

Morgan Stanley

# 2022 ESG Report:

Diversity & Inclusion, Climate, and Sustainability



## TABLE OF CONTENTS

# 3

## From Our CEO

# 4

## Introduction

- 5 Our Business
- 6 About This Report
- 7 Approach to ESG
- 8 ESG Governance
- 11 2022 ESG Highlights

# 13

## People and Culture

- 14 Our Culture
- 16 Benefits and Wellbeing
- 18 Our Compensation Practices
- 20 Supporting Communities Where We Live and Work

# 23

## Diversity and Inclusion

- 24 Leadership Statement and D&I Strategy
- 26 Workforce
- 32 Society
- 34 Marketplace

# 36

## Climate

- 37 Leadership Statement and Climate Strategy
- 47 Climate Risk Management
- 52 Climate Metrics and Targets

# 61

## Sustainability

- 62 Leadership Statement
- 63 The Morgan Stanley Institute for Sustainable Investing
- 67 Risk Management
- 71 Governance and Business Ethics

# 75

## Solutions and Services

- 76 Sustainable Finance Target
- 78 Institutional Securities
- 82 Wealth Management
- 86 Investment Management
- 92 Community Development Finance
- 94 Inclusive Ventures Group

# 95

## Appendices

- 96 2022 ESG Data
- 100 2022 EEO-1 Data
- 101 SASB Index
- 104 TCFD Index
- 105 Approach to Transition Index
- 107 Operational Emissions Methodology
- 110 Awards and Recognition
- 111 Independent Accountant's Review Report
- 114 Disclosures



# From Our CEO

Morgan Stanley delivered strong financial results in 2022 against a complex and challenging macroeconomic backdrop.

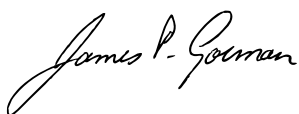
In 2022, we saw significant tightening of monetary policy to combat record-high inflation, a war in Europe, and continued geopolitical and political tensions—all of which led to volatile markets and the weakening of corporate confidence. Amid these uncertainties, the Firm proved resilient, with strong operating metrics, and we remained committed to helping our clients and communities.

Our businesses have worked in tandem to embed environmental, social and governance (ESG) practices and product delivery for clients across the Firm. This report continues our approach to provide a transparent view of our ESG efforts, and illustrates the connectivity among our approaches to diversity and inclusion (D&I), climate and sustainability.

## IN 2022:

- We strengthened our focus on improving diverse representation and belonging across our workforce. We also continued to address issues of inequity externally through initiatives such as the Equity in Education and Career Consortium, which is helping drive stronger career and earnings outcomes for students from low-income backgrounds.
- I am proud that we have reached over \$700Bn toward our goal to mobilize \$1Tn in capital for sustainability solutions by 2030. This progress includes over \$550Bn towards low-carbon and green solutions. Teams across the Firm contributed to this goal by delivering products that align with at least one of 12 eligible sustainability themes.
- We also welcomed a second cohort of five visionary startups from around the world to the Sustainable Solutions Collaborative. This initiative aims to support concepts with the potential to provide breakthrough innovations by providing grants of \$250,000 to participants to support their work.

At Morgan Stanley, our D&I, climate and sustainability efforts go hand in hand. We have made progress across our business, with our Firm's culture guiding our activities. As we continue to deliver long-term value for our shareholders, we remain focused on ESG objectives for our clients, employees and the communities in which we live and work.

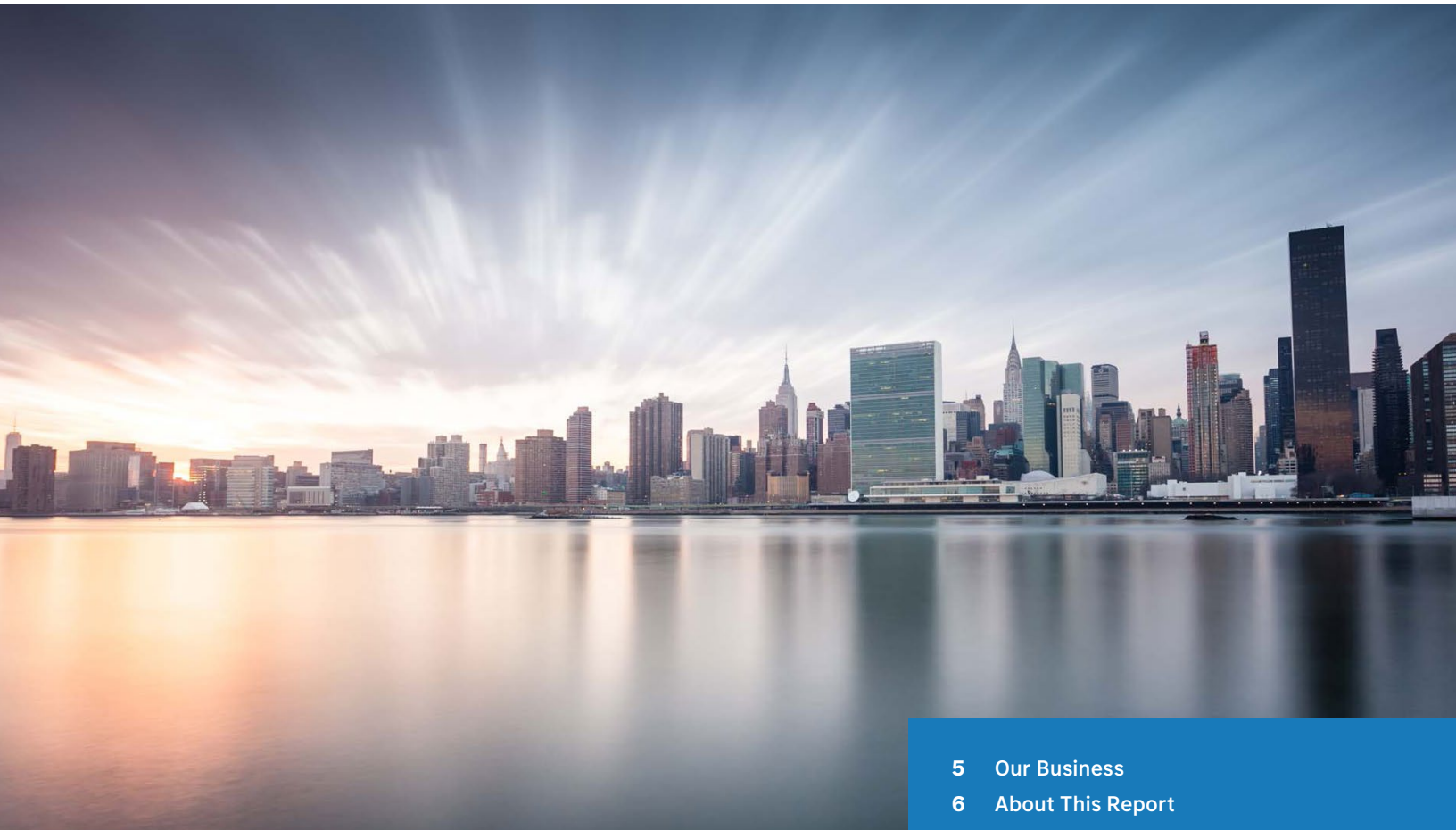


**JAMES P. GORMAN**

Chairman and CEO, Morgan Stanley  
July 2023



# Introduction



Morgan Stanley is a leading global financial services firm, employing more than 82,000 people in 41 countries.<sup>1</sup> We maintain significant market share in our three business segments—Institutional Securities, Wealth Management and Investment Management. Our business activities and stakeholder relationships are guided by our core values: Put Clients First, Do the Right Thing, Lead With Exceptional Ideas, Commit to D&I and Give Back.

<sup>1</sup> The data included in this report is as of December 31, 2022 unless otherwise stated.

- 5 Our Business
- 6 About This Report
- 7 Approach to ESG
- 8 ESG Governance
- 11 2022 ESG Highlights

# Our Business



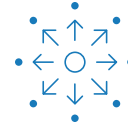
## INSTITUTIONAL SECURITIES

Provides a variety of products and services to corporations, governments, financial institutions and ultra high net worth clients. Investment Banking services consist of capital raising and financial advisory services, including the underwriting of debt, equity and other securities, as well as advice on mergers and acquisitions, restructurings, and project finance. Our Equity and Fixed Income businesses include sales, financing, prime brokerage, market-making, Asia wealth management services and certain business-related investments. Lending activities include originating corporate loans and commercial real estate loans, providing secured lending facilities, and extending securities-based and other financing to customers. Other activities include 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, custody, administrative and investment advisory services; self-directed brokerage services; financial and wealth planning services; workplace services, including stock plan administration; securities-based lending, residential real estate loans and other lending products; banking; and retirement plan services.

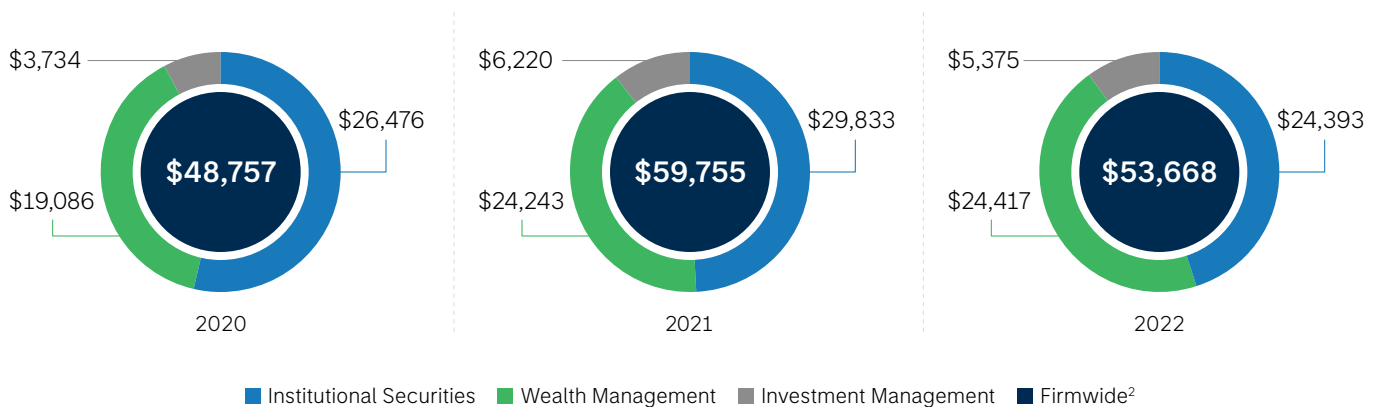


## INVESTMENT MANAGEMENT

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, alternatives and solutions, and liquidity and overlay services. Institutional clients include defined benefit/defined contribution plans, foundations, endowments, government entities, sovereign wealth funds, insurance companies, third-party fund sponsors and corporations. Individual clients are generally served through intermediaries, including affiliated and non-affiliated distributors.

## Financial Performance

(Net Revenue, USD millions)



For more information, please see our [Annual Report on Form 10-K](#) for the year ending December 31, 2022 (2022 Form 10-K).

<sup>2</sup> Firmwide totals are inclusive of intersegment eliminations not represented in the table.

# About This Report

This report provides a comprehensive overview of Morgan Stanley’s activities, progress and performance on the ESG topics most important to our clients, shareholders and communities. It represents a new approach to our disclosure that combines and brings transparency to our efforts across diversity and inclusion, climate and sustainability.

The report’s data, content and narrative are informed by the Sustainability Accounting Standards Board (SASB) standards for Investment Banking, Asset Management and Commercial Banking and the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). In addition, we include information on topics of interest to key stakeholders based on periodic analyses and ongoing benchmarking exercises. The content included in this report covers activities during calendar year 2022 unless otherwise stated.

We are committed to transparent disclosure of information on all aspects of our ESG journey. Our ESG Disclosure Committee, comprised of senior leaders from across the Firm, provides input on, reviews and approves corporate ESG disclosures. Controls around ESG information continue to evolve and develop.

For more information on our ESG-related activities, please visit our website to download complementary disclosures:

- [Morgan Stanley Sustainability Reports and Insights](#)
- [Morgan Stanley Diversity and Inclusion](#)
- [Morgan Stanley Investor Relations](#)
- [Morgan Stanley Corporate Governance](#)
- [Sustainability at Morgan Stanley Investment Management](#)
- [Morgan Stanley Wealth Management Investing with Impact](#)



# Approach to ESG: Diversity and Inclusion, Climate and Sustainability at Morgan Stanley

Through the lens of our core values, our goal is to deliver best-in-class solutions across the full Morgan Stanley ecosystem.

**OUR INTEGRATED APPROACH TO ESG COMBINES THE CONSIDERATION OF DIVERSITY AND INCLUSION, CLIMATE AND SUSTAINABILITY:**



You can find further details on our diversity and inclusion strategy [here](#), our climate strategy [here](#), and our sustainability strategy [here](#).



# ESG Governance

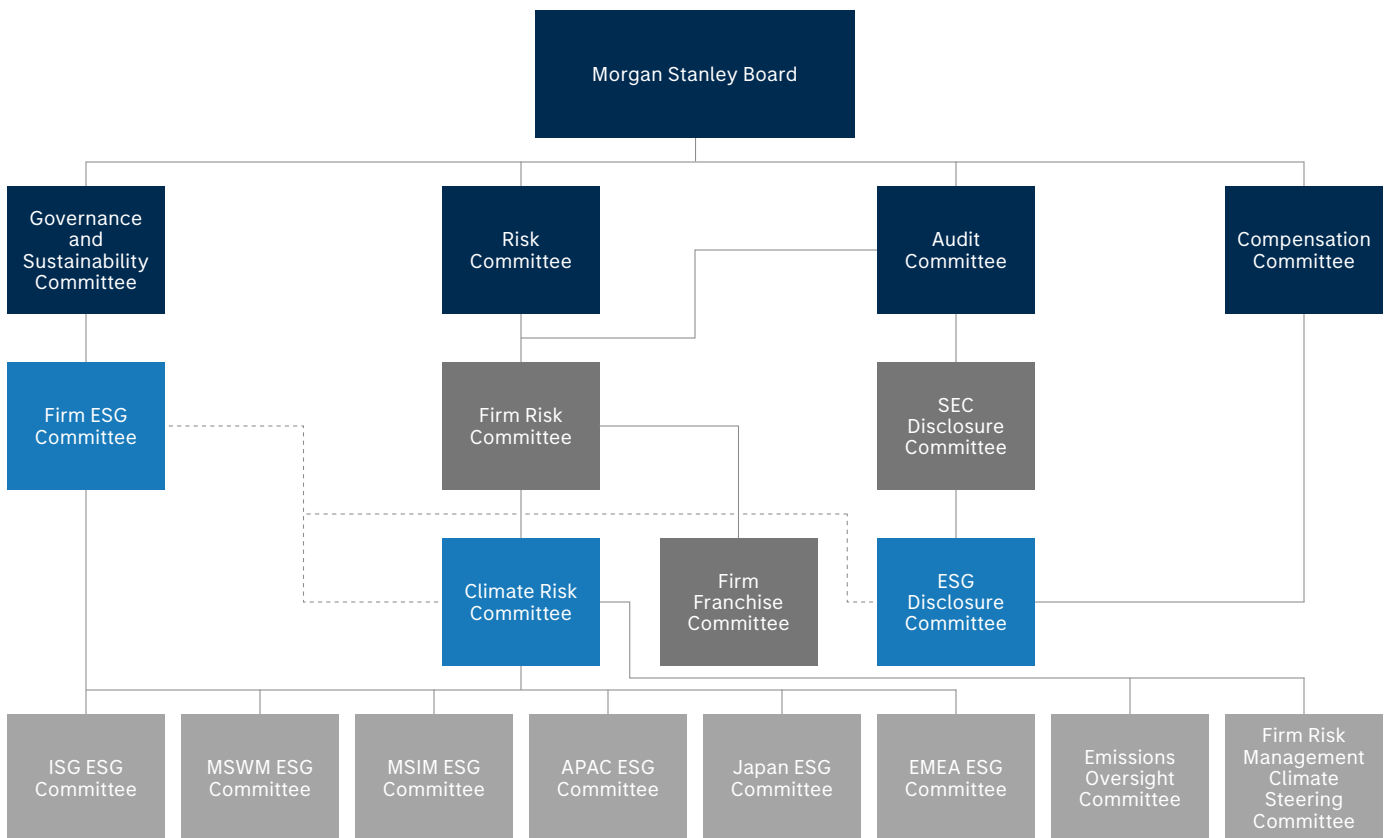
We believe Morgan Stanley’s robust governance and business practices help foster client and stakeholder trust, and provide a foundation for success. ESG governance, encompassing our diversity and inclusion, climate, and sustainability efforts, starts with leadership from the top and is embedded in committees across the Firm.

