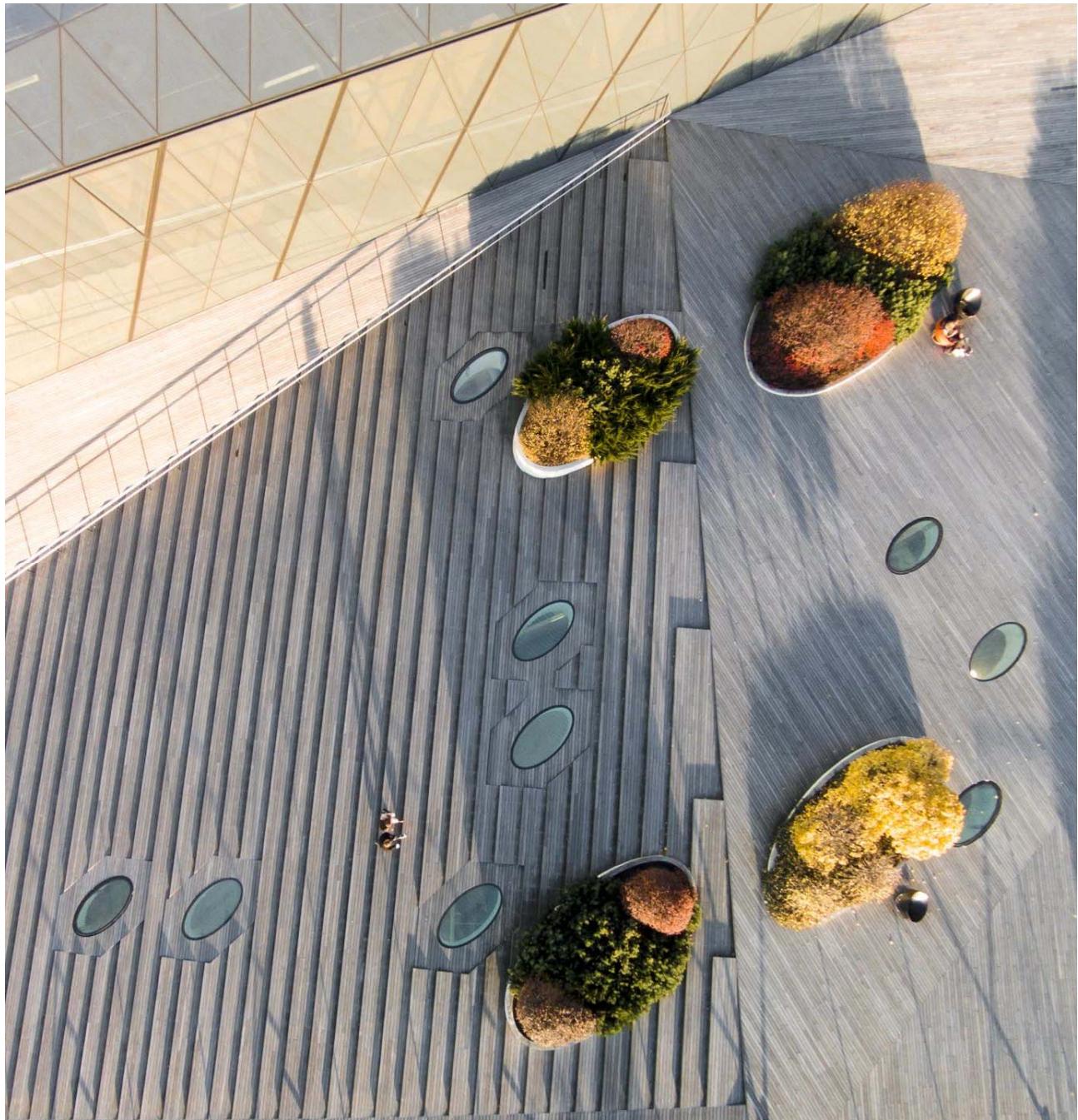


Morgan Stanley



Morgan Stanley Social Bond Framework

October 2020

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INTRODUCTION

At Morgan Stanley (“Morgan Stanley” or the “Firm”), we believe capital markets have the potential to generate benefits for all of society. By considering environmental, social and governance (“ESG”) factors in our business activities, we aim to do our part to create a more resilient planet and inclusive economy, while delivering long-term value for our clients and shareholders.

