

Morgan Stanley

Environmental and Social Policy Statement

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Morgan Stanley

1. Introduction

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

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

2. Approach to Sustainability

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

- **Global Sustainable Finance** partners with teams in Institutional Securities, Wealth Management and Investment Management to provide innovative environmental, social and governance (ESG) advice, products and solutions for our clients.
- **Firmwide Sustainability** works to integrate ESG considerations across our business practices, operations and culture. This includes driving our firmwide climate strategy, managing our ESG disclosures, engaging with stakeholders and reducing the environmental impact of our operations.
- **The Morgan Stanley Institute for Sustainable Investing (ISI)** provides thought leadership and capacity-building programs related to the field of sustainable investing. The ISI receives guidance from an external advisory board of experts from the private and public sectors, as well as academia.

Integral to our approach are our firmwide sustainability goals:

- Mobilizing \$1 trillion in capital toward sustainability solutions in support of the UN Sustainable Development Goals by 2030. This includes an updated low-carbon and green financing¹ target of \$750 billion announced in 2021, tripling our initial 2018 commitment of \$250 billion.
- Helping facilitate the prevention, reduction and removal of 50 million metric tons of plastic from the natural environment by 2030 through the [Morgan Stanley Plastic Waste Resolution](#).
- Reaching net-zero financed emissions² by 2050. This includes 2030 interim targets for three sectors within our lending portfolio — Auto Manufacturing, Energy and Power.
- In 2022, we achieved our goal of carbon neutrality across our global operations and 100% renewable electricity.³

3. Sustainable Finance and Investing

Morgan Stanley's three business units aim to advance the Firm's sustainability, climate and diversity & inclusion priorities by driving innovation across global markets. We aim to be our clients' financial services partner of choice for innovative financial solutions and advisory services designed to deliver both competitive financial returns as well as environmental and social benefit. A summary of each business unit is provided below. Refer to our annual [ESG Report](#) for more information.

Institutional Securities

Institutional Securities uses the scale and speed of capital markets to help serve clients, including those that seek to generate positive environmental and social benefits. Teams across the business—from Global Capital Markets and Investment Banking to Equities, Fixed Income and Research—work with clients to meet their objectives. For in-depth information on the sustainability capabilities of Morgan Stanley's Institutional Securities group, refer to our annual [ESG Report](#).

Wealth Management

Morgan Stanley's Investing with Impact Platform (IIP) delivers a range of investment products, portfolio solutions, tools and analysis for clients who seek to generate both market-rate financial returns and positive environmental and social impact. Investors may choose to advance sustainability objectives or focus on particular issues of interest such as mitigating climate change, supporting diversity and inclusion, or promoting community economic development across a range of approaches. For in-depth

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

² Financed emissions are defined as "absolute greenhouse gas emissions that banks and investors finance through their loans and investments" in the Global GHG Accounting and Reporting Standard for the Financial Industry. For more information, refer to Section 5.Climate Change.

³ The Firm's carbon neutral status reflects the actions outlined in the Morgan Stanley 2022 ESG Report. This is a management-determined metric that may be viewed or calculated differently by others who may use the same "carbon neutral" terminology. Morgan Stanley has determined that the boundary around our carbon neutrality status is scope 1, scope 2 location-based emissions, scope 3 business travel and downstream leased assets, carbon offsets purchased from the voluntary carbon market, green power contracts, and market instruments (e.g. Renewable Energy Certificates (RECs), Energy Attribute Certificates (EACs)). There are instances where green power contracts and instruments that we accept for our purposes to meet carbon neutrality do not align with the criteria required to reflect those purchases in our scope 2 market-based figure in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition) ("GHG Protocol"). For our GHG emissions table aligned with the GHG protocol, please see the Morgan Stanley 2022 [ESG Report](#).

information on the sustainability capabilities of Morgan Stanley Wealth Management, refer to our annual [ESG Report](#).

Investment Management

Morgan Stanley Investment Management provides specialization across a range of asset classes in public and private markets. Our independent investment teams leverage Morgan Stanley's global resources to serve a diverse client base of governments, institutions, corporations, advisors and individuals worldwide. We offer clients a range of sustainable investing solutions from products that integrate ESG factors at various stages of the investment lifecycle to funds that seek to achieve attractive financial returns alongside positive environmental and/or social impacts.

For more information on Investment Management's approach to sustainable investing, please refer to the [Sustainable Investing](#) page of our website, MSIM's [Sustainable Investing Policy](#) and our annual [ESG Report](#).