## BOARD LEADERSHIP, ACCOUNTABILITY AND ENGAGEMENT

Morgan Stanley board of directors (Board) committees have explicit oversight responsibilities for D&I, climate and sustainability. The Governance and Sustainability Committee, which was previously the Nominating and Governance Committee, has overseen ESG initiatives for several years. The Board Risk Committee oversees climate risks.

The Compensation, Management, Development and Succession (CMDS) Committee assists the Board in its oversight of strategies, policies and practices related to human capital, including diversity and inclusion. The Audit Committee oversees the Firm’s voluntary public sustainability and climate disclosures. The full Board is briefed on topics across each theme, as appropriate.

## ESG Governance Framework



■ Board Level Committees ■ Firmwide Oversight Committees ■ Firmwide ESG Committees ■ Key ESG Committees With Specific Remit



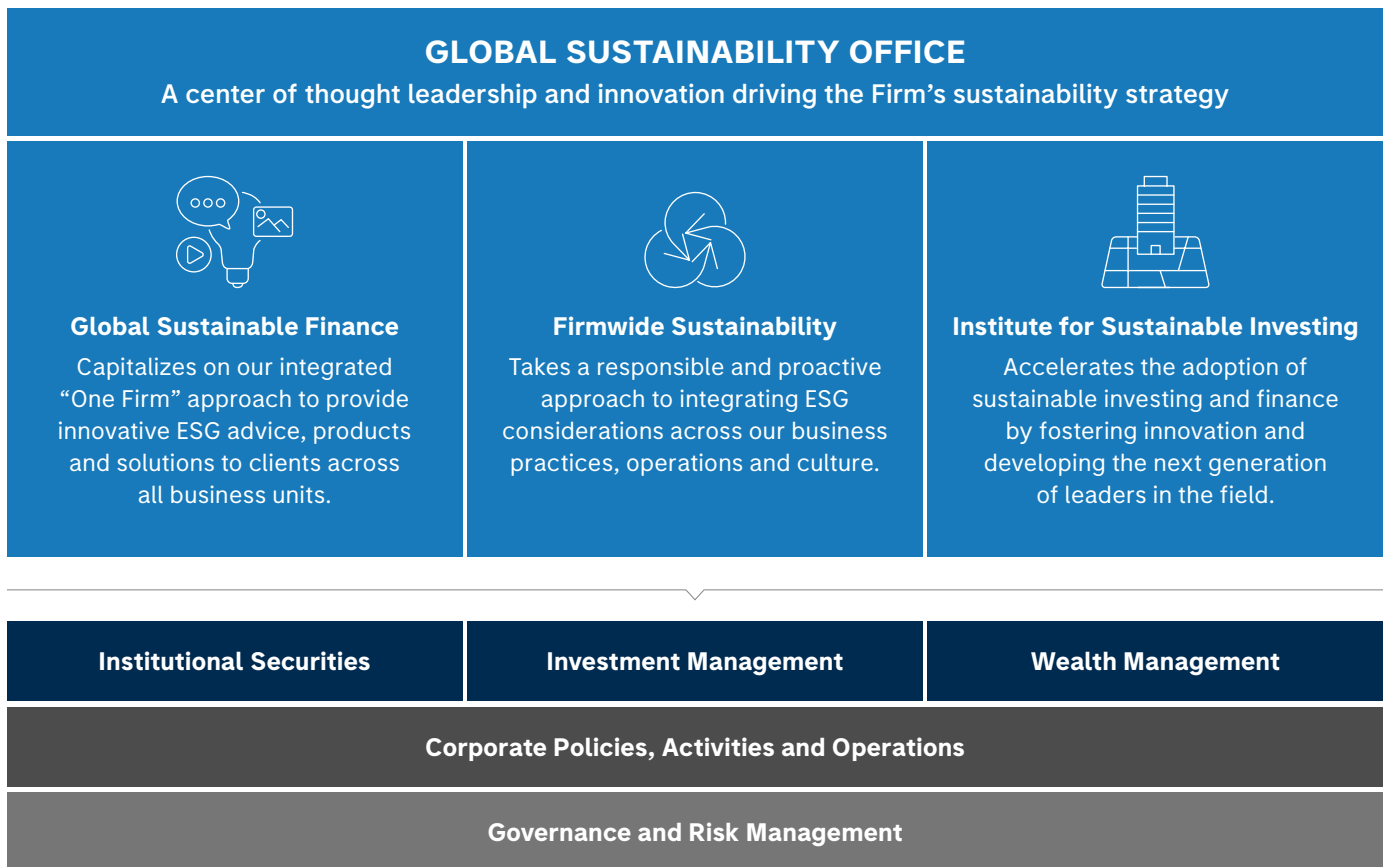
In 2022, Morgan Stanley worked to enhance Firmwide ESG governance, by formalizing and standardizing the ESG organization structure (see ESG Governance Framework graphic on the prior page). We created or modified existing regional and business-unit-level committees to help ensure consistency in membership, structure and reporting lines. These ESG-related committees now report to the Firm ESG Committee, which oversees Firmwide ESG strategy, and to the Climate Risk Committee with respect to climate risk-related matters. In addition, ESG disclosure matters are reviewed by the ESG Disclosure Committee, with certain climate disclosures also reviewed by the Climate Risk Committee.

**CENTRALIZED TEAMS**

**Global Sustainability Office:** Led by our Chief Sustainability Officer and overseen by our Chief Administrative Officer, the Global Sustainability Office (GSO) drives the Firm’s sustainability strategy through thought leadership and innovation. GSO provides oversight of sustainability initiatives and works to ensure consistent integration of sustainability considerations across our corporate policies, business activities and operations. GSO partners closely with colleagues throughout our three business segments, as well as support services and risk and control functions.

**GSO is organized across three areas of focus:**

- **Global Sustainable Finance** partners with Institutional Securities, Wealth Management and Investment Management to provide innovative ESG advice, products and solutions for our clients. As part of this effort, the Morgan Stanley Sustainable Insights Lab serves as an ESG data hub for the Firm, catalyzing data-driven solutions and quantitative analyses on sustainability topics.
- **Firmwide Sustainability** works to integrate ESG considerations across our business practices, operations and culture. This includes driving our Firmwide climate strategy, managing key Firm ESG disclosures, engaging with stakeholders and reducing the environmental impact of our operations.
- **The Morgan Stanley Institute for Sustainable Investing (ISI)** helps accelerate the field of sustainable investing through thought leadership and capacity-building programs. The ISI is guided by an external [advisory board](#) that helps shape our ESG efforts both internally and externally.

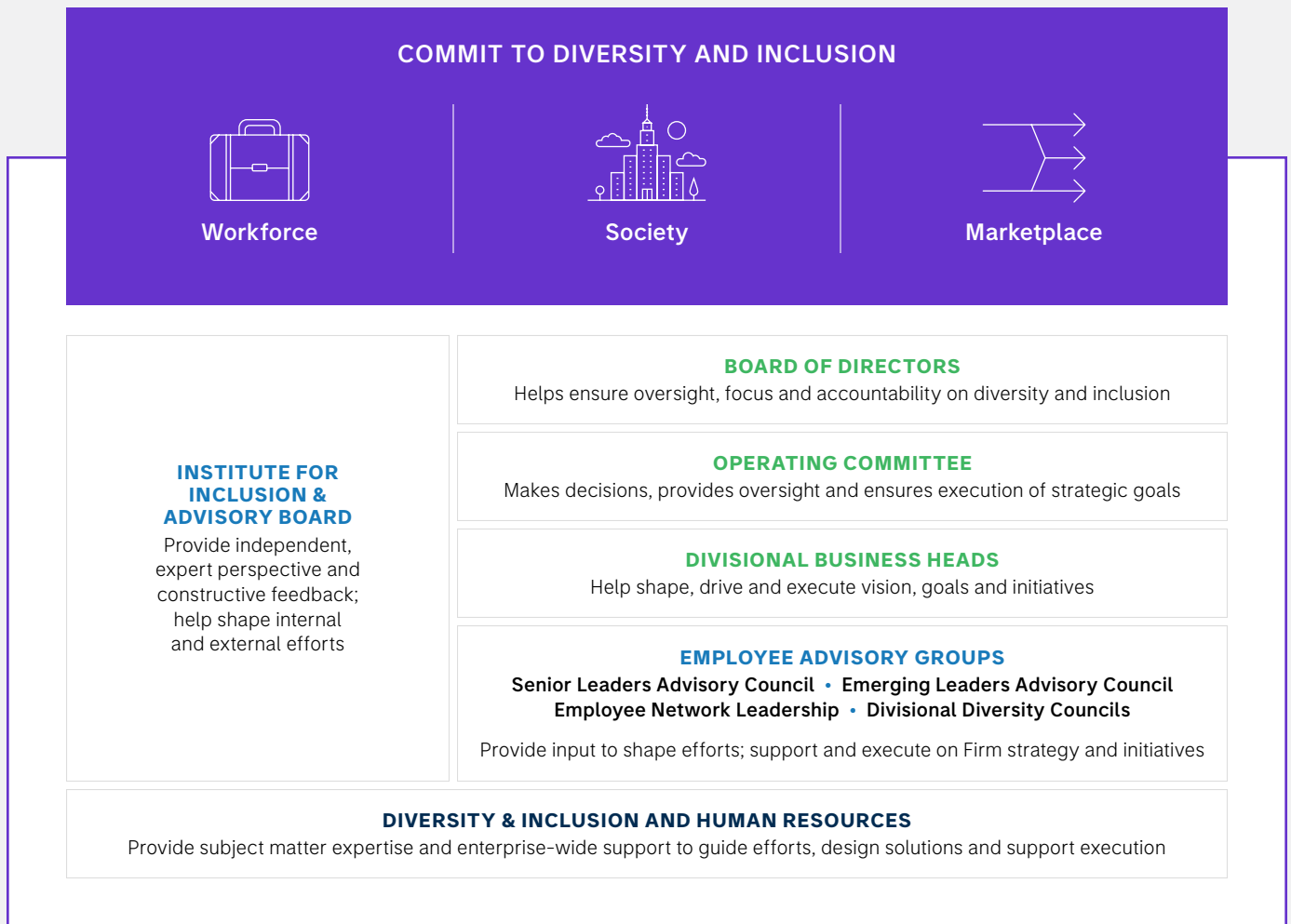


**GLOBAL OFFICE OF DIVERSITY AND INCLUSION**

Our diversity and inclusion team provides leadership and oversight for the Firm’s diversity efforts. In partnership with key stakeholders across the Firm, we build and deploy solutions to advance our D&I strategy, maintain a continuous

dialogue with key stakeholders and monitor our endeavors to help ensure effectiveness. The Morgan Stanley Institute for Inclusion and its external [advisory board](#) help shape the Firm’s internal and external diversity efforts.

## Diversity and Inclusion Governance



# 2022 ESG Highlights<sup>3</sup>

## FIRMWIDE GOALS

### SUSTAINABLE FINANCE TARGET

**\$700Bn+**

in capital mobilized toward our goal of **\$1Tn** by 2030, including **\$550Bn+** in low-carbon and green solutions

### CLIMATE GOALS



In 2020, we committed to achieving **net-zero** financed emissions by 2050



Achieved **carbon neutrality<sup>4</sup>** across global operations in 2022

### REPRESENTATION OBJECTIVES



In 2021, we committed to increasing women officers<sup>5</sup> globally by **25%** and Black and Hispanic officers in the U.S. by **50%**

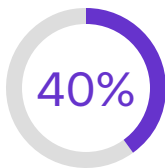
### PLASTIC WASTE RESOLUTION

**~14MM**

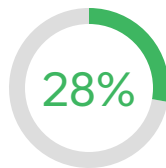
metric tons of plastic waste prevented, reduced or removed from the environment and landfills by 2030, making progress toward our goal of **50MM** metric tons by 2030

## DIVERSITY AND INCLUSION

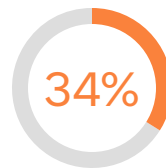
### WORKFORCE REPRESENTATION



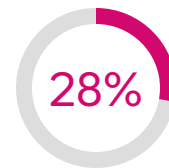
of our global employees are women



of our global officers are women



of our U.S. employees are ethnically diverse



of our U.S. officers are ethnically diverse

<sup>3</sup> Unless stated otherwise, data in this table is calculated as of the year ending December 31, 2022.

<sup>4</sup> Please see [Achieving Carbon-Neutral Operations](#) for more information.

<sup>5</sup> Officers are defined as employees at the managing director, executive director and vice president levels.

## INSTITUTE FOR SUSTAINABLE INVESTING

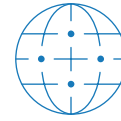
### SUSTAINABLE INVESTING CHALLENGE

250+ students from 51 schools in 35 countries entered our annual Sustainable Investing Challenge



■ Students' Home Countries ■ Countries Targeted for Impact

### SUSTAINABLE SOLUTIONS COLLABORATIVE



\$250,000 awarded to five innovative startups focused on global sustainability challenges

## SOLUTIONS AND SERVICES

### INSTITUTIONAL SECURITIES

~\$430Bn

ESG-labeled debt<sup>6</sup> transactions supported from 2013–2022, including nearly \$130Bn in 2022

### INVESTMENT MANAGEMENT

~\$40Bn

in AUM with Sustainability Features<sup>7</sup>

### WEALTH MANAGEMENT

~\$68Bn

in client assets invested on our Investing with Impact Platform (IIP)



The IIP helps serve over 328,000 clients

### COMMUNITY DEVELOPMENT FINANCE (2010–2022)

\$32Bn+

committed in community development loans and investments



\$426MM+ committed in small-business loans



246,000+ jobs created or retained

<sup>6</sup> Debt instruments that seek to achieve certain environmental and/or social criteria, such as Green, Social, Sustainability, and Sustainability-linked instruments.

<sup>7</sup> This AUM figure includes funds and mandates with at least one of the following sustainability features: 1. Impact objectives, 2. Sustainability theme objectives, 3. Tilts based on sustainability factors, 4. Low-Carbon or Net-Zero commitments. Parametric AUM is not currently included in this figure.

# People and Culture



Our people are our greatest asset, and the diversity of our workforce brings expertise and points of view that contribute to the success of the Firm.

- 14 Our Culture
- 16 Benefits and Wellbeing
- 18 Our Compensation Practices
- 20 Supporting Communities Where We Live and Work

# Our Culture

Built on our core values—Put Clients First, Do the Right Thing, Lead With Exceptional Ideas, Commit to Diversity & Inclusion, and Give Back—our culture sets us apart.

Over 82,000 dedicated colleagues globally embrace our values to deliver first-class service to our stakeholders and to the communities where we live and work. Morgan Stanley operates globally, with offices in 41 countries around the world. Leadership, including our Board, sets the tone for the Firm, and our executive teams drive a culture that is central to how we serve clients, how we advance and develop our workforce, and how we support the communities around us.

Our employees collaborate to deliver exceptional ideas and solutions to our client’s most complex challenges. Supporting diverse communities, embracing local cultures and celebrating the rich backgrounds that our colleagues bring to work every day is integral to our culture.

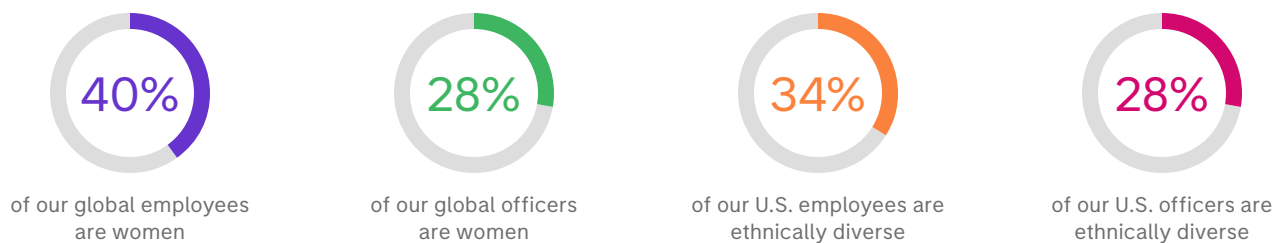
## IMPACT IN NUMBERS

### Our Global Community

(YE2022)



## REPRESENTATION

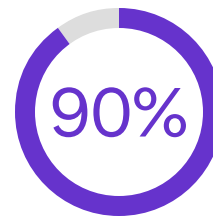


## The Voice of Our Employees

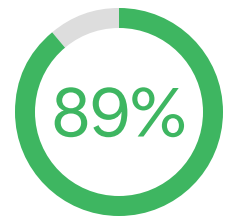
The results of our most recent biennial employee engagement survey demonstrate the strength of Morgan Stanley's commitment to its culture and employees.

