized, comparable and accurate method to measure concepts like Paris Alignment for the finance sector, which is the primary reason we have not yet done this analysis. Once these methodologies are available and refined, we will explore their usefulness in understanding portfolio alignment.

However, in the meantime, as banks work to understand how their portfolio decisions may impact climate change, new tools, datasets, consulting practices and frameworks are emerging. Morgan Stanley is exploring which resources may be helpful to our efforts, and providing feedback on their development, as appropriate. For example, we are part of a group of global financial firms to test the Paris Agreement Capital Transition Assessment (PACTA), developed by the 2 Degrees Investing Initiative. The software tool enables financial institutions to understand the alignment of their corporate loan portfolios with the goals of the Paris Agreement. The climate risk exposure of our loan book is analyzed by comparing its energy technology mix to the energy technology mix of the projected pathways for the corporate economy in its current state, as well as the IEA Sustainable Development (SDS) scenarios to determine climate risk exposure. These IEA scenarios illustrate a technology mix pathway that would keep the planet from warming below 2°C threshold. The tool focuses on technological pathways for emissions and covers a number of the most climate-relevant sectors like power, energy, cement and steel. We participated in the pilot with 17 other global banks. As of early 2020, the tool is still being used for this pilot. We have found it useful to understand a number of important metrics, like exposure to high-risk sectors and companies, counter-party transition preparedness and transition risks by relevant sectors. We plan to continue using future versions of the tool to help us understand how our relevant portfolios align with IEA scenarios over time. Given the tool only covers certain sectors in our corporate loan book, it will be used in conjunction with other frameworks to gain a more complete picture of our exposures to climate risks.

Building on our work to pilot the PACTA tool, we joined a virtual working group with the 2 Degrees Investing Initiative. The working group includes approximately 30 members comprising academic representatives, research organizations, and financial institutions, with 2Di serving as the Secretariat. The output will be online software designed to help financial institutions simulate and design climate strategies and actions, a document aimed at harmonizing the tracking of climate actions, and other efforts to facilitate the scientific analysis of these actions. The goal is to help financial institutions to better understand the efficacy and impact of different climate actions and strategies.

We are also monitoring, and providing feedback on, the Science-based Target Initiative's (SBTI) development of a methodology for the financial sector. SBTI's goal is to create sector-specific emissions reduction targets that are informed by the latest climate science and will achieve the emissions reductions necessary to limit global warming to 2 degrees Celsius.

These methodologies are in early development, and we are monitoring their progress to see how similar approaches might inform future climate strategies for the firm. In terms of taking part in these assessments, our aim will be to disclose the greenhouse gas (GHG) footprint of relevant portfolios when we believe the appropriate methodologies accurately reflect our risk.

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**C-FS14.3**

**(C-FS14.3) Are you taking actions to align your portfolio to a well below 2-degree world?**

	We are taking actions to align our portfolio to a well below 2-degree world	Please explain
Bank lending (Bank)	Yes	Morgan Stanley acknowledges the importance of keeping global temperature rise to well-below two degrees and is a supporter of the Paris Agreement. In September 2020, Morgan Stanley became the first major U.S. headquartered global financial services firm to commit to achieving net-zero financed emissions by 2050. Reaching net-zero emissions globally by 2050 will be critical in achieving the aims of the Paris Agreement. As part of our net-zero journey, we are taking steps to explore and inform emerging tools and methodologies to help develop appropriate analytical tools to best determine our approach to net-zero. Currently there are significant data and methodological challenges to setting credible and defensible emissions pathway goals to well-below 2 degrees for a global financial institution. We expect this challenge will likely be addressed in the next few years. In the meantime, we are proactively engaging with a number of initiatives working on a range of related issues such as scope 3 accounting and development of tools to measure alignment. In July 2020, Morgan Stanley became the first major global, U.S. headquartered financial services firm to join The Partnership for Carbon Accounting Financials (PCAF) and its global Steering Committee to focus on the complex challenge of measuring financed emissions. As part of this commitment, Morgan Stanley has actively supported and guided PCAF's development of a global accounting standard that can be used by all financial institutions to measure and reduce their climate impact. The initiative is working to fill an important gap as previously there was not a widely recognized or utilized methodology to account for scope three emissions in a manner that would be comparable across financial institutions. PCAF finished and released its initial methodologies for six asset classes toward the end of 2020, and Morgan Stanley has already started to utilize the methodologies internally to assess our portfolios. We are also part of a group of global financial firms to test the Paris Agreement Capital Transition Assessment (PACTA), developed by the 2 Degrees Investing Initiative. In 2019, we participated in the pilot with 17 other global banks. We are also monitoring, and providing feedback on, the Science-based Target Initiative's (SBTI) development of a methodology for the financial sector.
Investing (Asset manager)	Yes	Wealth Management's longstanding Investing with Impact (IIP) platform offers retail investors more than 150 products and strategies across thematic issues including climate change. In 2018, an internal survey of third-party managers on the platform found that more than 50% of IIP strategies aligned with at least one SDG, with climate action among the three most common themes. To address the growing demand for sustainable and impact investments, we also equip our Financial Advisors with tools to help their clients meet specific objectives. For example, they use our Climate Change Investing Tool Kits to help clients develop a tailored investment approach that incorporates climate change awareness into their portfolios. Investment Management is building investment products that promote climate solutions. For example, in 2020, our AIP (Alternative Investment Partners) Private Markets team launched a fund that targets investments designed to help address global warming and pollution, depleting resources and eco-diversity. In 2019, we launched Morgan Stanley Impact Quotient®, a portfolio level impact reporting application for clients which leverages data from MSCI, ISS-ESG, Equileap and manager-reported data to show alignment to various impact themes. In 2020, Investment Management supported 61% of all shareholder proposals related to climate. In the case of decarbonization and climate risk, issuers are prioritized for this topic if they have relevant exposure to carbon emissions, transition or physical risks and/or are lagging peers in terms of GHG emissions reduction programs, commitments or disclosures.
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	We do not have any other products or services for which we examine climate risks.