4. Environmental and Social Risk Management

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

Among other activities, the **Environmental and Social Risk Management Group** (ESRM) provides internal subject matter expertise on environmental and social risk, manages development and implementation of this Environmental and Social Policy Statement and related policies and procedures, conducts due diligence on relevant transactions, engages with stakeholders, and monitors emerging risks and developments in partnership with the business units, GSO and other relevant control functions.

Process and Scope

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

- lending (corporate and project),
- debt and equity underwriting,
- private placements,
- investment banking and capital markets advisory assignments,
- investment management activities related to private equity, private real assets and private credit investing, and
- other transactions or activities as applicable and appropriate.

For issues or transactions that fall outside the scope of this Policy, business units and internal control functions may also request ESRM views or advice as appropriate.

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

Due Diligence

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

ESRM analyzes environmental and social risks through a due diligence process that considers international frameworks, such as the [International Finance Corporation \(IFC\) Performance Standards](#), the [World Bank Group Environmental, Health and Safety Guidelines](#), and the [OECD Guidelines for Multinational Enterprises](#) as well as relevant industry good practices and sector-specific internal guidelines. Companies⁴ are expected to comply with relevant local and national laws, as well as with host-country obligations under international laws. For project financing, the due diligence process incorporates consideration of the Equator Principles.

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

Enhanced Due Diligence

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

Client Engagement

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

Morgan Stanley supports the transition to a low-carbon economy and the goal of achieving net-zero by 2050. Our focus remains on understanding and actively supporting our clients' climate strategies and helping them navigate a world where climate risks and opportunities are becoming increasingly important. We engage with clients, where appropriate, to understand their greenhouse gas reduction

⁴ For purposes of this Policy Statement, the term 'companies' is used to refer to clients, companies in which Morgan Stanley invests, and other relevant counterparties. This term may refer to public entities or other non-corporate entities.

initiatives, and diversification and transition strategies. More information on our engagement with clients is available in our [ESG Report](#).

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

Escalation

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

Sector Approaches

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

Power

Coal-Fired Power Generation

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

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

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

We will engage with clients in the power sector that derive revenue from coal-fired power generation to understand their greenhouse gas reduction initiatives, transition plans, strategies to diversify away from coal, and net-zero commitments.

Nuclear Energy

When considering financings directly related to the construction of new or upgrades of existing nuclear power plants, we will conduct enhanced due diligence. Enhanced due diligence considerations may include the host country and international legal, regulatory, and safety frameworks, environmental and social impacts, including community impacts, and the company's framework for and track record in managing seismicity, material and waste management, water use, and occupational health and safety.

Hydropower

When considering financings directly related to the construction of new large-scale hydropower projects, we will conduct enhanced due diligence. Enhanced due diligence considerations may include review of available environmental and social impact assessments and impacts on legally protected areas and local communities. The International Hydropower Association Sustainability Assessment Protocol will be referenced as guidance.

Mining

Thermal Coal Mining

Our exposure to thermal coal mining globally has reduced in recent years, and we will seek to continue to manage our exposure at a reduced level and consistent with this Policy Statement.

- *Mountaintop removal mining* – We will not provide financing where the specified use of proceeds would be directed toward mountaintop removal (MTR) mining. We will not provide financing for companies that rely on MTR for anything more than a limited portion of their annual coal production, nor will we provide financing for any company that does not have a plan to eliminate existing MTR operations in the foreseeable future.
- *New thermal coal mining* – We will not provide financing where the specified use of proceeds would be directed toward new thermal coal mine development or expansion of existing mines.

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

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

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

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

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

Metals Mining

When considering transactions involving metals mining, we will conduct enhanced due diligence. Enhanced due diligence considerations may include impacts on biodiversity, natural resources, local communities and Indigenous Peoples, and the company's framework for and track record in managing

waste (such as tailings storage facilities), water resource management, land acquisition and involuntary resettlement, labor and occupational health and safety, human rights, and compliance with regulations and international standards.

Oil and Gas

We will engage with clients in the oil and gas sector to understand their greenhouse gas reduction initiatives, carbon capture initiatives, net-zero commitments, transition plans, and other relevant diversification strategies.

Arctic Oil and Gas

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

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

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

Oil Sands

When considering transactions related to oil sands development, we will conduct enhanced due diligence. Enhanced due diligence considerations may include impacts on biodiversity, freshwater resources, and local communities and Indigenous Peoples, including Canada's First Nations communities, and the company's framework for and track record in managing greenhouse gas emissions reduction strategies and actions, spills and leaks, waste and wastewater management and occupational health and safety.