More than 90% of our employees are proud to work at Morgan Stanley, citing the Firm's culture and conduct, its commitment to D&I, and feeling treated with dignity and respect in the workplace as key drivers.

Our employees also shared promising feedback about their careers and wellbeing. Eighty-four percent of employees say their direct manager is effective at managing them, and 82% said they feel valued at work. When it comes to supporting employees in their personal lives, 85% of employees said the Firm provides the resources they need to support their health and wellbeing.



of our employees  
say Morgan Stanley  
is committed to  
diversity



of our employees  
feel a sense of inclusion  
and belonging on  
their team



# Benefits and Wellbeing

At Morgan Stanley, the physical, mental and financial wellbeing of our global workforce and their families is paramount.

## Fostering Health and Wellbeing

Fostering a healthy and inclusive culture and supporting the positive physical, mental and financial wellbeing of our employees and their families is a priority of the Firm. Our global benefits strategy is informed by employee feedback, peer benchmarking and industry research.

Our wellbeing strategy centers around three pillars:

- **Awareness**—educating our employees on health and wellbeing matters and engaging them to take charge of their health and wellbeing
- **Prevention**—a focus on mitigating health risk and promoting healthy lifestyles
- **Access**—providing best-in-class resources for our employees

We proactively support the physical, mental and financial wellbeing of our employees and their families through a robust set of benefits offerings. Our comprehensive programs include health care and insurance coverages, mental health resources, retirement plans, flexible spending and health savings accounts, and tuition assistance. We also support employees and their families through flexible work, family leave, child and elder care resources, and family-building support, including assisting with the cost of fertility, adoption and surrogacy services. On-site services at locations around the globe include health centers, mental health counseling, fitness centers and physical therapy.<sup>8</sup>

## Expanded Caregiver and Health Care Benefits

To best help our employees support their families, the Firm introduced up to four weeks of paid family caregiver leave for employees<sup>9</sup> to care for a family member with a serious health condition, and expanded parental leave to a minimum of 16 weeks globally—in addition to up to six to eight weeks for any approved medical leave for employees who give birth.

To increase accessibility to quality health care, we launched a U.S. partnership with One Medical, a primary care provider that reduces barriers to quality care like long wait times, inconvenient locations and poor patient experience.



The Firm subsidizes memberships for One Medical’s in-person services and 24/7 virtual care for employees and dependents enrolled in our medical plan, with most virtual care delivered at no cost to employees.

To help families navigate health care complexities, we also introduced Accolade Health Assistants—a team of benefits specialists, doctors and pharmacists who can help employees and their families navigate health issues and benefits.

The Firm now covers the full cost of annual in-person medical exams for all employees in India. This new benefit also subsidizes health care for employees and their dependents and parents, and includes a home-delivery pharmacy service, as well as dental and vision care.

<sup>8</sup> Resources vary by country.

<sup>9</sup> U.S. employees who have been employed with the Firm for at least six months.



## Focusing on Mental Health and Wellbeing

Delivering fast, easy and affordable access to quality mental health services is an important way to encourage self care. The Firm has implemented a number of strategies to enable that access. Our Global Wellbeing Board sponsors strategy and drives programming to help employees access mental health and wellbeing care. Our managers are also accountable for supporting employee mental health and wellbeing; employees are required to rate their managers' ability to support and prioritize employee mental health and wellbeing as part of our annual performance evaluation process. Our Global Wellbeing Influencers are employee ambassadors who support colleagues by listening, advocating and sharing resources.

### CASE STUDY

## GLOBAL WELLBEING INFLUENCER NETWORK

In September 2022, we launched the Global Wellbeing Influencer Network, comprised of over 250 employees who promote wellbeing in our workplace. Influencers help communicate our wellbeing strategy, raise employee awareness of mental wellbeing issues and offer support to their colleagues.

Influencers participate in a 12-month training program that includes mental health awareness, education on workplace resources, and the fundamentals and importance of exercise, nutrition, sleep and mindfulness. As grassroots ambassadors for our wellbeing program, they share their knowledge and experiences to support co-workers and connect them to internal and external resources.



# Our Compensation Practices

The Firm’s business success depends on our ability to recruit and retain top talent.

## Pay Equity

Our compensation governance helps ensure equitable rewards for employees through:

- Robust practices that support fair compensation and support merit-based reward decisions
- Ongoing review of compensation decisions, including at the points of hire, promotion and mobility
- Regular assessment of our rewards structure to ensure equitable treatment for employees

Select regional policies prohibit the solicitation or use of previous compensation history at the point of hire, which helps minimize the risk of perpetuating pay inequities. We also conduct market analyses to help ensure that pay in each location, job level and function is competitive.

Compensation managers receive training to make decisions informed by employee performance dashboards and tools. Performance factors for these decisions include:

- Employees’ absolute and relative contributions
- Conduct and adherence to Morgan Stanley’s core values and other policies and procedures
- Performance feedback through the performance evaluation processes
- Market and competitive factors reflecting industry compensation trends and structures



## Executive Compensation

Our compensation programs are designed to motivate appropriate employee behaviors, deliver pay for sustainable performance, align with shareholder interests, support the recruitment and retention of top talent, and be consistent with the Firm’s strategy and values and legal and regulatory requirements.

The Board’s Compensation, Management Development and Succession Committee (CMDS) follows procedures intended to ensure excellence in compensation governance. Members of senior management, together with the CMDS Committee, oversee policies and procedures for:

- Compensation plan governance
- Funding and allocating the incentive compensation pool
- Use of discretion in determining individual incentive compensation awards
- Identifying “material risk-taker” employees
- Administering deferred compensation clawback and cancellation features

Each year, the Board and executive management team evaluate the Firm’s long-term strategic objectives and the Board approves financial and nonfinancial performance priorities for the Firm and its business segments. At the end of each year, the CMDS Committee assesses Firm and individual performance in achieving the performance priorities and determines incentive compensation for executive officers and other senior leaders based on its performance assessment. For the CEO, the CMDS Committee also discusses its performance assessment and incentive compensation determination with the Board.

For 2022, the CMDS Committee reviewed performance priorities in the areas noted above. ESG-related performance priorities include culture, leadership, talent development and diversity progress.

## 2022 Performance Priorities



### QUANTITATIVE

- Firm financial performance
- Capital and liquidity strength
- Business segment performance
- Expense efficiency ratio and ROTCE
- Total shareholder return

### QUALITATIVE

- Firm risk management and controls
- Board assessment of Firm culture, leadership, strategy, resilience and reputation
- Regulatory standing
- Talent development and diversity progress
- Firm’s credit rating

In 2022, an average of 61% of total compensation was variable for material risk-takers, of which 37% was subject to cancellation or clawback provisions. Employees who violate Firm policies may be subject to disciplinary action, including cancellation and clawback of compensation, reduction of bonuses, or termination of employment.

For 2022, 75% of our CEO’s incentive compensation was deferred over three years, subject to clawback; 60% of our CEO’s incentive compensation was delivered through future performance-vested equity awards; and 100% of our CEO’s deferred incentive compensation was delivered in equity awards.

For more information, including on our 2022 named executive officer compensation decisions, please see the Compensation Discussion and Analysis and the 2022 Summary Compensation Table sections of our [2023 Proxy Statement](#).

# Supporting Communities Where We Live and Work

Giving back is deeply rooted in our culture. Morgan Stanley has actively supported communities around the world for more than 85 years.

Morgan Stanley’s philanthropic efforts support communities financially and through employee engagement. The Morgan Stanley Foundation and Morgan Stanley International Foundation lead these efforts, bringing to life our core values of giving back and committing to D&I. In 2022, our Firm, foundations and employees collectively donated more than \$160 million to nonprofit organizations around the world.

## Our Focus on Supporting Children

Though we support a range of charitable causes, we focus on children’s mental and physical health by addressing food insecurity, creating safe and accessible places to play, and helping kids grow and thrive.

Amid the youth mental health crisis exacerbated by the pandemic and social inequity, the Morgan Stanley Alliance for Children’s Mental Health (Alliance) is actively addressing the critical challenges of stress, anxiety and depression in young people. The Alliance supports organizations through growth capital, nonprofit capacity building, seed funding and thought leadership. Launched in 2020, Alliance programs have reached 25 million students, families and educators globally, many of whom are from diverse and underserved groups.

In 2022, the Alliance launched its second annual Innovation Awards to identify and seed-fund transformative mental health care solutions for children across the United States. From more than 600 applicants, five grantees were selected based on their innovative solution: Closegap, The Confess Project, The Society for the Prevention of Teen Suicide, Strategies for Youth and Up2Us Sports.

Our thought leadership, research and events raise awareness on important matters, such as the benefits and drawbacks of children and family internet usage.





~\$166 million

donated by the Firm, its foundations and employees in 2022

~2.6 million

employee hours volunteered during Global Volunteer Month since 2006

25 million

reached by the Morgan Stanley Alliance for Children's Mental Health since 2020

## Employee Volunteering

We are committed to making a difference in the communities where our employees live and work. Our employees engage in the Firm's philanthropic programs year-round by volunteering, donating funds and collaborating with their colleagues to increase our collective impact.

2022 highlights include:

**Global Volunteer Month:** This annual cornerstone program brings our employees together to volunteer, and has provided nearly 2.6 million hours to local and international nonprofits since its inception in 2006. In 2022, over 41,600 employees in 29 countries devoted over 211,000 hours to local organizations addressing hunger relief, environmental conservation, education and more.

**Strategy Challenge:** This annual pro bono program in New York and London harnesses our employees' professional skills and expertise to provide strategic advice to nonprofits serving the needs of underserved communities. Over eight to 10 weeks, cross-divisional teams help local organizations scale their missions. Team recommendations have led to more effective business models, expanded services and improved productivity. Since 2009, employees have delivered 131,000 hours of pro bono service to 170 nonprofits, valued at \$25 million.

**Volunteer Incentives:** In 2022, we granted over \$2.1 million in support to hundreds of nonprofit organizations where our employees serve as dedicated volunteers or governing board members.

**Giving:** All Firm regions host charitable giving and matching programs for employees, increasing the impact of their donations to local and international organizations.

**Nonprofit Partners:** We form long-term partnerships around the world with local, national and international nonprofits, providing grants to help grow innovative programs and deepening our impact through employee volunteering. In the United States, our decade-plus partnership with Feeding America includes helping at food banks across the country, and we have served over 52,000 children in over 60 cities by building playgrounds and creative play sets with KABOOM!

**Disaster Response:** In 2022, we hosted employee giving and matching campaigns in response to the humanitarian crisis stemming from the war in Ukraine and Hurricane Ian's destruction in Florida. The Firm also donated funds to tackle the aftermath of heavy monsoon rainfall in Pakistan and damage from Hurricane Fiona in Puerto Rico.

## Employee Networks

As a vital part of our culture, our employee networks drive engagement, cross-business connectivity and idea sharing. They empower colleagues to share their distinct experiences and perspectives, learn and develop professionally, support one another, and give back to their communities through philanthropic and volunteer efforts. Active engagement and dialogue with network members are also invaluable in helping to better understand the needs of diverse employees and broader diverse communities, and in shaping our overall diversity efforts.



### Our Employee Networks

#### GLOBAL

- disAbility Employee Network
- Family Network
- Employee Sustainability Forum
- Pride and Ally LGBT+ Employee Network
- Women’s Business Alliance

#### AMERICAS

- Asian Employee Network
- Black Employee Network
- LatinX Employee Network
- Veterans Employee Network

#### ASIA PACIFIC AND JAPAN

- Multicultural Alliance

#### EMEA

- African and Caribbean Business Alliance
- EMEA Military Network
- Glasgow Cultural Awareness Network
- Net EastAsia
- Net SouthAsia
- Net-Éire

#### CASE STUDY

### EXPLORING IMPACTFUL RESEARCH WITH OUR ASIAN EMPLOYEE NETWORK

Members of our Asian Employee Network, as well as leaders from around the Firm, examined the findings of global DEI-focused think tank Coqual’s 2023 report: *Strangers at Home: The Asian and Asian American Professional Experience*. The report, which was co-sponsored by Morgan Stanley, explores the unique challenges faced by the Asian and Asian American communities, and discusses the expansive diversity within the community.

Coqual’s Vice President of Research spoke with employees directly about the findings, followed by a panel discussion with Morgan Stanley leaders from the Asian American and Pacific Islander community. Roundtable discussions with employees were led by diversity professionals to review report findings and brainstorm ways the Firm can help ensure an inclusive workplace for all.

# Diversity and Inclusion



We strive to be a global leader in diversity and inclusion, bringing our colleagues, communities and clients together in a shared commitment to creating a more equitable society.

- 24 Leadership Statement and D&I Strategy
- 26 Workforce
- 32 Society
- 34 Marketplace

# Leadership Statement

Through our commitment to Diversity and Inclusion, we continue to expand our inclusive culture, focus on our people and deliver innovative solutions to underserved communities.



At Morgan Stanley, our core values guide the Firm and our work. Through our commitment to Diversity and Inclusion, we continue to expand our inclusive culture, focus on our people and deliver innovative solutions to underserved communities. This report shows our ongoing commitment to transparency and accountability, and we are pleased to highlight the major strides taken across our business while maintaining our dedication to the work ahead.

Throughout 2022, we continued to deliver against our strategy to support, develop and advance our workforce, contribute to meaningful change in society, and invest in a more equitable and accessible marketplace:

- **Workforce:** In 2021, the Firm set representation objectives to increase women officers by 25% globally, and Black and Hispanic officers by 50%. In 2022, we continued to make progress towards those objectives.
- **Society:** Last fall, the Morgan Stanley Institute for Inclusion’s Equity in Education and Career Consortium launched Powering Potential Workshops in support of young adults from low-income backgrounds. Now in its second year, this program equips students with the skills for success with their personal finances, their careers and their wellbeing.
- **Marketplace:** Launched in 2022, the Firm’s Small Business Academy is aiding in the growth of diverse-owned small businesses. A partnership between our Supplier Diversity Program and the Institute for Inclusion, this effort empowers participants to leverage their competitive advantage, expand their knowledge and build strong business relationships with corporations.

In 2022, we made a strategic decision to bring our Diversity and Inclusion, Talent Development, and Talent Acquisition teams together into a combined Global Talent Division. This integrated talent model positions us to better serve current and future employees, drive innovation and embed diversity into all talent practices.

We are proud of our efforts, and will continue our work toward building a culture that supports workforce diversity and belonging.

**SUSAN K. REID**  
Global Head of Talent



# D&I Strategy

Our D&I strategy is designed to drive lasting impact in our workforce, the marketplace and society, and offers meaningful benefits to our Firm, clients and shareholders. In 2022, we continued to make significant investments, and the following section highlights our progress, performance and key initiatives.

Our Chairman and CEO, Board, and other leaders are deeply involved in advancing our D&I strategy. In addition to our long-standing Firmwide efforts, the [Morgan Stanley Institute for Inclusion](#), launched in 2020, has invested in and supported underserved communities, and has advised our internal D&I efforts.

## Morgan Stanley Institute for Inclusion

In June of 2020, we announced the launch of the Institute For Inclusion (IFI) to support investments in underserved communities and accelerate our own internal diversity efforts. The IFI brings our employees, communities and clients together in a shared commitment to creating a more equitable society.

Our investment in high-impact opportunities, philanthropic investments in underserved communities and accountability to internal D&I commitments is exemplified through many of the IFI’s efforts. The IFI is led by an independent advisory board composed of prominent leaders in business, academia and nonprofit organizations, as well as Morgan Stanley Board members. The advisory board guides the work and strategic priorities of the IFI.

Built on the three pillars below, the IFI is a catalyst for our commercial, philanthropic and talent-focused efforts.

### 1 INVESTING IN UNDERSERVED COMMUNITIES

We are committed to advancing economic outcomes in underserved communities through our products, services, spending, business practices and thought leadership.

### 2 ADVANCING EQUITY THROUGH GIVING

We leverage our philanthropic efforts to help address and eliminate systemic inequities for underrepresented groups and help those communities thrive.