Our commitment to promoting global sustainability is reflected across our business strategy, products and services, thought leadership, and operations, and is reflected in three core areas:

1. **SOLUTIONS AND SERVICES:** Connecting clients to sustainable investing products and services, and mobilizing capital to drive progress on key issues such as climate change, inclusive growth and the circular economy.
2. **THE INSTITUTE FOR SUSTAINABLE INVESTING:** Accelerating the adoption of sustainable investing strategies across capital markets through the Institute, which leverages the firm’s expertise to promote innovation, deliver actionable analysis for investors and develop the next generation of leaders in the field.
3. **FIRMWIDE SUSTAINABILITY:** Integrating ESG principles into our business activities and operations in partnership with internal functions. This includes our carbon-neutrality goal, approach to proactive ESG risk management, diversity and inclusion, and stakeholder engagement.

As part of this effort, Morgan Stanley supports the United Nations’ Sustainable Development Goals (“SDGs”) and recognizes the key role the private sector needs to play towards their achievement by 2030.

To that end, Morgan Stanley has established a Social Bond Framework (the “Framework”), which will enable the issuance of Social Bonds. In particular, the Social Bond Framework aims to contribute to Morgan Stanley’s activities by bringing together investment and private capital to create lasting positive change to communities across the United States. Morgan Stanley’s institutional focus generally is on providing capital to support affordable housing, healthy communities, equitable transit and economic development in underserved U.S. markets.

Since 2010 and as of year-end 2019, Morgan Stanley has committed \$21 billion in community development loans and investments, including funding for more than 116,000 affordable housing units and helping to create or retain over 140,000 jobs.

SOCIAL BOND FRAMEWORK

Morgan Stanley's Framework is aligned to the Social Bond Principles ("SBP") 2020, as administered by the International Capital Market Association, and addresses the following key pillars, in line with the SBP:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting
5. External Review

1. USE OF PROCEEDS

1.1 Eligibility Criteria

Eligible Social Projects relate to investments in third-party projects by Morgan Stanley's consolidated subsidiaries (the "Entities") that meet the below criteria, and together form the "Eligible Social Portfolio."

Eligible Social Projects will include projects with disbursements made by Morgan Stanley's Entities in the year 2018 and beyond. Accordingly, the proceeds from any Morgan Stanley Social Bond can be applied to past, ongoing and/or future projects that are otherwise consistent with the eligibility criteria in the Framework.

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PROJECT CATEGORY	Affordable Housing
GOAL	<p>Projects aiming to provide housing at affordable rates to low- or moderate-income ("LMI") individuals and/or families.</p>
	<p>Eligibility criteria are based on the definition of "Community Development" under Title 12, Chapter 1, Part 25 of the Code of Federal Regulations implementing the Community Reinvestment Act.</p> <ol style="list-style-type: none">1. Affordable housing projects targeting low-income individuals or families that have individual or median family income that is less than 50% of relevant area median income ("AMI");2. Affordable housing projects targeting moderate-income individuals or families that have individual or median family income that is at least 50% and less than 80% of relevant AMI;3. Affordable housing projects targeting groups located in a census tract categorized by the United States Bureau of the Census as LMI; and4. Activities that revitalize or stabilize:<ul style="list-style-type: none">• Low- or moderate-income geographies;• Designated disaster areas; or• Distressed or underserved non-metropolitan middle-income geographies designated by the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency, based on:<ul style="list-style-type: none">– Rates of poverty, unemployment, and population loss; or– Population size, density, and dispersion.– Activities are considered to revitalize and stabilize geographies designated based on population size, density and dispersion if they help to meet essential community needs, including needs of LMI individuals or families.
ELIGIBILITY CRITERIA	

1.2 Alignment to the UN SDGs

Eligible Social Projects are expected to directly contribute to SDG number 11 (“Sustainable Cities and Communities”), and to indirectly contribute to two additional SDGs as a result of the interlinkages between the Eligible Social Projects and a broader array of community services:

PROJECT CATEGORY (AS IN THE SBP)	SUMMARY OF CORE SDGS (AND RELEVANT SDG TARGETS)	SUMMARY OF SECONDARY SDGS (INTERLINKAGES AND INDIRECT IMPACT)
AFFORDABLE HOUSING	11.1 Ensure access for all to adequate, safe and affordable housing and basic services 	1.5 Build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters  10.2 Empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status 

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

The Eligible Social Portfolio will be tracked internally in a register (the “Eligible Social Projects Report”).