Ultra-Deepwater Oil and Gas

When considering transactions related to ultra-deepwater oil and gas, we will conduct enhanced due diligence. Enhanced due diligence considerations may include impacts on biodiversity and the company's framework for and track record in managing greenhouse gas emissions, spills and leaks, and occupational health and safety.

Shale Oil and Gas

When considering transactions related to the exploration and production of shale oil or gas using hydraulic fracturing, we will conduct enhanced due diligence. Enhanced due diligence considerations may include impacts on biodiversity and freshwater resources, local communities and Indigenous Peoples, and the company's framework for and track record in managing seismicity, greenhouse gas emissions, including methane leaks, spills, water use, waste and wastewater management, and occupational health and safety.

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

When considering transactions related to the construction or operation of oil and gas transportation pipelines or LNG plants and terminals, we will conduct enhanced due diligence. Enhanced due diligence considerations may include impacts on biodiversity, protected areas and freshwater resources, local communities and Indigenous Peoples, and the company's framework for and track record in managing spills and leaks, including methane, and occupational health and safety.

Forestry

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

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

When considering direct financing for forestry projects that impact high conservation-value forests, we expect companies that are directly involved in timber logging to have obtained or be working toward Forest Stewardship Council (FSC) certification or a comparable certification. Compliance with applicable local, national and international laws and regulations is required. Companies that are in compliance with applicable laws and regulations but have not obtained or are not working toward FSC or a comparable certification will be considered on a case-by-case basis if they can demonstrate compliance with the FSC Principles. In such cases, we will introduce or refer relevant clients to credible experts who can help them establish a rigorous, time-bound, stepwise approach to achieve certification within three years.

For these transactions, due diligence considerations may include a company's policies and practices to manage impacts on local communities and Indigenous Peoples, biodiversity and sensitive areas, such as peatlands. We will also review companies' policies and practices with respect to the principles of No Deforestation, No Peat, No Exploitation (NDPE), as well as any known controversies.

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

Agricultural Commodities

Morgan Stanley recognizes the environmental and social risks associated with the production and processing of agricultural commodities. The industry is characterized by complex supply chains that often stretch over multiple tiers of suppliers and geographies.

As part of the due diligence process for clients involved in the agricultural commodities sector, we will review companies' policies and practices with respect to biodiversity and deforestation, sustainable sourcing, traceability, climate change, working conditions, human rights, animal welfare, conservation and treatment of natural and/or critical habitats and environmental stewardship.

For commodities sourced from higher-risk regions, we will conduct enhanced due diligence. Enhanced due diligence will include review of clients' policies and practices with respect to use of the relevant cut-off dates regarding cleared or converted land, in line with relevant regulations and standards, to the extent possible.

Palm Oil

Morgan Stanley will not provide financing for companies that are directly involved in the production of palm oil unless they have an NDPE policy or time-bound plan to develop one and have achieved Roundtable on Sustainable Palm Oil (RSPO) certification or have a time-bound plan to achieve certification. Compliance with applicable local, national and international laws and regulations is required. For these transactions, we will conduct enhanced due diligence. Enhanced due diligence considerations may include review of a company's policies and practices with respect to managing impacts on local communities and Indigenous Peoples, and biodiversity and sensitive areas.

We expect companies that are involved in palm oil processing and trading to have achieved RSPO certification or have a time-bound plan to achieve certification. When considering transactions involving palm oil processors and traders, we will conduct enhanced due diligence. Enhanced due diligence considerations may include review of a company's sustainable sourcing and NDPE policies and practices, as well as review of any known controversies, active RSPO complaints, and other sensitive issues.

Soy

Morgan Stanley will not provide financing for companies involved in the production of soy unless they have achieved Roundtable on Responsible Soy (RTRS) responsible soy production certification or have a time-bound plan to achieve certification. When considering transactions involving soy producers, we will conduct enhanced due diligence. Enhanced due diligence considerations may include review of a company's policies and practices with respect to managing impacts on local communities and Indigenous Peoples, biodiversity and sensitive areas, NDPE and sustainable sourcing.

We expect companies that are involved in processing and trading soy to have achieved RTRS chain of custody certification or have a time-bound plan to achieve certification. When considering transactions involving soy processors and traders, we will conduct enhanced due diligence, including review of a company's sustainable sourcing policies and practices, as well as any known controversies.

Beef

For transactions involving beef producers, particularly those operating in higher-risk regions, we will conduct enhanced due diligence. Enhanced due diligence considerations may include review of a company's policies and practices with respect to managing impacts on local communities and Indigenous Peoples, biodiversity and sensitive areas, sustainable sourcing and traceability, and relevant no-deforestation and no-conversion commitments.