### 3 PROMOTING WORKPLACE DIVERSITY AND INCLUSION

We strive to lead the way in attracting, developing and retaining individuals with diverse backgrounds and perspectives, and to drive a culture of inclusion for all colleagues.

## OUR D&I STRATEGY



### WORKFORCE

Continue to develop and invest in internal diversity, equity and inclusion efforts to enable Morgan Stanley to become a leader in attracting, developing and retaining diverse talent, and to create a culture of inclusion at the Firm.



### SOCIETY

Support underserved communities through employee engagement that addresses inequities in education, careers, economic prosperity and health, and also helps communities continue to grow and thrive.



### MARKETPLACE

Invest to advance economic outcomes in underserved communities through our products, services, business practices, spending and thought leadership.

**WORKFORCE**

# Supporting Colleagues Through D&I Efforts

A diverse workforce is critical to our continued success and ability to serve our clients. We strive to attract and retain underrepresented talent at all levels and in all roles, and employ D&I strategies to help our colleagues thrive.

## Representation Objectives

At Morgan Stanley we have committed to improving representation among underrepresented groups in our workforce. To do this, in 2021 we set Representation Objectives.

As a result of our efforts, in 2022 we achieved meaningful improvements in representation at the new hire and various officer levels.

*Employment decisions at Morgan Stanley are based on merit and do not discriminate against any individual on the basis of their race, gender or other protected status.*

### Our Diverse Representation Objectives



Grow total women officers<sup>10</sup> by

**25%**



Increase Black and Hispanic officer representation in the U.S. by

**50%**

<sup>10</sup> Officers include managing directors, executive directors and vice presidents.



# Workforce Diversity Data

(YE2022)

In 2022, we continued our long-standing focus on driving greater diversity across our workforce. As a result of our efforts, we saw meaningful progress in our overall officer and professional ranks, but there is still more to do with our workforce and leadership. We will continue to invest in efforts to create a workforce that reflects the depth of diversity and talent that exists globally.

## GLOBAL SENIOR LEADERSHIP

<b>WOMEN</b>	2021	2022	<b>ETHNICALLY DIVERSE<sup>11</sup></b>	2021	2022
Board	<b>33%</b>	<b>29%</b>	Board	<b>27%</b>	<b>29%</b>
Operating Committee	<b>26%</b>	<b>20%</b>	Operating Committee	<b>26%</b>	<b>33%</b>
Management Committee	<b>24%</b>	<b>21%</b>	Management Committee	<b>32%</b>	<b>34%</b>

## GLOBAL WOMEN

<b>FIRMWIDE</b>	2021	2022	<b>AMERICAS</b>	2021	2022
Overall	<b>39%</b>	<b>40%</b>	Overall	<b>39%</b>	<b>39%</b>
Officers <sup>12</sup>	<b>27%</b>	<b>28%</b>	Officers	<b>27%</b>	<b>28%</b>
<b>EUROPE, MIDDLE EAST AND AFRICA</b>			<b>ASIA PACIFIC AND JAPAN</b>		
Overall	<b>37%</b>	<b>38%</b>	Overall	<b>42%</b>	<b>42%</b>
Officers	<b>28%</b>	<b>28%</b>	Officers	<b>31%</b>	<b>31%</b>

<sup>11</sup> Ethnicity for our Board, operating committee and management committee is represented globally.

<sup>12</sup> Officers include managing directors, executive directors and vice presidents.

**U.S. ETHNICALLY DIVERSE<sup>13</sup>**

<b>U.S. OVERALL ETHNICALLY DIVERSE</b>	2021	2022
Overall	<b>32%</b>	<b>34%</b>
Officers <sup>14</sup>	<b>26%</b>	<b>28%</b>

<b>U.S. BLACK</b>	2021	2022
Overall	<b>7%</b>	<b>8%</b>
Officers	<b>3%</b>	<b>4%</b>

<b>U.S. HISPANIC</b>	2021	2022
Overall	<b>8%</b>	<b>9%</b>
Officers	<b>6%</b>	<b>6%</b>

<b>U.S. ASIAN</b>	2021	2022
Overall	<b>14%</b>	<b>15%</b>
Officers	<b>15%</b>	<b>16%</b>

**CAMPUS RECRUITING**

<b>GLOBAL WOMEN</b>	2021	2022
Full-time	<b>48%</b>	<b>47%</b>
Summer	<b>53%</b>	<b>50%</b>

<b>U.S. OVERALL ETHNICALLY DIVERSE</b>	2021	2022
Full-time	<b>54%</b>	<b>60%</b>
Summer	<b>66%</b>	<b>65%</b>

<b>U.S. BLACK</b>	2021	2022
Full-time	<b>10%</b>	<b>14%</b>
Summer	<b>18%</b>	<b>14%</b>

<b>U.S. HISPANIC</b>	2021	2022
Full-time	<b>15%</b>	<b>14%</b>
Summer	<b>18%</b>	<b>18%</b>

<b>U.S. ASIAN</b>	2021	2022
Full-time	<b>26%</b>	<b>28%</b>
Summer	<b>25%</b>	<b>29%</b>

<sup>13</sup> U.S. ethnically diverse includes American Indian or Native Alaskan, Asian, Black or African American, Hispanic or Latino, Native Hawaiian or Pacific Islander, and Two or More Races.

<sup>14</sup> Officers include managing directors, executive directors and vice presidents.

## Recruiting Diverse Talent

### CAMPUS RECRUITING AND EARLY CAREER

Our diversity-focused campus offerings include our Early Insights programs, which introduce underrepresented high school seniors or college freshmen to financial services, and our HBCU Scholars Program, Richard B. Fisher Scholarship Program and Future Generation Scholarship, which provide financial support for students from underserved communities to offset the cost of their education.

Our 2022 full-time campus hires hailed from more than 400 colleges and universities—up from 350 in 2021—in over 50 countries, and include undergraduate and graduate majors in finance and accounting, science, technology, math and liberal arts. Of our global campus full-time hires, 47% were women, and of our full-time campus hires in the U.S., 60% were ethnically diverse (compared to 48% and 54%, respectively, in 2021).

### SUPPORTING YOUNG TALENT THROUGH APPRENTICESHIP IN THE U.K.

Since 2011, Morgan Stanley has offered apprenticeship positions across the Firm, in areas such as Institutional Securities, Investment Management and Human Resources. These programs are designed to reach talented individuals with an interest in financial services who may not come through traditional avenues, such as undergraduate or graduate school.

Apprentices at the Firm spend 80% of their time working in their dedicated department and 20% of their time studying and developing applicable skills at partner educational institutions. Upon completion of the program, participants receive qualifications equivalent to either a bachelor’s or master’s degree, and frequently accept full-time positions at Morgan Stanley.

In 2022, apprentice hires at Morgan Stanley increased by 31% year over year, with 54 program graduates joining teams in the United Kingdom (U.K.).

### HIRING EXPERIENCED PROFESSIONALS

Morgan Stanley’s Return to Work Program targets experienced professionals who have taken a career break for one year or more, and who want to return to the workforce. Currently available in nine locations globally, this 12-16 week paid program places participants in areas of the business that complement their skills and experience. Those who successfully complete the program are eligible to receive a full-time offer of employment.

The Firm’s Experienced Professionals Program attracts high-achieving professionals from a broad range of industries.

## SPOTLIGHT

### LATIN AMERICA

The Firm leaders in Latin America support and foster the development of their employees locally, with support from the Morgan Stanley Institute for Inclusion.

#### EDUCATION

The Morgan Stanley Brazil office launched its first podcast series on diversity and inclusion topics to help educate employees. This effort has been met with enthusiasm and engagement, with the first series of episodes focusing on the impact of microaggressions in and out of the workplace.

#### PARTNERSHIPS

In 2023, Morgan Stanley Brazil established partnerships with nonprofit organizations GAUSS, which focuses on equipping diverse students for college, and Black Finance, which works to expose Black students to careers in financial services. Morgan Stanley’s investment in both initiatives will impact 50 diverse young talents through these organizations.

#### EARLY CAREER

The Morgan Stanley Affirmative Summer Internship Program supports women and ethnically diverse students in Brazil. The five-week program, launched in 2019, allows students to gain training in soft and hard skills, and offers students the opportunity to meet with leaders and expand their network.



Those selected for the program are provided with a two-year runway to learn about our sector, develop skills to thrive and build relationships across the bank.

Our community partners, such as iRelaunch, the National Association for Black Accountants and the Association for Latino Professionals of America, help to support our experienced hiring efforts. In 2022, 41% of our experienced hires were women, compared to 40% in 2021, and 47% were ethnically diverse, holding steady from 47% in 2021.

## Developing Underrepresented Talent

### INVESTING IN DIVERSE EMPLOYEES

The Institute for Inclusion’s Talent Accelerator’s Multicultural Leadership Program supports career advancement for underrepresented vice presidents and executive directors.

Program elements include self-assessments, skill-building workshops, career guidance, one-on-one and small group coaching, opportunities to meet senior leaders, peer networking, and manager-specific programming to help support underrepresented employees.



### SPOTLIGHT

## EUROPE, THE MIDDLE EAST AND AFRICA

EMEA’s 38-person Diversity Action Council is leading efforts to build a more diverse and inclusive workforce across the region. Through initiatives ranging from officer and campus hiring to inclusivity training and partnerships, the council works to help ensure an equitable and welcoming workplace for all.

### SUPPORTING OUR TALENT

Morgan Stanley was an early signatory to both the U.K. Women in Finance Charter and U.K. Race at Work Charter, which are efforts to increase representation of women in senior management and representation of ethnically diverse employees at the officer level. After committing to 30% senior roles occupied by women, we are proud to have 47% gender diversity on the Morgan Stanley International Board and 44% on the EMEA Operating Committee.

In the last six years, we have made progress on narrowing our gender pay gap to 27.6% Median Hourly Pay Gap in 2022, a 7.6 percentage point decrease from our first report in 2017. We have leveraged a 5-point action plan to maintain focus to ensure long-term success through our recruiting efforts as well as a critical focus on the retention and development of our senior female talent pipeline with robust talent development offerings and a suite of family-friendly benefits. Gender pay gap is a measure of the average pay difference between women and men across

an organization regardless of role or level. This is different from gender pay equity, which measures whether women and men are paid equally for the same or similar roles, or for work of equal value.

In 2022, we expanded our efforts to attract, support and develop diverse talent, which we view as critical to our business success, by:

- Partnering with leading organizations driving local change, including the 30% Club, 10k Black Interns, Business in the Community, Black Young Professionals and Black Professionals of Scotland.
- Investing in our leadership pipeline through talent programs that support our people at each stage of their career journey.

Training leaders to create a more inclusive workplace is critical to cultivating our people and culture. To mitigate bias, we launched new training in 2022 for all managers in EMEA. The comprehensive Inclusive Leadership Curriculum is designed to ensure more equitable people processes in hiring, employee experience and business operations. This latest initiative follows our two-year mandatory Let’s Talk About Race workshop training, completed by all employees in the region.

### INCREASING REPRESENTATION

In addition to the Firm’s representation objectives globally and in the U.S., we have established objectives for the U.K. Currently, we are working toward increasing senior management representation for women to 35%, U.K. ethnic minority officers to 30%, and U.K. Black officers by 40%.

**INVESTING IN WOMEN**

The Institute for Inclusion Talent Accelerator Women’s Leadership Program for Executive Directors and Vice Presidents is designed to help women officers grow their careers at the Firm through targeted skill development, career guidance, one-on-one coaching and opportunities to engage with and learn from senior leaders. Program elements mirror those in our Multicultural Leadership Program. Originally launched in North America, the program expanded to Europe and Asia in 2022.

In Europe and Asia, our Platinum Program offers a highly customized, six- to eight-month development program for women Executive Directors. Programs are tailored in each region, but generally include leadership assessment, professional coaching and leadership development workshop.



SPOTLIGHT

**ASIA PACIFIC AND JAPAN**

Our leaders in Asia Pacific and Japan foster a culture of respect and accountability that supports a high-performing, healthy workplace for our colleagues.

**A MULTIGENERATIONAL WORKPLACE**

Our workforce spans four generations, providing us with the unique opportunity to leverage each generation’s strengths to create a more inclusive and productive workplace, and to address attrition trends among junior staff felt throughout the industry.

Across Asia Pacific and Japan, around 700 employees and managers participated in two events with generational expert and New York Times best-selling author Lindsey Pollak. Her presentations focused on methodologies and strategies for leading and succeeding in a multigenerational workforce.

**OUR WOMEN TALENT PIPELINE**

To help enable Morgan Stanley’s representation objective to increase women officers at the Firm by 25%, and to better understand the personal and organizational obstacles impacting our female leadership pipeline, we:

- Conducted wide-ranging and candid discussions with regional heads on how best to develop and progress our women talent pipeline.
- Held confidential, one-on-one “Stay Conversations” with women executive directors to identify personal and organizational barriers to progression and provide insights for the future.

To support employees planning for parenthood, we released guidebooks for expecting employees and their managers to help navigate and support their transitions. Coaching is also available to help employees transition between parental leave and work.

SOCIETY

# Driving Gender and Racial Equity Through Philanthropy

We support underserved communities through intentional investments, philanthropy and enrichment programs that seek to address inequities in education, careers, economic opportunity and health. Our efforts to promote equity and inclusion beyond our own workplace are led by the Institute for Inclusion, the Morgan Stanley Foundation and the ISI.

## Equity in Education and Career Consortium

The Morgan Stanley Equity in Education and Career Consortium (EECC), housed under the IFI, is a collaborative effort with the Morgan Stanley Foundation and community partners. Now in its second year, this effort helps address systemic inequities for young adults from low-income backgrounds.

Our consortium partners have proven track records and a high standard of excellence in serving high school and college students in their journey to establishing successful careers and stronger financial futures. These partners include:

- A Better Chance (ABC)
- America Needs You (ANY)
- Braven
- College Possible
- CUNY ASAP
- Hispanic Federation
- iMentor
- SEO

Our work with these organizations is intended to expose students to new career paths and opportunities; broaden their skills and networks through training, mentorship and coaching; and create a support system for their educational and career journeys. In 2022, over 2,000 employees participated in sessions about the EECC during Global Volunteer Month, and 500 employees were recruited as volunteers or mentors.

### POWERING POTENTIAL

In the fall of 2022, the EECC launched Powering Potential Workshops for students from consortium partner organizations. Participants learned how to build a foundation for sustainable financial wellness, explored careers in financial services and developed strategies to prioritize wellbeing on the pathway to career and economic mobility. The second iteration, held in the spring of 2023, included sessions on college financing, exposure to careers at Morgan Stanley and techniques for managing stress and anxiety. This year, we will expand the Powering Potential Workshops to include offerings for high school students.



### SPOTLIGHT

## SUPPORTING THE LGBTQ+ COMMUNITY

Morgan Stanley has a long-standing commitment to the LGBTQ+ community around the world. The Firm consistently offers steadfast support in many ways, from being a leader in the fight for marriage equality in the U.S. to joining the EU Diversity Charter to support diverse and inclusive workplaces. In 2022, the Firm received a score of 100 on the Human Rights Campaign’s (HRC) Corporate Equality Index, and joined peer financial institutions in signing on to HRC’s Respect for Marriage Act Corporate Sign-On Letter.

Our Pride and Ally employee network focuses on delivering groundbreaking programming globally to our employees, clients and prospects. In addition, Morgan Stanley proudly supports vital community partners working to drive LGBTQ+ equality, including: The New York LGBT Center, PFLAG NYC, and the Transgender Legal Defense & Education Fund.





FEATURE

## THE MORGAN STANLEY HBCU SCHOLARS PROGRAM

Launched in 2021 and supported by the IFI, our HBCU Scholars Program provides academic and needs-based four-year scholarships for students at Howard University, Morehouse College and Spelman College, historically Black colleges and universities (HBCUs) in the United States. The Firm began the program by providing five academic and needs-based four-year scholarships at each institution, adding a new class of scholars each year for a class size of 60 by 2024. These scholarships cover the entire cost of attending college for each academic year and are open to students across all disciplines and majors. In addition to financial support, the Firm implemented a board of advisors for each Scholar, composed of a mentor, a sponsor and an HBCU ambassador. Scholars retain their advisors throughout their college years.

Scholars interested in financial services will be introduced to careers at Morgan Stanley through our campus career offerings, and Scholars interested in other careers are connected with Morgan Stanley employees similar with career backgrounds or networks outside the Firm.

### HBCU Day 2022

Morgan Stanley welcomed 30 Scholars from the first and second cohorts of the program to New York City in September 2022 to engage with senior leaders and learn about our business.

