

Morgan Stanley France Group and Morgan Stanley France S.A.

Investment Firm Regulatory Disclosures Report

As at 30 June 2023

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1. Overview

The disclosures in this document fulfil regulatory obligations for Morgan Stanley France S.A. (“MS France”) on a stand-alone and consolidated basis as required by the Investment Firms Regulation (“IFR”). MS France, and its parent entities, Morgan Stanley France Holdings I S.A.S., an investment holding company, and Morgan Stanley France Holdings II S.A.S., a holding company, together “MS France Group”, are required to disclose to market participants information on risk management objectives and policies, own funds, own funds requirements, remuneration policies and Environmental, Social and Governance (“ESG”).

This mid-year disclosure dated 30 June 2023 covers ESG related risk disclosures only. Year-end disclosures dated 31 December cover the full suite of required disclosures.

MS France is authorised by the French Authority of Prudential Control and Resolution (“ACPR”).

As of 30 June 2023, the principal activities of MS France are equity sales and the provision of investment banking services.

Unless otherwise stated, qualitative disclosures for MS France throughout this document should be read as also applicable to MS France Group.

The direct parent of the MS France Group is Morgan Stanley Europe Holding SE (“MSEHSE”), and its ultimate parent undertaking and controlling entity is Morgan Stanley, a Delaware corporation which, together with its consolidated subsidiaries, form the Morgan Stanley Group. Morgan Stanley is a “Financial Holding Company” as defined by the Bank Holding Company Act of 1956, as amended, and is subject to regulation and oversight of the Board of Governors of the Federal Reserve System.

MS France and its holding entities are wholly owned subsidiaries of the Morgan Stanley Group. The information disclosed in this document is not necessarily indicative of the Morgan Stanley Group as a whole, nor is it comprehensively representative of the Morgan Stanley Group’s activity in any particular region. Investors, stakeholders, creditors or other users seeking information on capital adequacy, liquidity, risk exposure and risk management policies should consult the public disclosures of Morgan Stanley Group.

Details of the latest Morgan Stanley Group Pillar 3 disclosure can be accessed at <http://www.morganstanley.com/about-us-ir/pillar-us>.

Morgan Stanley is listed on the New York Stock Exchange and is required, by the US Securities and Exchange Commission, to file public disclosures, including Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q. These can be accessed at <https://www.morganstanley.com/pub/content/msdotcom/en/about-us-ir/sec-filings>.

2. Regulatory Frameworks

The IFR sets out a regulatory framework applicable to non-systemic investment firms (typically those less than €15bn in asset size). The IFR aims to provide a more proportionate regulatory framework for these non-systemic investment firms that can be applied consistently across the EU.

Under the IFR Framework, investment firms authorized under the Markets in Financial Instruments Directive (“MiFID”) are categorized based on asset size:

Class 1 – Systemic investment firms with greater than €15bn of assets will remain subject to the Capital Requirements Directive and Capital Requirements Regulation, while those that are greater than €30bn in assets size also need to re-authorize as credit institutions.

Class 2 / Class 3 – Non-systemic investment firms with less than €15bn of assets are subject to IFR.

MS France is a Class 2 non-systemic investment firm.

The IFR framework applies; 1) minimum capital and liquidity requirements, 2) additional own funds requirements calculated based on additional risks as identified by the firm or relevant competent authority, and 3) for Class 2 investment firms, a public disclosures requirement.

Requirements described above are supplemented with further detail where relevant through the European Banking Authority (“EBA”) Regulatory Technical Standards (“RTS”) and Implementing Technical Standards (“ITS”).

MS France has policies and procedures in place to assess the appropriateness of its disclosure. MS France disclosures are not required to be, and have not been, audited.

3. Environmental, Social and Governance Risks

ESG Risks are assessed non-material to the current business activities of MS France.

Environmental Risk¹ is the risk of any negative financial impact on MS France stemming from the current or prospective impacts of environmental factors on its counterparties or invested assets. Environmental Risks may include impacts to biodiversity, pollution of land, water or air, climate change, deforestation and forest degradation, and other significant negative impacts on the environment as a result of human activities.

Environmental factors can be categorised as transition risks and physical risks.

- **Transition Risks:** Transitioning to a low-carbon and more environmentally sustainable economy will entail extensive regulatory, policy, legal, technology and market initiatives as society adapts to climate change, mitigates its causes and promotes a more sustainable environment. Depending on the nature, speed and focus of these changes, transition risks may pose varying types and levels of financial and reputational risk to businesses and other organisations.
- **Physical Risks:** These risks include both acute physical events such as flooding, and chronic physical risks related to longer-term shifts in climate patterns such as more frequent and prolonged drought and progressive shifts like biodiversity loss, land use change, habitat destruction and resource scarcity. Financial implications for organisations can range from direct damage to assets to indirect impacts from supply chain disruption, driven by factors such as changes in water availability, food security and agricultural productivity. Extreme temperature changes may affect an organisation's physical locations, operations, supply chain, transport needs and employee safety.

As a subsidiary of Morgan Stanley Group, MS France is part of Morgan Stanley's overall climate change strategy, as articulated in its 2022 ESG report, which can be found at <https://www.morganstanley.com/about-us/sustainability-reports-research>.

Social Risk¹ is the risk of any negative financial impact on MS France stemming from the current or prospective impacts of social factors on its counterparties or invested assets. Social Risks may include unsafe working conditions, human and labour rights violations and modern slavery (e.g., child labour, forced labour or human trafficking), community protests, violations of Indigenous Peoples rights, and damage to cultural heritage.

Environmental and Social Risk Management ("ESRM")

MS France is part of the overall Morgan Stanley Group approach to the management of environmental and social risks that could impact its reputation. Morgan Stanley Group's ESRM Group provides internal subject matter expertise on environmental and social risk and monitors emerging environmental and social issues. Risk management processes are designed to identify, assess and address potentially significant environmental and social issues that may impact the Morgan Stanley Group's, clients, and other stakeholders. For further detail, refer to Morgan Stanley's Environmental and Social Policy Statement which can be found at <https://www.morganstanley.com/about-us-governance>.

Governance Risk¹ is the risk of any negative financial impact on MS France stemming from the current or prospective impacts of governance factors on its counterparties or invested assets. Governance Risk at the Morgan Stanley Group's counterparties may include such factors as board oversight, shareholder rights, audit practices, tax evasion, and corruption and bribery (including sanctions and money-laundering).

The Morgan Stanley Group takes an integrated approach to governance risk management with oversight from firm leadership and input from across core businesses and support functions. MS France operates as part of, and within the frameworks established by, the wider Morgan Stanley Group. In line with Morgan Stanley's approach to ESG risk matters, governance risk issues are integrated into Morgan Stanley Group's existing risk management processes.

¹ ESG Risk definitions are sourced from [EBA Report 2021/18 Management and Supervision of ESG Risks for Credit Institutions and Investment Firms](#) as required by IFR Article 53.

4. Appendix I: Abbreviations

Term	Definition
ACPR	Authority of Prudential Control and Resolution
EBA	European Banking Authority
ESG	Environmental, Social and Governance
ESRM	Environmental and Social Risk Management
IFR	Investment Firms Regulation
ITS	Implementing Technical Standards
MiFID	Markets in Financial Instruments Directive
MS France	Morgan Stanley France S.A.
MSEHSE	Morgan Stanley Europe Holding SE
RTS	Regulatory Technical Standards