Cross-Sector and Thematic Approaches

Biodiversity, Critical Habitats and Critical Cultural Heritage

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

We will not knowingly finance projects where the use of proceeds supports the development or expansion of projects in UNESCO World Heritage sites unless there is prior consensus between the host country government and UNESCO that the activity would not adversely impact the Outstanding Universal Value⁵ of the site.

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

Human Rights

Potential human rights issues, including within a company's supply chain, are considered in our due diligence processes as appropriate. Areas of heightened human rights risks, including modern slavery and adverse impacts on Indigenous Peoples, undergo enhanced due diligence and may be escalated to senior management. Enhanced due diligence may include engagement with clients to further assess their risk management and remediation approaches.

Please refer to Section 6, "Human Rights" for more information on our approach to human rights.

Modern Slavery

Morgan Stanley will not knowingly engage in transactions where there is credible evidence of modern slavery, such as forced labor, human trafficking, or harmful or exploitative forms of child labor⁶.

For transactions that may have potential exposure to modern slavery risks, we conduct enhanced due diligence. Enhanced due diligence considerations may include review of a company's relevant policies, procedures, and controls in place to prevent or mitigate modern slavery risks within their operations and supply chains.

Indigenous Peoples

Morgan Stanley recognizes that the identities and cultures of Indigenous Peoples are inextricably linked to the lands on which they live and the natural resources on which they depend. We respect the rights

⁵ Outstanding Universal Value is defined as cultural and/or natural significance which is so exceptional as to transcend national boundaries and to be of common importance for present and future generations of all humanity.

⁶ Harmful or exploitative forms of child labor are defined as work that is economically exploitative, is likely to deprive children of their childhood, their potential, and their dignity, and is mentally, physically, socially or morally dangerous and harmful to children. This is consistent with the definition of "child labor" by the [International Labour Organization](#).

of Indigenous Peoples globally regarding issues affecting their lands and territories, traditionally owned or otherwise occupied and used.

When financing transactions where a significant portion of the use of proceeds may directly impact Indigenous Peoples, Morgan Stanley expects project sponsors or borrowers to demonstrate alignment with the objectives and requirements of IFC Performance Standard 7, including the requirements for free, prior and informed consent⁷ in the circumstances outlined in the performance standard.

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

5. Climate Change

Morgan Stanley recognizes the growing impacts of climate change on the global economy, our clients, investments, operations, employees, and local communities - underscoring the critical need to work toward net-zero emissions by 2050. To facilitate the transition toward a net-zero economy, we are working to increase resiliency in our own operations and provide solutions to clients in their transitions, supporting the decarbonization of the real economy. For more information, refer to our net-zero strategy page [here](#).

Our approach to managing climate risks and pursuing transition finance opportunities is informed by our four-pillar climate strategy with the overall goal of achieving net-zero financed emissions by 2050 as reported in our most recent ESG Report found [here](#).

Climate Strategy

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

- Supporting the transition to a low-carbon and green economy – Partnering with clients on solutions by mobilizing capital and publishing thought leadership for investors that highlights the opportunities in the climate transition.
- Managing climate risk – Integrating climate considerations across our risk management processes and governance structures.
- Providing relevant, transparent and useful climate-related disclosures – Reporting annually on our progress addressing climate change, using the framework created by Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) to guide our disclosure.

⁷ Although no universal definition of free, prior and informed consent (FPIC) exists, it is well-accepted that it comprises a process and an outcome in which project sponsors and the government engage in good faith negotiation with the affected Indigenous Peoples to agree on the basis for which a project can proceed. FPIC neither requires unanimous support by individuals or sub-groups within the community nor requires the project sponsors to agree to aspects not under their control.

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

Climate Risk Management

Morgan Stanley deploys expertise and resources to explore how and where we may face potential risks from the ongoing impacts of climate change. The **Firm Risk Management Group (FRM)**, in partnership with GSO and other areas of the Firm, focuses on identifying and managing financial risks related to climate change to limit their potential financial impact on Morgan Stanley.

Morgan Stanley categorizes the risks associated with climate change into two groups:

- **Transition Risks:** Risks associated with the move to a low-carbon economy, generally falling into three categories: policy and legal changes, technology advancements, and market changes, including those resulting from reputational impacts.
- **Physical risks** – These risks are categorized into acute and chronic risks. Acute risks are generally discrete events such as hurricanes, floods, and wildfire, while chronic risks are longer-term shifts in climate patterns, such as higher average temperatures, rising sea levels, and long-term drought.