During a day spent at our Firm headquarters, the Scholars heard directly from Chairman and CEO James Gorman, Chief Human Resources Officer Mandell Crawley and Global Head of Talent Susan Reid. Scholars tuned in to panels featuring Morgan Stanley employees who are HBCU alumni, who discussed their paths from college to a career in financial services.

“I wouldn’t be at Spelman College or any college at all without this scholarship. I hope to take advantage of this opportunity to grow as a student and create a life that I’ve never seen anyone around me live.”

MORGAN STANLEY HBCU SCHOLAR

MARKETPLACE

# Investing To Advance Economic Outcomes for Underserved Communities

To help underserved communities thrive, we partner with organizations, small businesses and suppliers to help address gaps in funding and access for diverse businesses. Our Firm’s investments in diverse startups and entrepreneurs can be found in the [Solutions and Services](#) section.

## Supplier Diversity

Our Supplier Diversity Program seeks out diverse-led businesses, including those owned by ethnically diverse individuals, women, veterans, people with disabilities and members of the LGBT+ community to supply hundreds of our offices worldwide. This diverse vendor base helps provide opportunities to underrepresented business owners and to support the communities where we operate.

Supplier diversity guiding principles support the continued broadening of our supplier pool. With these practices, we train our sourcing professionals; maintain a supplier database with vendor diversity certifications; and include specific supplier diversity language in both our Global Procedures for Supplier Selection and Engagement and Supplier Code of Conduct. We review our diverse supplier engagements quarterly and annually to identify opportunities to expand both the number of diverse suppliers and the spend with them. To reinforce sourcing excellence in this area, we award Supplier Diversity Champions annually, an accolade recognizing those who significantly exceed expectations as measured against our guiding principles for supplier diversity.

We are proud to partner with the following organizations in our supplier diversity efforts:

- Minority Supplier Development U.K.
- National Gay and Lesbian Chamber of Commerce
- National Minority Supplier Development Council
- National Veteran-Owned Business Association
- New York & New Jersey Minority Supplier Development Council
- U.S. Black Chambers, Inc.
- U.S. Pan Asian American Chamber of Commerce
- WEConnect International
- Women’s Business Enterprise Council Metro NY
- Women’s Business Enterprise National Council

## Small Business Academy

Barriers and resource constraints often prevent small businesses from gaining a foothold in the marketplace, causing a gap between available opportunities and diverse suppliers. In partnership with the Institute for Inclusion, the Small Business Academy helps bridge this gap by equipping entrepreneurs with the expertise they need to win business with financial services firms and other sectors.

Launched in 2022, the Academy empowers diverse-owned small-business leaders through education, sharing of best practices and mentorship. The Academy, a partnership between our Supplier Diversity Program and the Institute for Inclusion, helps diverse-owned U.S. and U.K. small businesses stand out in the procurement process, strengthen their business knowledge and build their professional network. The 12-week virtual, instructor-facilitated program includes interactive workshops, coaching sessions and a capstone project. Graduate firms receive 12 months of ongoing support from a Morgan Stanley mentor and the opportunity to access grants to fuel their growth. Ten diverse-owned small businesses participated in our first cohort.



## Highlights Across Our Business

Each of the areas of our business drives D&I initiatives within their areas of focus. Several examples are featured below.

### INSTITUTIONAL SECURITIES

**JumpStart Scholars in Finance:** The Morgan Stanley JumpStart Scholars, a partnership with Leadership, Education and Development (LEAD) in Finance initiative, provides financial access, programming and mentoring for diverse high school students throughout the United States. The five-month program offers an eight-course curriculum to broaden participants' career opportunities and encourage proactive financial planning. Analysts and associates across Institutional Securities engage directly with student participants. The program culminates in a capstone competition where scholar teams re-create a deal scenario from our Global Capital Markets division.

### INVESTMENT MANAGEMENT

**Women's Mentoring Circles:** Focusing on the development of women vice presidents, senior associates, associates and analysts within our Investment Management business, Women's Mentoring Circles provide the support and space needed to discuss topics relevant and important to women in the financial services industry. This six-month program covers topics including Authentic and Inclusive Leadership, Career Advancement, and Personal Branding, with each circle consisting of five mentees and two mentors at the executive director level.

### TECHNOLOGY AND OPERATIONS

**Project Elevate:** In partnership with PeopleShores, a public benefit company empowering underserved communities in the U.S. with digital skills and corporate job opportunities, Project Elevate is working to educate, employ and empower experienced diverse talent. The program provides participants with six-months of training and a one-year consultancy, with Morgan Stanley having the opportunity to convert participants into full-time employees upon program completion. This program engages a pipeline of talent from a range of educational, ethnic and social backgrounds.

### WEALTH MANAGEMENT

**The Equity Collective:** In February of 2022, Morgan Stanley launched the Equity Collective (the EQC), a group of Wealth and Asset Management firms that have committed to educating, empowering and developing the next generation of diverse leaders in the finance industry.

The EQC has led more than 100 events, engaging with students through partners at Boys & Girls Clubs of America, hellohive and Team IMPACT. The EQC supported the rewrite of Boys & Girls Clubs of America's Career Launch curriculum, the organization's premier job-readiness and career preparation program for teens ages 13-18. In collaboration with hellohive, a virtual recruiting platform focused on diverse talent, the EQC hosted an immersive virtual program for over 500 students from more than 150 colleges, offering students access to internships and job openings from participating firms. The EQC worked with Team IMPACT to build relationships with universities and colleges across the country, allowing Team IMPACT to continue to match children facing serious illnesses and disability with college sports teams.



# Climate



The growing impacts of climate change underscore the importance of working to reduce emissions. Morgan Stanley leverages its expertise to help clients decarbonize, supporting the global economy’s transition to a more sustainable future. We also invest in resource efficiency and renewable energy for our own operations.

## 37 Leadership Statement and Climate Strategy

- Our Approach to the Net-Zero Transition
- Informing Climate Policy
- Achieving Carbon-Neutral Operations
- Climate Strategy: Looking Ahead

## 47 Climate Risk Management

## 52 Climate Metrics and Targets

# Leadership Statement

As Chief Sustainability Officer and CEO of the Institute for Sustainable Investing, I am proud of Morgan Stanley's ambition to reach net-zero financed emissions by 2050.



We were the first major U.S. bank to make this commitment, and we built on it in 2021 by announcing interim 2030 financed emissions reductions targets for energy, power and auto manufacturing. We are also committed to mobilizing \$750 billion to support low-carbon and green solutions by 2030.

To achieve these goals, we recognize how important it is to operationalize our commitments in a way that balances the need to rapidly decarbonize the global economy with the real-world circumstances acutely affecting individuals and communities. That is why we consider climate as part of our overall business strategy and approach to risk management.

It is also why I co-chair Morgan Stanley's Climate Risk Committee, which is focused on overseeing climate risk considerations throughout Firm processes. Morgan Stanley is in a unique position to support the climate transition and, looking to the future, I am excited to continue to work with clients and colleagues to meet our commitments in support of a fair and just transition.

*Jessica Alsford*

**JESSICA ALSFORD**

Chief Sustainability Officer and CEO of the Morgan Stanley Institute for Sustainable Investing

# Climate Strategy

Morgan Stanley is committed to considering climate change throughout our business, operational and risk management activities. To support this work, we have a four-pillar climate strategy, with the overall goal of achieving net-zero financed emissions<sup>15</sup> by 2050.

We seek to support the transition to a low-carbon economy with a public commitment set in 2021 to mobilize \$750 billion in capital toward low-carbon and green solutions by 2030. We manage climate risk by integrating climate change considerations across risk management processes and governance structures. In our operations, we strive to

minimize our emissions footprint and enhance our climate resiliency. The strength of our commitment is demonstrated by our achievement of carbon neutrality across our global operations in 2022. We are committed to transparency and communicate our efforts and resulting progress through our climate-related disclosures.

## Morgan Stanley’s Climate Change Strategy and Progress

1

### SUPPORT THE TRANSITION TO A LOW-CARBON AND GREEN ECONOMY

- Commitment to mobilize **\$750Bn** to support **low-carbon and green solutions** by 2030
- Launched **Climate Strategy Assessment Framework (CSAF)** to understand our clients’ transition plans and commitments

2

### MANAGE CLIMATE RISK

- Climate change considerations integrated into the Firm’s **risk management** and **governance** processes under the Chief Risk Officer
- Climate risks overseen by the **Risk Committee of the Board of Directors**

3

### PROVIDE RELEVANT, TRANSPARENT AND USEFUL CLIMATE-RELATED DISCLOSURES

- Launched integrated **ESG Report**, combining our Diversity & Inclusion, Climate and Sustainability reports into one
- Only major U.S.-headquartered global financial services firm on the **Partnership for Carbon Accounting Financials (PCAF) Steering Committee**

4

### ENHANCE THE CLIMATE RESILIENCE OF OUR OPERATIONS

- **Bennington Wind Farm** is accounting for approximately 50% of Morgan Stanley’s global energy consumption
- **Renewable electricity** attributes account for 100% of global operational electricity in 2022

## 2022 PROGRESS AND HIGHLIGHTS



\$550Bn+ mobilized through 2022 to help clients support low-carbon solutions



Created Central Climate Risk Team reporting to the Firm Risk Management (FRM) Chief Operating Officer and expanded governance processes within FRM



Included **Approach to Transition Index** for the first time



Achieved **carbon neutrality** across global operations in 2022

<sup>15</sup> Net-zero reflects a state in which the amount of greenhouse gas (GHG) emissions being released into the atmosphere is matched by the amount of greenhouse gases being removed from the atmosphere via natural “sinks.” Financed emissions are the absolute greenhouse gas emissions attributed to banks through their loans and investments.



## Our Approach to the Net-Zero Transition

Morgan Stanley is committed to achieving net-zero financed emissions by 2050 and contributing to the decarbonization of the real economy.

Effective action on climate change requires a broad transformation across sectors and economies, and management of impacts to workers and communities. We also recognize the need to balance the urgency of the calls to action with the realities of the social, economic and geopolitical landscape, and see that our clients are balancing the same concerns.

We recognize that our path to achieving net-zero financed emissions from our lending activities, including our interim 2030 targets for the Auto Manufacturing, Energy and Power sectors, will not be a straight line.

Our clients are at different stages of setting their own targets, developing plans to diversify and, in some cases, transform their business models. While we understand the need to reduce emissions quickly, we are also aware of the unintended consequences of withdrawing capital from transitioning sectors. We support an orderly transition and therefore accept that, in some cases, lending to companies that are transitioning may result in our financed emissions increasing in the short term or over certain periods. However, we believe that this support will ultimately facilitate the transition to a sustainable and lower carbon future.

Our approach to meeting our climate commitments is described below. As we continue to develop this approach, we will utilize frameworks including the Glasgow Alliance for Net-Zero (GFANZ) transition planning guidance to help inform our approach. Please see “[Climate Strategy: Looking Ahead](#)” and “[Approach to Transition Index](#)” for more detail.

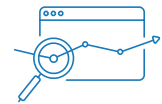
### OUR APPROACH TO THE NET-ZERO TRANSITION



Scale Low-Carbon Opportunities



Support Our Clients Through Climate Transitions



Manage Our Lending Portfolio

### 1 Scale Low-Carbon Opportunities

Morgan Stanley has long been focused on financing and facilitating the low-carbon transition.

Our Firm’s solutions will help commercialize and deploy new and existing technologies necessary for the global economy, and our clients, to significantly decarbonize. Our expertise also enables clients to capitalize on policy actions and market trends developing around the globe. By scaling low-carbon solutions that reduce our clients’ greenhouse gas (GHG) footprints, we expect to reduce our own financed emissions and make further headway toward our targets. Our work with clients to scale low-carbon opportunities is a key component of our commitment to mobilize \$750 billion to support low-carbon and green solutions by 2030.

See recent examples of this work in the [Solutions and Services](#) section.

## 2 Support Our Clients Through Climate Transitions

Morgan Stanley aims to meet our climate commitments and contribute to real-economy decarbonization by supporting our clients in achieving their own climate-related commitments. Many of our clients will require capital and expertise to achieve their targets and ensure their business strategies are resilient in a decarbonizing economy. Our clients also face complexities as they transition, and Morgan Stanley is committed to working with them at all stages of their climate journeys.

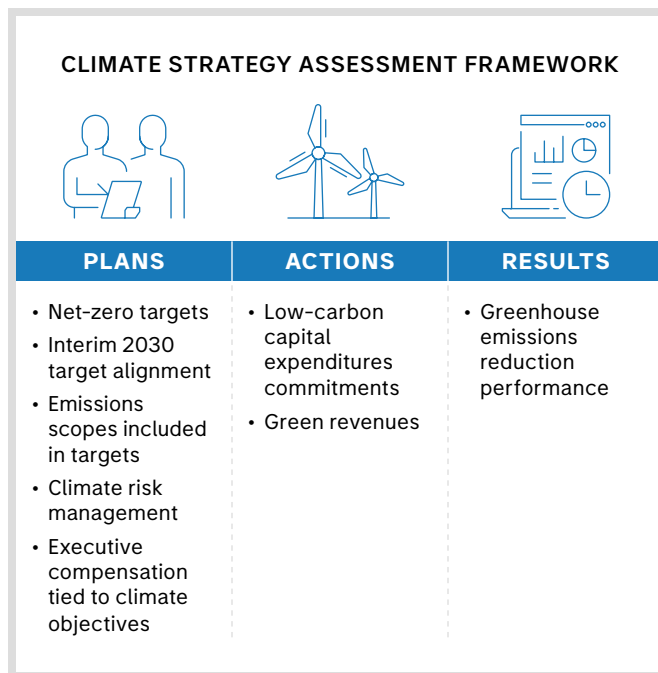
We seek to work closely with our clients to understand and assess their low-carbon transition plans, the resourcing of their plans and how these plans align with our own climate-related commitments. Educating our own bankers is also a critical part of this strategy. In 2022, we hosted ESG training sessions for relevant banking and capital markets employees on environmental and social commitments and policies, as well as the related due diligence and governance processes. We will continue to provide guidance going forward to educate and equip our client-facing teams with the knowledge to make climate-informed decisions.

### CLIMATE STRATEGY ASSESSMENT FRAMEWORK

In 2022, we began to develop a new Climate Strategy Assessment Framework (CSAF) that provides additional insight into our clients’ approaches to climate.

The CSAF will leverage data from public sources and client discussions to help us understand our clients’ transition plans and climate commitments. It will help us assess company targets, climate governance, plans and actions taken toward meeting targets, and GHG emissions performance.

The framework will inform client diligence practices and will also help us focus on our client engagement discussions. There will be an initial focus on companies in the sectors covered by our interim 2030 targets, with an aim to cover more companies over time as we announce additional sector targets. This new tool will deepen our understanding of clients’ climate plans and help us assess the robustness of our clients’ commitments and the resources they are dedicating to the transition. As data improves over time, and as publishing transition plans become more widely adopted, we expect this information will help enhance our analysis framework and process.



## 3 Manage Our Lending Portfolio

We understand that over time there may be clients who cannot transition in a timely manner. We also recognize that there may be a period of time, while our clients plan and implement their strategies, before we are able to see GHG emissions reductions. However, our engagement approach with clients as they transition is not indefinite. We intend to increase focus on how portfolio lending decisions affect the progress toward our targets, and we take that into account as we drive our strategy. We will continue to work with our clients on their transition strategies and consider their approaches to climate as we make portfolio lending decisions to meet our 2030 interim net-zero targets.

### Monitoring Progress

We have rolled out the following review processes to monitor progress toward 2030 interim net-zero targets. We will continue to review and modify our approach as needed:

- **Business Unit Reviews** for our interim target sectors, which evaluate new lending opportunities through the lens of the impact on progress toward our targets, taking into account annual client emissions.
- The **Climate Risk Committee (CRC) and Emissions Oversight Committee (EOC)** will conduct regular reviews of the Firm’s progress toward meeting our interim targets.



## Measure, Manage, Report: Our Framework for Net-Zero Financed Emissions

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. In November 2021, we announced 2030 interim financed emissions targets to guide our lending activities based on credible science-aligned emission pathways. These targets focus on emissions-intensive sectors in our corporate lending portfolio—Auto Manufacturing, Energy and Power. In July 2022, we published our 2019 baseline GHG emissions from lending activities for each interim target sector. Together, both developments mark an important start toward our 2050 commitment to net-zero financed emissions.