**C-FS14.3a**

**(C-FS14.3a) Do you assess if your clients/investees' business strategies are aligned to a well below 2-degree world?**

	We assess alignment	Please explain
Bank lending (Bank)	No, but we plan to do so in the next two years	Morgan Stanley set our net-zero commitment in order to best position the firm to help our clients with their own transition to a low-carbon economy and the accompanying challenges that come with the transition. In order to best serve our clients, we will seek to engage our clients and understand where they are in their own journey towards a net-zero / Paris-aligned target in order to best help them with targeted and actionable low-carbon solutions.
Investing (Asset manager)	Yes, for some	Investment teams use various metrics to assess a company's alignment with a 2 degree world including: carbon emissions, climate aligned revenues, exposure to carbon reserves, earnings at risk under different carbon pricing scenarios, and number of companies that have set science based emissions reduction targets. Engagement is another key method through which we assess and encourage a company's alignment with a well-below two-degree world. In 2020, the MSIM Fixed Income team reinitiated engagement with a U.S. utility company after having sold their bonds in 2019. The divestment was driven by our credit analysts' assessment that the environmental risk associated with the company's involvement in litigation around coal ash remediation, as well as with the absence of a specific coal phase-out plan or emissions reduction targets, were not adequately reflected in credit spreads. The objective of the new engagement was to deepen our understanding of the company's progress on establishing a comprehensive climate strategy, in line with our "Decarbonisation & Climate Risk" priority theme, and with our goal of contributing to the UN Sustainable Development Goals (SDGs) through our investments – in this case to SDGs 7, "Affordable and Clean Energy", and SDG 13, "Climate Action". The dialogue with the company's Chief Financial Officer demonstrated a genuine change in the company's approach to the low carbon transition, permeating through the whole corporate culture. This was evidenced by an acceleration in the resolution of pending controversies, the publication of a commitment to achieve net-zero carbon emissions by 2050 (in line with the Paris Agreement), including an interim target of 50% reduction by 2030, and the development of an accelerated coal retirement plan to be replaced by clean energy. As a result of these positive developments, we changed our recommendation from underweight to neutral, and we bought back some of the company's bonds.
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	<Not Applicable>	<Not Applicable>

**C-FS14.3b**

**(C-FS14.3b) Do you encourage your clients/investees to set a science-based target?**

	We encourage clients/investees to set a science-based target	Please explain
Bank lending (Bank)	No	At this time, we do not directly advise our clients to set science-based targets as many sectors and methodologies are still in development. We do reference science-based targets to our clients in the context of highlighting best practices, where relevant. Morgan Stanley will continue to inform the engagement of Science-Based Targets Initiative for Financial Institutions (SBTI-FI) and continue to reassess as additional methodologies materialize. Morgan Stanley has been involved in providing input to the Science-Based Targets Initiative for Financial Institutions (SBTI-FI) for the last several years. We are exploring the methodologies that SBTI has developed to date to understand their applicability to our portfolio. The SBTI work continues to evolve, and we recognize that not all sectors have clear methodologies at this time which could lead to inconsistencies across sectors. We also recognize that SBTI is one of many emerging options for investors to better understand and evaluate their approaches to climate change. Morgan Stanley is working to address data gaps through external engagement efforts. Morgan Stanley was the first major U.S. headquartered global financial services firm to set a net zero financed emissions targets in 2020 Morgan Stanley aims to support our clients in their own climate transitions and will work to partner with them to provide solutions. To support that work, in July 2020, Morgan Stanley joined The Partnership for Carbon Accounting Financials (PCAF) and its global Steering Committee, the initiative's highest governing body, to focus on the complex challenge of measuring financed emissions. We joined PCAF to help develop a harmonized, global methodology to account for financed emissions. Using PCAF's methodology will help us understand where certain companies or portfolios may have outsized concentrations of carbon intensity, making them particularly vulnerable to changes in policy and technology. The firm has started to utilize the PCAF methodology internally in order to start tracking and assessing our financed emissions. Following Morgan Stanley's leading commitment, a number of the firm's peers joined, increasing those numbers. As a result of our joining, in 2020, we played a significant role in developing the methodologies and publishing the world's first major methodology for global emissions.
Investing (Asset manager)	Yes, for some	MSIM encourages companies to increase climate disclosure and set GHG reduction targets aligned with the Paris Agreement and Science Based Target Initiative. As previously mentioned, climate is now an integral component of our client engagement strategy executed either through direct partnerships with our clients on climate solutions or through joining collaborative industry initiatives.
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	<Not Applicable>	<Not Applicable>

**C15. Signoff**

**C-FI**

**(C-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.**

**C15.1**

**(C15.1) Provide details for the person that has signed off (approved) your CDP climate change response.**

	Job title	Corresponding job category
Row 1	Chief Sustainability Officer	Chief Sustainability Officer (CSO)