Morgan Stanley views climate risk as an overarching risk that is a driver of other risk types, such as credit risk, market risk, operational risk and liquidity risk. We manage such climate risk through the application of our standard risk management framework, which is divided into four steps: Identify, measure, manage, and communicate.

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

Metrics and Targets

Morgan Stanley has established a commitment to reach net-zero financed emissions by 2050 and announced 2030 interim targets in late 2021. Our interim 2030 financed emissions lending intensity reduction targets are for our most carbon-intensive sectors.

A summary of our targets is below:

Sector	2030 Reduction Target
Auto Manufacturing	-35%
Energy	-29%
Power	-58%

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

For more information on our targets and reported progress, refer to our ESG Report found [here](#).

Climate Governance

The Risk Committee of our Board of Directors oversees climate risks, and a wide range of committees and working groups across the Firm provide expertise and input that enhance our approach to climate. For example:

- The Climate Risk Committee (CRC) reports to the Firm Risk Committee (FRC) and subsequently the Board Risk Committee and oversees matters relating to the Firm's financial and non-financial exposure to climate risk, including monitoring the Firm's climate-related commitments and reviewing and/or approving certain emissions-related matters.
- The Emissions Oversight Committee (EOC), a sub-committee of the CRC, oversees and may approve certain emissions-related matters.
- FRM Climate Steering Committee, a sub-committee of the CRC, reviews climate risk-related matters within FRM.

6. Human Rights

Morgan Stanley is committed to being a responsible corporate citizen and fulfilling the important role business can play in protecting and advancing global standards for human rights, including but not limited to equal opportunity, the freedom to associate and bargain collectively, and the elimination of modern slavery, human trafficking, forced labor and harmful or exploitative forms of child labor. We endeavor to exercise our influence by conducting our business operations in ways that seek to respect, protect and promote the full range of human rights, such as those described in the United Nations' Universal Declaration of Human Rights, the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work and associated conventions, and the UN Guiding Principles on Business and Human Rights (UNGP).

Our [Statement on Human Rights](#), approved by our Board of Directors, enshrines our commitment to respect and uphold human rights under the United Nations' Universal Declaration of Human Rights and the United Nations Guiding Principles on Business and Human Rights.

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

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

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

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

7. Governance, Implementation and Reporting

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

Governance

The Firm's ESG Committee provides ongoing oversight of the Firm's ESG Governance Framework and overall ESG strategy, in addition to areas such as ESG regulation and Firm ESG commitments.

The Governance and Sustainability Committee of the Morgan Stanley Board of Directors oversees the Firm's ESG initiatives. This Policy Statement is reviewed annually by ESRM, senior representatives of the business units, the GSO, and other relevant internal control functions and may be updated as necessary to reflect developments in our sustainability strategy or business operations. The results of the review are approved by the Global Franchise Committee and material amendments are presented to the Governance and Sustainability Committee of the Board of Directors for approval.

Training

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

ESRM conducts training on the Firm's environmental and social commitments, policies and diligence processes as necessary, including through mandatory Firm-wide training and additional trainings designed for relevant business units and functions.

Stakeholder Engagement

Morgan Stanley values the perspectives and insights of our internal and external stakeholders.

We are members of, and active participants in, certain external sustainable business initiatives and non-governmental organizations, such as:

- Business for Social Responsibility (BSR)
- Ceres Investor Network on Climate Risk and Sustainability
- ICMA Green & Social Bond Principles Advisory Council
- Net-Zero Banking Alliance (NZBA)

- Partnership for Carbon Accounting Financials (PCAF)
- Principles for Responsible Investment (PRI)
- Sustainable Markets Initiative (SMI)
- The Center for Climate and Energy Solutions (C2ES)

With respect to internal stakeholders, we regularly share information on the firm's sustainability initiatives and invite employees to engage on ESG issues. We believe that dialogue with internal stakeholders is important to ensuring that we consider diverse and timely perspectives in our approaches.

Reporting

Morgan Stanley is committed to regularly providing our stakeholders with information about our environmental and social risk management and sustainability performance. Morgan Stanley publishes an annual [ESG Report](#) with a focus on investor-relevant ESG data and information that now combines content from the Firm's prior Sustainability, Diversity and Inclusion, and Climate reports into one document. Additional information regarding our sustainability policies and performance can be found in the following locations:

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

Morgan Stanley is also committed to transparent disclosure of information in addition to continuous improvement in our reporting and disclosure. We leverage the SASB and TCFD frameworks to guide our reporting and monitor the sustainability reporting landscape.