Morgan Stanley is currently the only major U.S.-headquartered global financial services firm on the Partnership for Carbon Accounting Financials (PCAF) Steering Committee, and is both a founding member and a member of the steering group of the Net-Zero Banking Alliance (NZBA). The frameworks and methodologies of these two expert organizations help inform our thinking around setting climate-related targets and measuring our progress.



We value our leadership in these initiatives that help inform our approach to net-zero and we continue to make our own independent decisions regarding our climate strategy.

### 2030 Interim Financed Emissions Reduction Targets

Percent reduction (tons CO<sub>2</sub>e<sup>16</sup>/ \$MM of lending commitment) compared to the 2019 base year

SECTOR	2030 REDUCTION TARGET
Auto Manufacturing	-35% <sup>17</sup>
Energy	-29% <sup>18</sup>
Power	-58% <sup>19</sup>

<sup>16</sup> CO<sub>2</sub>e reflects all seven gases under the Kyoto Protocol that are also mandated under the UNFCCC to be included in national inventories if they are emitted in companies' value chains.

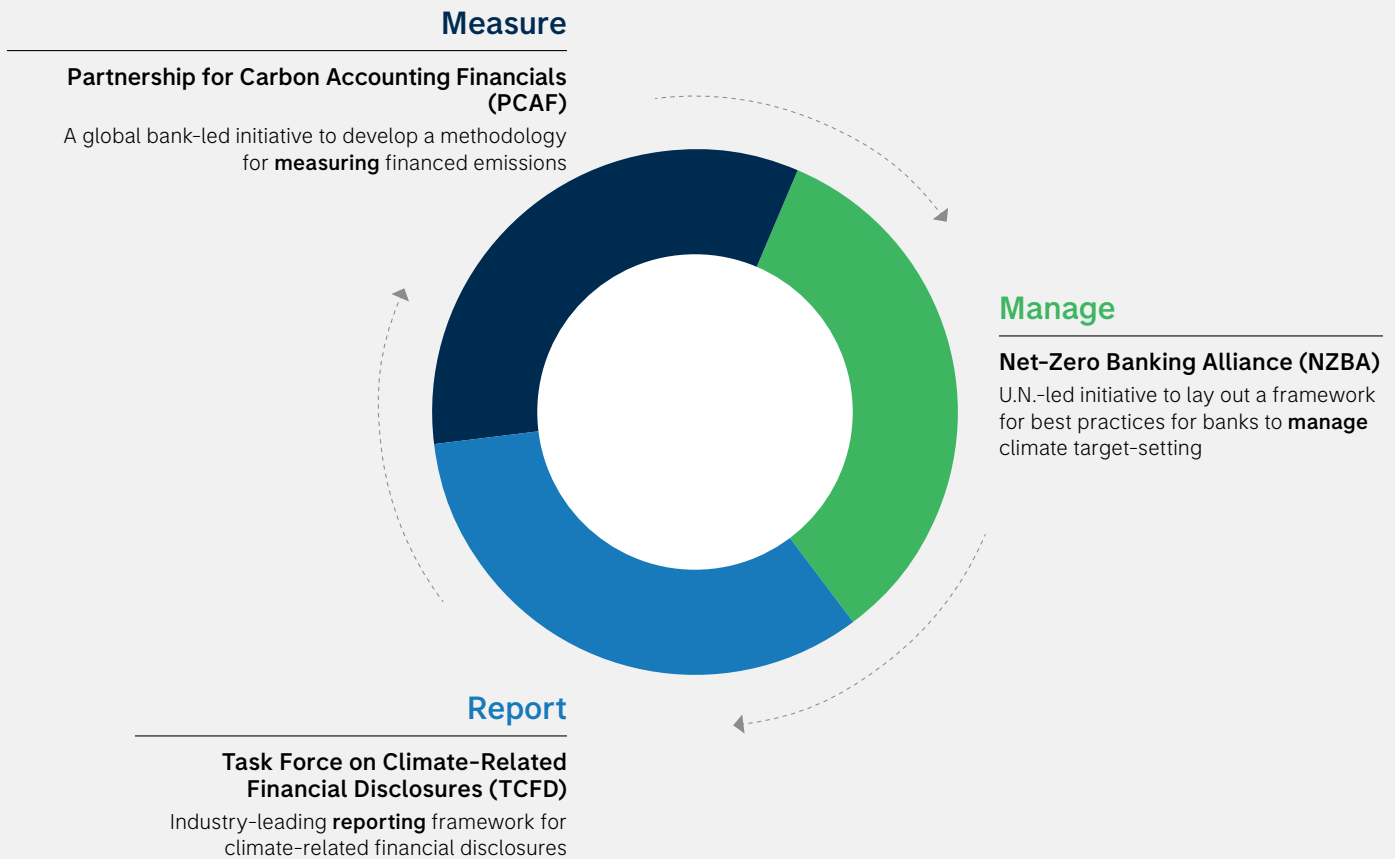
<sup>17</sup> IEA Net-Zero by 2050 (p. 199). Table A.4: CO<sub>2</sub> Emissions, Passenger Cars & Trucks (sum of rows 27 and 28).

<sup>18</sup> IEA Net-Zero by 2050 (p. 199). Table A.4: CO<sub>2</sub> Emissions, Oil & Natural Gas (sum of rows 4 and 5).

<sup>19</sup> IEA Net-Zero by 2050 (p. 55). Figure 2.3: Global net-CO<sub>2</sub> emissions by sector, and gross and net CO<sub>2</sub> emissions in the Net Zero Emissions (Electricity Sector).

## Measure-Manage-Report: Our Framework for Net-Zero Financed Emissions

In our approach to net-zero and related interim targets, we are guided by a three-part framework to measure, manage and report financed emissions, as shown below. While it is important for us to consider industry best practice, we make our own independent decisions regarding our climate strategy.



**OUR APPROACH TO CARBON OFFSETS TO ACHIEVE NET-ZERO FINANCED EMISSIONS**

High-quality offsets can help address hard-to-abate emissions that cannot first be mitigated by existing technologies or operational changes. We believe carbon offsets will play a critical role in helping the real economy achieve net-zero emissions, particularly in the near term, as new decarbonization technologies develop sufficient maturity and scale.

Morgan Stanley acknowledges that the growing yet nascent voluntary carbon market continues to offer opportunities for real economy participants to offset emissions they are responsible for. As we work with clients who seek to reduce their emissions footprint, understanding the quality of client-procured offsets, as well as their usage compared to achieving real, underlying emissions reductions, will be points of consideration. Morgan Stanley will not buy offsets to directly reduce our financed emissions. For our approach on offsets relating to achieving our own operational carbon neutrality, please see [here](#).

**EDUCATING EMPLOYEES ON CLIMATE**

Given our commitment to supporting the low-carbon transition, it is important to equip our employees with resources and education on how climate change impacts the Firm and our clients from a business perspective.

We created an in-house platform for staff to learn the information necessary to make well-informed, climate-related business decisions in a rapidly shifting global landscape. The online platform provides a suite of trainings, tools and resources, including a core curriculum that focuses on climate change fundamentals, risks and opportunities.

These learning modules are complemented by a speaker series in which experts from inside and beyond the Firm provide relevant and timely insights on topics ranging from climate policy to technological solutions. Recent examples include a webinar on the U.S. Inflation Reduction Act from the president of the Center for Climate and Energy Solutions (C2ES) and an overview of the carbon markets from the Morgan Stanley commodities desk. Our Global Sustainability Office also distributes a regular brief on climate news and topics to help ensure employees are up to date with the latest developments.



# Informing Climate Policy

Morgan Stanley supports the Paris Agreement and recognizes the importance of global policy action to achieve net-zero emissions by 2050.

As a financial firm with global reach, we recognize that we have a role to play in engaging with national and global climate policies that support an orderly transition to a low-carbon economy. We support science-aligned and, where possible, market-based policies, including a price on carbon, and engage with policymakers, industry groups and trade associations to promote effective global and national climate policies.

Further policy will be required to help achieve net-zero by 2050, and help mobilize the capital required to get there.

## Trade Associations and Industry Groups

We work with our leading trade associations to promote positions that support common sense and cost-effective climate policy. These associations include the Securities Industry and Financial Markets Association, the Financial Services Forum, the American Bankers Association, the Bank Policy Institute and the Institute of International Finance, among others. A list of the principal U.S. trade associations of which Morgan Stanley is a member can be found [here](#).

Our participation in trade associations helps further Morgan Stanley’s work as a global financial services firm; however, it does not imply that we always align with their positions on all aspects of climate policy. We provide our independent view as members and seek alignment where feasible and appropriate.

In addition, we seek to actively participate as a member of various climate-focused working groups. For example, we are part of the U.S. Chamber of Commerce’s Climate Action Task Force, as well as the Climate Solutions Working Group, an external group composed of Chamber members who want to see the Chamber more proactively support decarbonization policies. As part of these activities, we engage with the Chamber in constructive dialogue to share our perspective.

The climate-focused trade organization working groups of which we are a member are listed below.

## Engaging With Policymakers

Morgan Stanley is a member of the Center for Climate and Energy Solutions’ Business Environmental Leadership Council—the largest U.S.-based group of corporations focused on addressing climate challenges and supporting climate policy. In 2022, we engaged in the Council’s policy priority development process and invited C2ES leadership to speak about the business potential of the Inflation Reduction Act in an educational event for employees.

In 2022, policymakers globally were engaged in defining climate disclosure regulations and took steps toward implementation. We engaged in advocacy through our industry groups to inform and further refine the International Financial Reporting Standards (IFRS) Foundation’s draft sustainability reporting standards and U.S. Securities and Exchange Commission’s (SEC) proposed rule to enhance and standardize climate-related disclosures for investors. We engaged with the Board of Governors of the Federal Reserve and U.S. Treasury climate leadership on ESG data as it relates to target setting and financial institution decarbonization strategies.

In the European Union (EU), we regularly engage with the European Commission, Council and Parliament on the development of ESG regulations. Topics include the development of due diligence reporting requirements, corporate sustainability reporting requirements and the creation of an EU green bond standard, among others. In the U.K., we work with policymakers and provide commentary on the development of a range of legislative and policy documents, including the U.K.’s green finance strategy, disclosure requirements and the development of the green taxonomy.

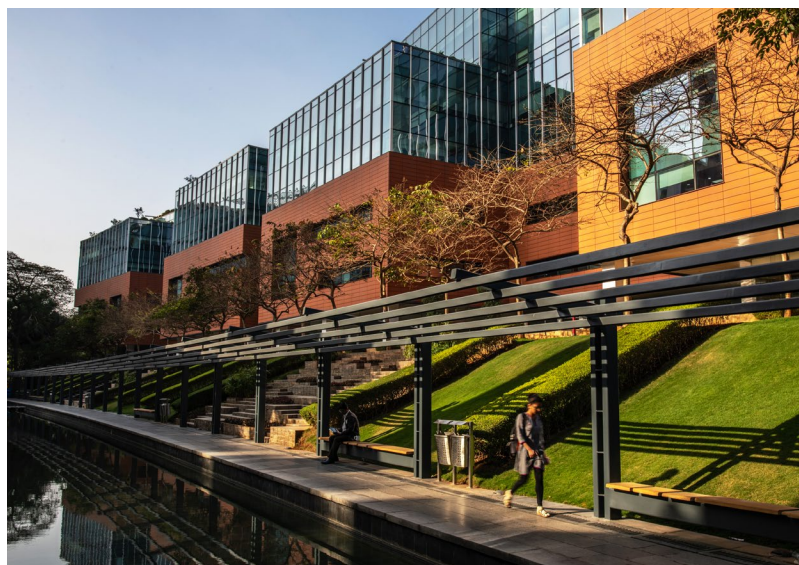
TRADE ORGANIZATION	CLIMATE GROUP MEMBERSHIP
U.S. Chamber of Commerce	Climate Action Task Force; Climate Solutions Working Group
Financial Services Forum	Climate Risk Working Group
Bank Policy Institute	Climate Working Group
American Bankers Association	Climate Task Force
Institute of International Finance	Sustainable Finance Policy Expert Group
Securities Industry and Financial Markets Association	Sustainable Finance Task Force
Association for Financial Markets in Europe	Sustainable Finance Steering Committee
Asia Securities Industry & Financial Markets Association	Sustainable Finance Committee

# Achieving Carbon-Neutral Operations

In 2022, we achieved our commitment to carbon neutrality across our global operations.

Our carbon neutrality status<sup>20</sup> covers direct scope 1 emissions from our operations, scope 2 location-based emissions from purchasing energy and scope 3 emissions from business travel and downstream leased assets. We achieved our goals of carbon neutrality and 100% renewable electricity through the following strategies:

- Reducing our energy use through efficiencies in our real estate by employing projects across our infrastructure. As of year-end 2022, our global GHG emissions (from locations-based accounting) have been reduced by 41% from a 2012 baseline. We have achieved this reduction while increasing the number of employees by 43%, with approximately the same overall square footage.
- Securing a virtual power purchase agreement for a wind-based power system accounting for approximately 50% of Morgan Stanley’s annual global electricity consumption. The 93-megawatt Bennington Wind Project in Illinois achieved operational completion in November 2021. The Firm manages offtake of both power and renewable energy certificates (RECs) from the wind farm, retiring RECs to offset emissions from our North America electricity consumption.
- Contracting directly for renewable electricity and buying renewable energy certificates. We neutralized the remainder of our electricity-related emissions through a mix of on-site renewable power generation, green power purchase agreements and unbundled RECs. We seek to accelerate the global renewable energy market by purchasing RECs in countries where we have real estate and where REC markets exist.



- Purchasing carbon offsets to compensate for our remaining emissions, in accordance with the following strategy:
  - Our carbon offset portfolio follows a governance process to help ensure quality and credibility.
  - Our strategy focuses on removing carbon from the atmosphere, with removal credits accounting for approximately 70% of our portfolio in 2022.
  - All selected projects are certified by an internationally recognized carbon standard.
  - We pursue projects that deliver benefits supporting the United Nations Sustainable Development Goals (UN SDGs). For example, an afforestation project in Uruguay, selected in consultation with our Commodities group, plants native tree species and converts degraded land into biodiverse forest.
  - We remain committed to pursuing high-quality offsets and explore the use of offset purchases to spur development in new technology.

<sup>20</sup> The Firm’s carbon neutral status reflects the actions above. 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 [here](#).

## Climate Strategy: Looking Ahead

Morgan Stanley's climate strategy will continue to evolve alongside developments in science, technology and regulation.

Similarly, our approach to our net-zero commitment will be iterative as methodologies, frameworks and climate data improve over time. In this report, we included our first "Approach to Transition" Index outlining the actions we take to advance our net-zero strategy and accelerate the transition to a low carbon economy. We will continue to monitor developments in methodologies, frameworks and guidance, and our future disclosures will reflect updates to our net-zero strategy.

As we continue to enhance our climate-related risk management and business activity, we plan to take the following steps over time:

- Develop a transition plan that we will continue to evaluate and advance as methodologies, guidance and regulations continue to evolve.
- Set new sector targets that increase the scope of financed emissions covered, including with respect to capital markets facilitation activities once PCAF's guidance and related methodology are finalized.
- Reassess our interim targets and related metrics and consider alternative approaches to help ensure that we have the appropriate guideposts to achieve our 2050 net-zero goal.
- Continue to enhance our CSAF framework as a tool to engage with clients on their transition plans, tailor climate solutions, and assist with understanding and addressing transition risk in our lending business.
- Expand climate-focused education for Morgan Stanley employees to ensure they are best equipped to help clients on their transition journey.
- Update the Firm's long-term climate scenario narratives and expand in-house capabilities including qualitative and quantitative assessment techniques (see pages 24-25 of our [2021 Climate Report](#) for more information). We also plan to expand their use to help inform risk and opportunity identification.



# Climate Risk Management

Climate change poses a significant risk to the global financial system and, in turn, the stability of economies globally.

The impacts of climate change range in nature, severity and frequency, and therefore it is critical for financial institutions to understand how such impacts may affect their business and clients. Firm Risk Management (FRM), in partnership with other areas of the Firm, continues to focus on identifying and managing risks related to climate change to limit their potential impact to Morgan Stanley.

## Defining Climate Risks

As informed by the TCFD, as well as various non-governmental organizations, regulators and financial institutions, Morgan Stanley categorizes the risks associated with climate change into two groups: transition risks and physical risks.