Morgan Stanley’s specialist teams, including Community Development Finance and Global Sustainable Finance, will be responsible for the process for evaluation and selection of Eligible Social Projects, which will be as follows:

1. Community Development Finance will identify and propose Eligible Social Projects.
2. In advance of any issuance of a Social Bond, Global Sustainable Finance will review each proposed project independently against the eligibility criteria described in the Use of Proceeds disclosure and determine whether it qualifies as an Eligible Social Project.
3. During the life of the Social Bond, Community Development Finance and Global Sustainable Finance will evaluate the Eligible Social Projects on a regular basis (at least semi-annually) and:
 - Determine whether new projects meeting the eligibility criteria should be added to the Eligible Social Portfolio;
 - Exclude from the Eligible Social Portfolio projects that no longer comply with the eligibility criteria or that have matured or been reimbursed;
 - Include additional disbursements to existing Eligible Social Projects that are already part of the Eligible Social Portfolio.

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Morgan Stanley has established a Social Bond Supervisory Committee (“Supervisory Committee”) that will have overall responsibility for the supervision of the procedures outlined in this Framework.

The Supervisory Committee consists of members from a group of departments, namely Community Development Finance, Global Sustainable Finance, Group Treasury and Global Capital Markets, among others.

In addition, the Firm established in 2011 the Morgan Stanley Community Development Advisory Board (the “Board”). The Board is made up of nationally recognized community development leaders and meets semi-annually. The Board was formed to help the Firm better understand the needs of its communities, to inform Morgan Stanley’s community development lending and investing priorities, and to serve as an informal think-tank for Morgan Stanley’s community development activities, which will include, amongst others, the projects selected for inclusion in the Eligible Social Portfolio.

3. MANAGEMENT OF PROCEEDS

As described in Section 2, the Eligible Social Portfolio will be tracked internally in a register. The Eligible Social Portfolio is dynamic: new Eligible Social Projects may be added as projects exit and proceeds are redeemed over the life of the Social Bond.

At issuance and on a semi-annual basis, during the term of the Social Bond, the Supervisory Committee will evaluate the Eligible Social Portfolio and will aim to ensure that the aggregate amount in the Eligible Social Portfolio is equal to or greater than the net proceeds from the sale of Social Bonds.

If for any reason the aggregate amount in the Eligible Social Portfolio is less than the total net proceeds from Social Bonds issued, Morgan Stanley will hold the balance of the unallocated amount in cash, cash equivalents, U.S. or other government securities, U.S. agency securities or U.S. agency mortgage-backed securities in a segregated account established for tracking purposes until the amount can be allocated to the Eligible Social Portfolio.

Morgan Stanley’s Entities making disbursements towards Eligible Social Projects may include, amongst others, Morgan Stanley Bank, N.A., Morgan Stanley Community Investments LLC, Morgan Stanley Affordable Housing LLC and Morgan Stanley Private Bank, N.A.

Payment of principal and interest on the Social Bond will be made from Morgan Stanley’s general funds and will not be directly linked to the performance of any Eligible Social Project.

4. REPORTING

4.1 Allocation Reporting

On an annual basis and on a timely basis in the case of material developments, Morgan Stanley will prepare and make publicly available a report disclosing the total qualifying amount of Eligible Social Projects, subject to any applicable confidentiality obligations and any other non-disclosure obligations,

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which may require presenting in generic terms. In addition, the report will include Morgan Stanley's Management Assertion regarding any amounts allocated to the Eligible Social Portfolio and the balance of the amount equal to the net proceeds that is unallocated as of such date.

4.2 Impact Reporting

On an annual basis and on a timely basis in the case of material developments, Morgan Stanley will, subject to any applicable confidentiality obligations and other non-disclosure obligations noted above, report on its website a description of the Eligible Social Portfolio and the anticipated or estimated social impact of the Eligible Social Projects.

The relevant metrics may include:

- Number of housing units created or rehabilitated
- Number of beneficiaries
- Number of projects, including projects executed in conjunction with a not-for-profit sponsor
- Geographic breakdown
- Construction jobs created through affordable housing construction projects
- Full-time jobs created
- Number of units set aside for special needs populations, including the following illustrative categories, which may vary over time:
 - Seniors
 - Veterans
 - Disabled individuals
 - Victims of domestic abuse

The information and materials found on Morgan Stanley's website, including, without limitation, the aforementioned reports, are not part of or incorporated by reference into this document.