**Transition Risks:** Risks associated with the move to a low-carbon economy, generally falling into one of three categories:

- 1 **Policy and legal changes**, such as local, national or international regulation of carbon emissions
- 2 **Technology advancements**, such as replacement of existing products with lower-emission options
- 3 **Market changes**, such as changes in consumer and business sentiment or impacts resulting from public perception of an organization’s action or inaction on climate change.

Depending on the nature, speed and breadth of these changes, transition risks may pose varying degrees of financial, reputational, regulatory, compliance and other risk to Morgan Stanley as well as our clients or third parties on which we rely. Over the longer term, negative impacts of transition risks on certain of our clients, such as decreased profitability and stranded assets, could lead to increased credit and counter-party risk to us. The impacts of these and other transition risks could increase our expenses and adversely impact our strategies, including by limiting our ability to pursue certain business activities or offer certain products and services.

**Physical Risks:** The physical impacts of climate change include harm to people and property arising from acute climate-related events such as hurricanes, heatwaves, floods or wildfire, and chronic, longer-term shifts in climate patterns, such as higher average temperatures, rising sea levels and long-term drought. Such events could disrupt our operations or those of our clients or third parties on which we rely, including through direct damage to physical assets and indirect impacts from supply chain disruption and market volatility. Over the longer term, these events could impact the ability of certain of our clients or customers to repay their obligations, reduce the value of collateral, limit insurance coverage and result in other effects.

### TYPES OF TRANSITION RISKS



#### POLICY AND LEGAL

- Carbon taxes
- Renewable portfolio standards
- Increased disclosure



#### TECHNOLOGY

- Improved energy efficiency
- Greater battery storage
- Lower-emission products



#### MARKET

- Shifts in consumer and business sentiment
- Impact of public perception regarding inaction on climate change

### TYPES OF PHYSICAL RISKS



#### ACUTE

- Hurricanes
- Floods
- Wildfires



#### CHRONIC

- Higher temperatures
- Sea-level rise
- Long-term drought

**MANAGING CLIMATE RISK**

Morgan Stanley continues to expand its capabilities for identifying and managing the risks associated with climate change for the benefit of our clients, employees and shareholders. To that end, Firm Risk Management (FRM) is responsible for overseeing the management of Morgan Stanley’s climate-related financial risks. In 2022, FRM established a Central Climate Risk Team, which is responsible for working with stakeholders in FRM and across the Firm to identify, monitor, mitigate and report on the climate-related financial risks that the Firm may face. Given the global nature of climate risk, the Central Climate Risk Team includes members in regions around the world where Morgan Stanley has a significant presence, including the Americas, EMEA and APAC.

Morgan Stanley views climate risk not as a stand-alone risk type, but as an overarching risk that can impact other risk types, such as Credit Risk, Market Risk, Operational Risk and Liquidity Risk. As climate risk is interconnected with other risk types, we have developed and continue to enhance processes to embed climate risk considerations into our risk management strategies and governance structures.

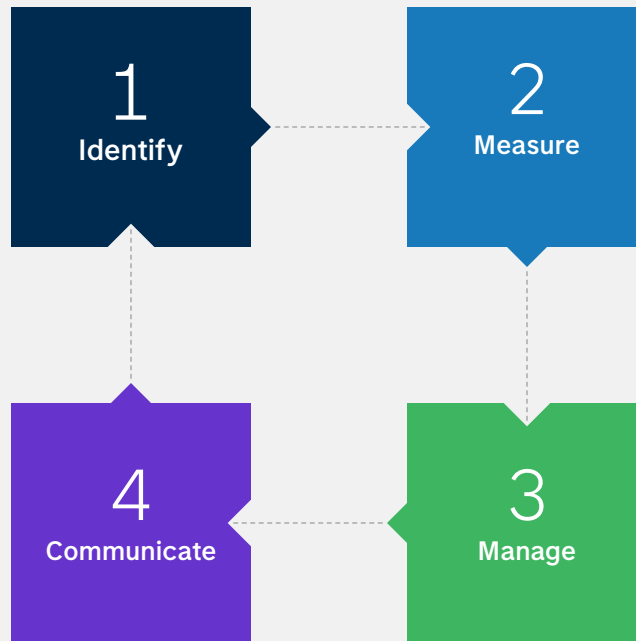
The table below describes the risk types overseen by FRM and the means by which they may be impacted by climate risks.

RISK TYPE	DEFINITION	SELECTED EXAMPLES OF CLIMATE-IMPACTED FACTORS	TRANSITION RISK EXAMPLES	PHYSICAL RISK EXAMPLES
<b>Credit</b>	Risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to Morgan Stanley	<ul style="list-style-type: none"> <li>a. Collateral values</li> <li>b. Cash flow/source of repayment</li> <li>c. Business model/strategy</li> </ul>	Increase in defaults or rating downgrades within carbon-intensive industries due to increased costs resulting from new climate regulation (e.g., a carbon tax), or loss of income/profits as a result of changing consumer preferences towards green products	Increase in defaults, rating downgrades within various real estate portfolios driven by a severe weather event (e.g., flood, hurricane, wildfire)
<b>Market</b>	Market risk refers to the risk that a change in the level of one or more market prices, rates, spreads, indices, volatilities, correlations or other market factors, such as market liquidity, will result in losses for a position or portfolio owned by us.	<ul style="list-style-type: none"> <li>a. Equity and corporate bond prices</li> <li>b. Mortgage-backed securities prices</li> <li>c. Commodity prices and volatilities</li> </ul>	New climate regulation or change in consumer preferences negatively impacts the demand for a product (e.g., internal combustion engines), leading to a fall in car manufacturers’ equity or corporate bond price	Severe weather events may damage production facilities (e.g., gas processing facilities), reducing production and increasing prices for a particular commodity in the front of the curve
<b>Liquidity</b>	Liquidity risk is the risk that the Firm will be unable to finance its operations due to a loss of access to the capital markets or difficulty in liquidating its assets. Such risks include the Firm’s ability or perceived ability to meet its financial obligations in a timely manner. Liquidity risk encompasses the associated funding risk triggered by stress events, which may negatively affect the Firm’s liquidity and may impact its ability to raise new funding.	<ul style="list-style-type: none"> <li>a. Loan drawdowns</li> </ul>	New regulation of carbon-intensive industries leads to loss of income/profits for certain borrowers, leading to liquidity needs from the impacted clients (i.e., outflows from increased draws against loan facilities)	A large-scale severe weather event such as a hurricane damages properties in real estate portfolios and disrupts operations for other borrowers, leading to liquidity needs from the impacted clients (i.e., outflows from increased draws against loan facilities)
<b>Operational</b>	Risk resulting from inadequate or failed processes or systems, from human factors or external events (e.g., fraud, theft, compliance, cyberattacks or damage to physical assets) which could adversely affect our business or reputation.	<ul style="list-style-type: none"> <li>a. Firm’s physical office locations</li> <li>b. Business continuity and resilience</li> <li>c. Compliance</li> </ul>	Increasing and evolving climate-focused regulation, and complexity thereof, leads to legal and compliance risks (e.g., greenwashing)	Severe weather events (e.g., hurricanes, flooding) damage Morgan Stanley offices and disrupts the provision of business services



## Morgan Stanley’s Risk Management Framework

Morgan Stanley manages climate risk through the application of its standard risk management framework. This framework is divided into four steps:



### RISK IDENTIFICATION

The first step in managing climate risk requires correct identification of the climate risks that may impact Morgan Stanley’s products, business lines and physical footprint. As with other types of risk identification, climate risk identification is critical to the measurement, monitoring and mitigation of financial risks to Morgan Stanley.

Morgan Stanley monitors external developments and tracks the latest science to understand the climate risks posed to the Firm. FRM continues to evolve its centralized risk identification inventory to identify appropriate climate-related risks.

### SCENARIO ANALYSIS

Scenario analysis utilizes a variety of approaches to identify potential vulnerabilities in our business and to measure the resulting impact. We leverage Morgan Stanley’s internal risk inventory and materiality assessments to inform the design of our climate scenarios, which emphasize either transition risk or physical risk.



### Transition Risk Scenario Analysis

Transition risk scenario analysis helps Morgan Stanley understand how a move to a low-carbon economy may create financial risks to the Firm. Morgan Stanley leverages regulatory scenarios and scenarios from the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) for guidance and best-practices when designing transition risk scenarios. Transition risk scenarios are chosen based on the Firm’s risk profile, emerging changes in policies (such as carbon pricing) and the potential economic impact of such policy changes. Scenarios may be conducted for different time horizons and consider exposure concentrations by sector and industry.

To conduct the analysis, FRM leverages existing economic scenario forecast models as a starting point to develop climate scenario forecasts. This approach allows FRM to capture key macroeconomic and financial market variables across regions and sectors. Climate-specific variables are then taken from widely recognized industry sources such as NGFS, or through input from Morgan Stanley Research. These variables are then incorporated into the macroeconomic scenarios.

### Physical Risk Scenario Analysis

Physical risk scenario analysis helps Morgan Stanley understand the potential impact that acute or chronic weather events could have on the business. Physical risk scenarios leverage internal inputs and models and adjust them for climate-specific factors based on the scenario narrative. The scenarios in focus are determined by material risks identified through the risk identification and materiality assessment processes.

Morgan Stanley has analyzed the potential financial consequences of climate events of varying impact, including acute events such as violent weather. The portfolios in scope are generally those we have identified as having concentrations in geographies impacted by the physical risk being analyzed, including our corporates, commodities and real estate portfolios.

In addition, Morgan Stanley’s Operational Risk Department runs scenarios to assess and quantify potential losses that Morgan Stanley may incur as a result of climate-related physical risks. Supported by our Fusion Resilience Center, which researches the potential threats to operations, the Operational Risk Department identifies and ranks the key physical risks for each of our main office locations.



The physical risks are assessed in terms of damages to Morgan Stanley’s physical assets as well as incremental losses incurred to maintain operations. As part of the assessment, the scenarios consider the potential occurrence of unprecedented catastrophic events caused by climate change.

### Time Horizons for Scenario Analysis

Both transition and physical risks can materialize over different time horizons. For example, episodic extreme hurricanes present near-term physical risks to vulnerable regions and populations, while transition risk measures, such as carbon taxes, present longer-term challenges as economies adjust to increased costs and market or technological changes stemming from new tax policy. Institutions, such as Morgan Stanley, therefore face the challenge of not only identifying material climate risks to their business, but also analyzing the likely duration and trajectory of each physical and transition risk they face.

## Climate Risk Governance

We maintain a robust governance process to regularly communicate climate risk updates to key internal stakeholders and committees. This process ensures appropriate oversight and transparency. With respect to the process, there are several committees that exclusively focus on climate risk. The Climate Risk Committee (CRC) reports to the Firm Risk Committee 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. As the primary climate risk committee, the CRC oversees a number of subcommittees, which between them are responsible for reviewing climate risk-related matters within FRM and approving certain emissions-related matters. The CRC also receives reports from a number of Business Unit and regional ESG committees on climate risk-related matters, as reflected in ESG Governance [here](#).



# Climate Metrics and Targets

Metrics and targets help track our efforts to achieve our net-zero commitment, and are important across all four pillars of our climate strategy.

## Financed Emissions Lending Intensity— Interim Target Sectors

We measure progress against our interim net-zero targets which are based on our financed emissions lending intensity (FELI) metric. For an in-depth explanation of this metric, please see the [Methodology for Morgan Stanley’s 2030 Interim Financed Emissions Targets on the Path to Net-Zero](#).

We announced our 2030 interim emission reduction targets in late 2021 and set our emissions baseline year as 2019. On page 55, we disclose our financed emissions lending intensity (FELI) for 2019, 2020 and 2021 (for more detail on our 2019 baseline emissions data, see our [2021 Climate Report](#)).

It is important to note that these results reflect lending activities prior to the establishment of our interim targets, set in November 2021. The three years of FELI data reported cover a timeframe during which our business activities were not managed to our commitment to net-zero financed emissions. We provide these figures for reference.



## 2030 Interim Financed Emissions Reduction Targets

Percent reduction in lending intensity metric compared to the 2019 base year

SECTOR	2030 REDUCTION TARGET
Auto Manufacturing	-35%
Energy	-29%
Power	-58%

## How Carbon Emissions Data Challenges Impact Our Target Reporting

Carbon data for our clients' scopes 1, 2 and 3 emissions is evolving and improving. During this period of data quality improvement, we have seen that the data has significant variability year-over-year. Carbon data quality is highly impacted by the extent to which companies are reporting emissions data. In the past three years, we have seen a notable increase in emissions data reported by companies, which is helpful in improving the accuracy of our metrics. However, it also means that our metrics, which rely on that data, have some volatility as well.

As discussed in our previous years' climate reporting, carbon data also has a significant time lag, which means that we do not obtain new client carbon data sets until 12-18+ months after the underlying emissions-generating activities have taken place. We expect this lag to reduce over time. However, it means that we currently must make real-time business decisions with data that is both evolving in quality and delayed.

With that as the backdrop, several different factors influence the movement of our FELI metric. We explain these dynamics in more detail in the attribution analysis section below. These factors include:

- Portfolio mix of our corporate relationship and event loans
- Fluctuations in enterprise value including cash (EVIC)
- Methodologies used to calculate a portfolio company's estimated emissions where they are not reported by the company
- Changes in a portfolio company's actual emissions
- Change in scope of emissions reported by portfolio companies

Increased emissions reporting by companies is extremely helpful in improving the accuracy of our financed emissions metrics. However, this makes year over year trend analysis particularly challenging. As companies expand their reporting coverage to additional categories of emissions, particularly scope 3 emissions categories, they report higher emissions year over year, which results in our financed emissions metrics trending upwards. It also means that our 2019 baseline is likely to be under-representing the emissions during that year.

As such, emissions will appear to increase over time if:

- Prior years' figures are not revised, or restated.
- Current modeling approaches are not adjusted to account for these revised reporting approaches, where possible.

The result of this dynamic is that emissions data may not be representative of, or well correlated to, underlying company performance. In particular, we have seen that production of oil and gas among portfolio companies covered by our Energy emissions target has remained relatively flat, while we've seen an uptick in scope 3 emissions from 2019 to 2021. For example, a company may only report one category of scope 3 emissions in 2019, but in 2021 report 2+ categories. This would show an increase in emissions for a company that may not have actually happened.



## Looking Forward

These challenges are industry-wide and not specific to our method of tracking emissions or our clients’ production activities. As data improves, we expect reported emissions to be more representative of actual emissions from their underlying activities, and thus more accurately reflect how our clients are working to address their own emissions footprint.

For this reason, we encourage companies across all sectors, especially high-emitting sectors, to report emissions data accurately and comprehensively and to also restate prior years, where appropriate.

We remain committed to our net-zero and interim emissions targets. As detailed in the section “Our Approach to the Net-Zero Transition”, we have a clear strategy to engage with our clients to meet our commitments and reduce FELI over time, including by leveraging a range of data to help drive decisions. Our CSAF framework will provide forward-looking data on our clients which complements GHG emissions data, which are historical.

As stated in our [public methodology](#) document, we view this journey as iterative, and we will continue to evolve our approach as the data and disclosure evolves. To that end, we will evaluate our sources of data, our target methodology and our disclosure options over time to help ensure the metrics that we publicly report are aligned with our business and our clients’ activities.

## Restatements

This year, a key provider of GHG emissions data for our FELI analysis changed its methodology to restate certain prior-year scope 3 data. The goal of this change was to enhance the quality, accuracy, and comparability of a company’s emissions performance over time.

Previously, a restated prior year emissions number was only done in the case of an error. Now, the restated data reflects when companies restate prior year figures. This increased the number of restated figures in the 2019 data and resulted in changes to the sources of underlying sector-specific datasets used by the data provider.

However, restatements are limited to companies retroactively restating scope level numbers wholly. Restatements will not occur if a company expanded scope 3 sub-category reporting in a current year, but not a prior year. The result may be an increase in emissions due to reporting at the sub-category levels, which may make emissions challenging to compare on a year-over-year basis.



We have incorporated the data provider’s updated scope 3 company emissions values into our previously published 2019 FELI and Absolute Financed Emissions (AFE) results for our three interim target sectors, as shown in the table below. This restatement supports enhanced consistency across reporting years. Our 2030 targets remain unchanged, and our baseline is now the restated 2019 FELI results.

As data and methodologies continue to improve, we may make additional restatements to our financed emissions reporting as appropriate. We also encourage all emissions data providers to provide public information on their restatement methodologies, and to explore the inclusion of restated data across all emission scopes.