5. EXTERNAL REVIEW

5.1 Second-Party Opinion

Morgan Stanley has appointed the independent second-party opinion provider DNV-GL to review the bonds issued under the Social Bond Framework and attest to their alignment to the SBP and the relevant UN SDGs.

5.2 External Verification

Within one year of issuance and on an annual basis until maturity of the bonds, Morgan Stanley will request a review of the Eligible Social Projects and their compliance with the eligibility criteria set forth in this Framework, to be provided by a consultant with recognized social expertise.

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DISCLAIMER

We have included in this Social Bond Framework, and from time to time may make in our public filings, press releases or other public statements, certain statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. In addition, our management may make forward-looking statements to analysts, investors, representatives of the media and others. These forward-looking statements are not historical facts and represent only our beliefs regarding future events, many of which, by their nature, are inherently uncertain and beyond our control.

The nature of our business makes predicting the future trends of our revenues, expenses, and net income difficult. The risks and uncertainties involved in our businesses could affect the matters referred to in such statements, and it is possible that our actual results may differ, possibly materially, from the anticipated results indicated in these forward-looking statements. Important factors that could cause actual results to differ from those in the forward-looking statements include (without limitation):

- the effect of market conditions, particularly in the global equity, fixed income, currency, credit and commodities markets, including corporate and mortgage (commercial and residential) lending and commercial real estate and energy markets;
- the level of individual investor participation in the global markets as well as the level of client assets;
- the flow of investment capital into or from assets under management or supervision;
- the level and volatility of equity, fixed income and commodity prices, interest rates, inflation and currency values and other market indices;
- the availability and cost of both credit and capital as well as the credit ratings assigned to our unsecured short-term and long-term debt;
- technological changes instituted by us, our competitors or counterparties and technological risks, business continuity and related operational risks, including breaches or other disruptions of our or a third party's (or third parties thereof) operations or systems;
- risk associated with cybersecurity threats, including data protection and cybersecurity risk management;
- our ability to manage effectively our capital and liquidity, including non-objections to our capital plans by our banking regulators;
- the impact of current, pending and future legislation or changes thereto, regulation (including capital, leverage, funding, liquidity and recovery and resolution requirements) and our ability to address such requirements;
- uncertainty concerning fiscal or monetary policies established by central banks and financial regulators, government shutdowns, debt ceilings or funding;
- changes to global trade policies, tariffs, interest rates, reforms of LIBOR and other interest rate benchmarks;
- legal and regulatory actions, including litigation and enforcement, in the U.S. and worldwide;
- changes in tax laws and regulations globally;
- the effectiveness of our risk management processes;
- our ability to effectively respond to an economic downturn, or other market disruptions;
- the effect of social, economic and political conditions and geopolitical events, including the U.K.'s withdrawal from the E.U., and sovereign risk;
- the actions and initiatives of current and potential competitors as well as governments, central banks, regulators and self-regulatory organizations;
- our ability to provide innovative products and services and execute our strategic initiatives, and costs related thereto, including with respect to the operational or technological integration related to such innovative and strategic initiatives;
- the performance and results of our acquisitions, divestitures, joint ventures, strategic alliances, or other strategic arrangements and related integrations;
- investor, consumer and business sentiment and confidence in the financial markets;
- our reputation and the general perception of the financial services industry; and
- climate-related incidents, pandemics and acts of war or terrorism.

Accordingly, you are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made. We undertake no obligation to update publicly or revise any forward-looking statements to reflect the impact of circumstances or events that arise after the dates they are made, whether as a result of new information, future events or otherwise except as required by applicable law. You should, however, consult further disclosures we may make in future filings of our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and any amendments thereto or in future press releases or other public statements.

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There currently is no legal, regulatory or similar definition of what constitutes a "social" project, or as to what precise attributes are required for a particular project to be defined as "social". Accordingly, no assurance is or can be given to investors that any Eligible Social Project selected to receive an allocation of funds meets or will meet any or all investor expectations regarding such "social" objectives, or that any adverse environmental, social and/or other impacts will not occur during the implementation of any Eligible Social Project. For information on characteristics of the bond, use of proceeds, a description of applicable project(s), and/or any other relevant information about the bond, please reference the prospectus for the bond.

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