## Financed Emissions Lending Intensity<sup>21</sup>

The following FELI metric figures represent the amount of GHG emitted<sup>22</sup> by portfolio clients for each \$1 million in corporate lending committed by the Firm as of year-end.

SECTOR	2019	2019	2020	2021
	REPORTED	RESTATED		
<b>Auto Manufacturing</b>	<b>1,418</b>	<b>1,473</b>	<b>1,260</b>	<b>1,789</b>
(Scope 1 + 2)		31	25	24
(Scope 3)		1,442	1,235	1,765
<b>Energy</b>	<b>1,839</b>	<b>2,010</b>	<b>2,456</b>	<b>2,691</b>
(Scope 1 + 2)		194	205	209
(Scope 3)		1,816	2,251	2,482
<b>Power</b>	<b>1,339</b>	<b>1,320</b>	<b>1,105</b>	<b>1,127</b>
(Scope 1 + 2)		821	673	711
(Scope 3)		499	432	416

### SECTOR ATTRIBUTION ANALYSIS

**Auto Manufacturing:** After a decline in 2020, our Auto FELI increased by 42% in 2021. This was primarily due to a corporate merger between two borrowers which resulted in updated absolute emissions reporting for the newly merged company. This made the data less comparable to prior-year emissions for each company pre-merger. Absent this transaction, our FELI would have continued a downward trend in 2021. The majority of our current Auto Manufacturing clients have demonstrated plans to grow electric vehicle production and are benefiting from changes in government policy designed to further decarbonize the transportation sector. With that as the backdrop, we expect to see continued FELI declines in our Auto Manufacturing sector target over time.

**Energy:** FELI increased by 22% in 2020 and 10% in 2021. In 2020, a reduction in the carbon emissions of our loan portfolio was offset by lower EVIC valuations and a change in the portfolio mix. In 2021, the opposite occurred. There was a positive portfolio mix shift and increase in EVIC, however the reporting of carbon emissions increased significantly. The emissions increase can be primarily attributed to improvements in portfolio companies' disclosure quality and methodology, including a number of companies that reported for the first time in 2021. It also stems from companies' expanded reporting of additional scope 3 sub-categories and additional types of products accounted for in Use of Sold Product lifecycle emissions

measurements. We do however recognize that a small amount of the increase was due to upticks in underlying oil and gas production from certain clients, which is in line with global energy production trends during this period.

**Power:** FELI for our Power sector target decreased significantly by 15% in 2021 compared to our 2019 baseline. This was driven by a decline in global electricity generation volumes from FY19 to FY20 as Covid-19 restrictions were enacted and our clients' focus on evolving their power generation mix to lower emissions sources. It also reflects our increased financing to companies with lower emissions intensity. Overall, electric power providers continue to seek to expand electricity generation from renewables. We also see our clients in this sector moving to incorporate battery storage technology, and the adoption of new policies that we expect will accelerate the adoption of zero-carbon power. We saw a slight uptick in FELI from 2020 to 2021 due to increased company emissions with the recovery in global generation as Covid-19 restrictions were lifted.

Given the data limitations and challenges outlined above regarding higher quality data leading to increasing figures over time, we also performed a sensitivity analysis to understand the impact on FELI if we held borrower carbon values constant across all years using 2021 company emissions (and emission factors) which represent the most current and accurate results. Under these assumptions, we estimate that our 2019 baseline FELI for Energy would have been 21% higher than our current restated value and 11% higher for Auto Manufacturing.

<sup>21</sup> For details on how the FELI metric is calculated, please view the [Methodology for Morgan Stanley's 2030 Interim Financed Emissions Targets on the Path to Net-Zero](#).

<sup>22</sup> CO<sub>2</sub>e reflects all seven gases under the Kyoto Protocol that are also mandated under the UNFCCC to be included in national inventories if they are emitted in companies' value chains.

## Absolute Financed Emissions (AFE)

Our 2030 commitments utilize our FELI metric. We recognize that absolute emissions provide helpful additional context, which is why we also report absolute emissions information, in line with our commitment to PCAF. However, our AFE results also demonstrate the variability of using drawn exposure amounts, compared to committed exposure, to measure our financed emissions impact.

For the Auto Manufacturing sector portfolio, our AFE results demonstrate a substantial decline across the three years. This is primarily due to a decrease in the total amount that companies in this portfolio drew against their loans, and a shift towards clients with lower carbon intensity footprints.

Within the Energy sector portfolio, the total amount that companies drew against their loans decreased across all three years. However, upstream exploration and production companies represented a higher share of drawn amounts in 2020, hence an increase in AFE given their higher carbon intensity versus other transportation and services companies in the sector. This client mix shifted back in 2021, leading to the year-over-year decline between 2020 and 2021.

For the Power sector portfolio, the large increase in 2021 is driven by a single client with a higher carbon intensity profile, which did not draw down on its loan in prior years.

## Absolute Financed Emissions

SECTOR (tCO <sub>2</sub> e)	2019	2019	2020	2021
	REPORTED	RESTATED		
<b>Auto Manufacturing</b>	<b>43,968</b>	<b>38,101</b>	<b>16,298</b>	<b>4,120</b>
(Scope 1 + 2)	1,591	1,591	410	80
(Scope 3)	42,378	36,510	15,888	4,040
<b>Energy</b>	<b>1,904,106</b>	<b>1,473,781</b>	<b>2,362,679</b>	<b>1,144,234</b>
(Scope 1 + 2)	167,754	165,401	207,880	125,511
(Scope 3)	1,736,352	1,308,380	2,154,799	1,018,723
<b>Power</b>	<b>992,134</b>	<b>882,542</b>	<b>394,107</b>	<b>843,878</b>
(Scope 1 + 2)	485,110	484,811	264,409	350,646
(Scope 3)	507,024	397,731	129,698	493,232

**Please note that data in the foregoing tables:**

- Were calculated using third-party data inputs, which include estimates, and Morgan Stanley does not provide assurance on the veracity of such information. While Morgan Stanley believes the data has been reasonably determined based on current practices, methodologies and standards in this area continue to evolve and may change. Also, as noted above, third-party data providers may restate such information from prior years which may cause us to restate prior period emissions. See also [Climate Data Limitations and Challenges](#) and [Use of Third-Party Estimates](#).
- Are not comparable to financed emissions data of other financial institutions, which may have different business models and lending practices, and may use different accounting methodologies and data to determine financed emissions.
- May vary from year to year based on many factors, some of which are beyond our control. While Morgan Stanley introduced its interim targets at the end of 2021 and did not manage FELI exposure from 2019-2021, readers are cautioned not to base conclusions on future progress toward interim targets on year-over-year results, but should consider trends over a longer period of time.
- Were also not prepared in accordance with, and not meant to comply with, any current proposed or future regulatory disclosure requirements.



## PCAF Data Quality Scores

Morgan Stanley calculates data quality scores for our financed emissions reporting in accordance with the PCAF guidelines. These scores indicate the data quality associated with the emissions data underlying our calculations based on the source of the data, on a scale from 1 to 5 with 1 being the highest quality. For example, company-reported emissions are scored as higher data quality as they are specific and may be third-party verified, whereas economic activity-based emissions factors which are used to estimate company emissions are considered lower data quality. PCAF guidance recommends calculating a data quality score for scopes 1 and 2 separate from a score for scope 3. For more information on the PCAF Data Quality scale, see the [PCAF methodology document](#).

The Absolute Financed Emissions metric includes only a subset of companies within our portfolio which have drawn exposure at year-end, whereas the FELI metric includes all companies with our portfolio. As such, we consider that reporting data quality scores for both metrics is important to understand and represent our progress.

Across our portfolio, we observed incremental improvements in scope 1 and 2 data quality from 2019 to 2021. For FELI, our scope 1 and 2 portfolio data quality score improved from 2.5 to 2.3, and for FELI, our score improved from 3.4 to 3.2. However, we continue to see an overall lower level of reported scope 3 emissions data from companies. For AFE, our scope 3 portfolio data quality score marginally declined from 3.5 in 2019 to 3.6 in 2021. However when our full set of clients is considered through the FELI metric, our score marginally improved from 2.9 to 2.8.

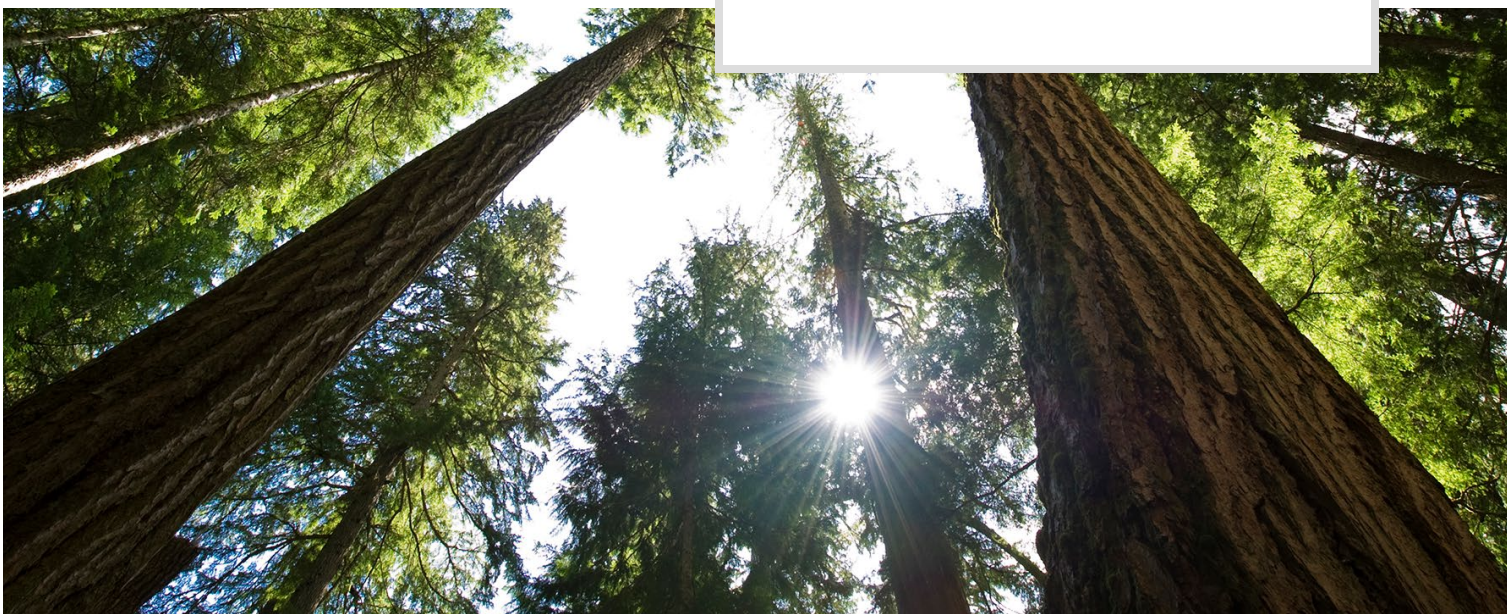
## Data Quality Scores

### FINANCED EMISSIONS LENDING INTENSITY

YEAR	SCOPE 1 + 2	SCOPE 3
2019	2.5	2.9
2020	2.4	2.8
2021	2.3	2.8

### ABSOLUTE FINANCED EMISSIONS

YEAR	SCOPE 1 + 2	SCOPE 3
2019	3.4	3.5
2020	3.2	3.5
2021	3.2	3.6



## Climate Data Limitations and Challenges

As noted earlier in this report, emissions data continues to have significant limitations and challenges. Below we describe these challenges in order to educate our stakeholders about the complexity in calculating FELI and financed emissions.

**Data Lag:** As discussed in our 2021 Climate Report, emissions data is often unavailable until 12-18+ months after the fiscal year-end, far exceeding common financial reporting timeframes. This lag is due to a range of factors including company GHG data reporting cycles; the time it takes for vendors to source, aggregate and analyze data; and vendor data quality checks.

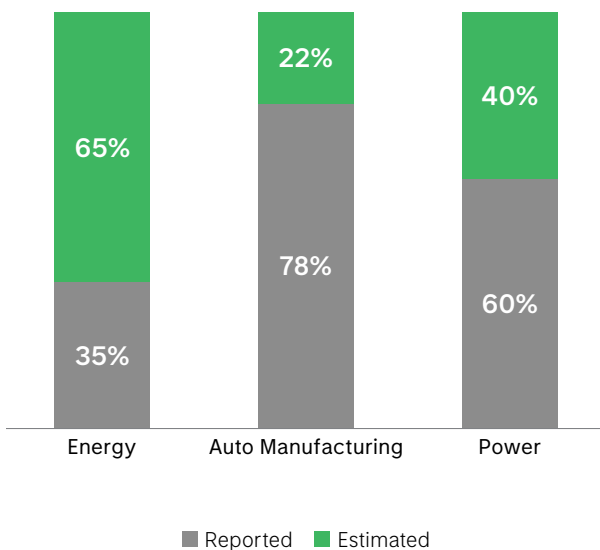
This requires making internal decisions utilizing data that is often not up to date and therefore not reflective of current practices from clients. The other implication of this lag is that when the emissions are disclosed 1.5-2 years later utilizing matching portfolio data and GHG emissions data as PCAF suggests, the public figures are not the same as the data that was being managed to at that point in time. Said another way, financial institutions will not know the actual results of business decisions and performance until a year and half later.

**Limited Company Reporting:** Another limitation financial institutions must manage is the lack of company reporting across GHG scopes, especially for scope 3 emissions. Scope 3 data is generally estimated by third-party providers because it is often underreported. Therefore, scope 3 emissions data is heavily dependent on estimation methodologies which can differ across data providers, making year-over-year result comparisons more challenging.

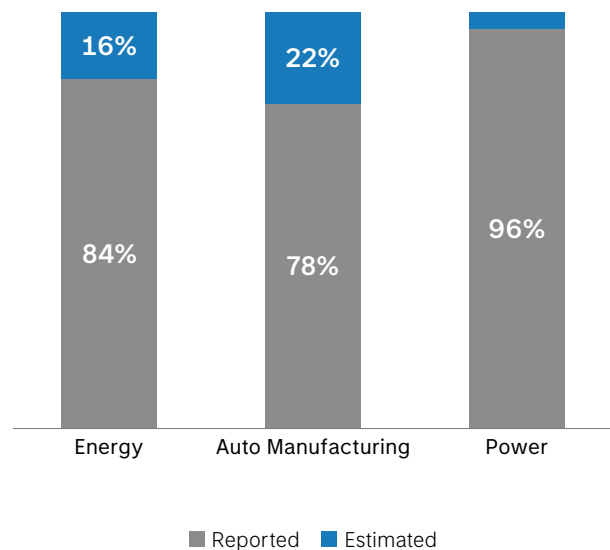
As indicated in the charts below, this is particularly significant in the Energy sector, where scope 3 is the most material contributor of the sector’s emissions. For reporting 2021, we found only 35% of energy companies within our portfolio report scope 3 emissions compared to over 60% for Auto Manufacturing and Power.

Furthermore, the GHG Protocol methodology directs companies to decide which underlying scope 3 emissions sub-categories are most relevant to their respective operations. Companies within the same sub-sector may determine different underlying categories as relevant in their emissions disclosures. In some cases, companies may determine categories relevant, but may opt to not report. These GHG reporting nuances introduce significant variability across reporting boundaries for scope 3 emissions from both figures derived from data providers and those reported by companies, making comparisons difficult.

2021 SCOPE 3 DATA DISCLOSURE SOURCE



2021 SCOPES 1+2 DATA DISCLOSURE SOURCE



**Data Provider-Specific Methodology Decisions:** Our financed emissions calculations depend on GHG data from two primary sources—company-reported emissions data and third-party data provider estimations (see our [2030 Interim Targets Methodology](#) for details). For reported emissions data companies report different GHG emission figures across different disclosure channels. For example, the same company might report different emissions figures in its CDP report, its annual report, and/or its sustainability report. Third-party data providers do not uniformly select one disclosure type over another source, resulting in differences across these data providers.

In addition, data providers can retroactively implement changes in their own estimation methodology year on year,

which could lead to restatement of prior years’ data. On the other hand, some data providers may choose not to revise or update their prior years’ emissions data sets when companies restate their own data. These third-party data providers may also choose to estimate emissions data even where reported data is available if the company underwent a significant corporate action such as an initial public offering or a corporate merger. In other cases, data providers may implement methodological changes to improve accuracy, but may limit such changes to certain years or certain reporting boundaries. Any of these instances potentially create anomalous results when comparing these estimates to prior year reported emissions, complicating trend analysis.

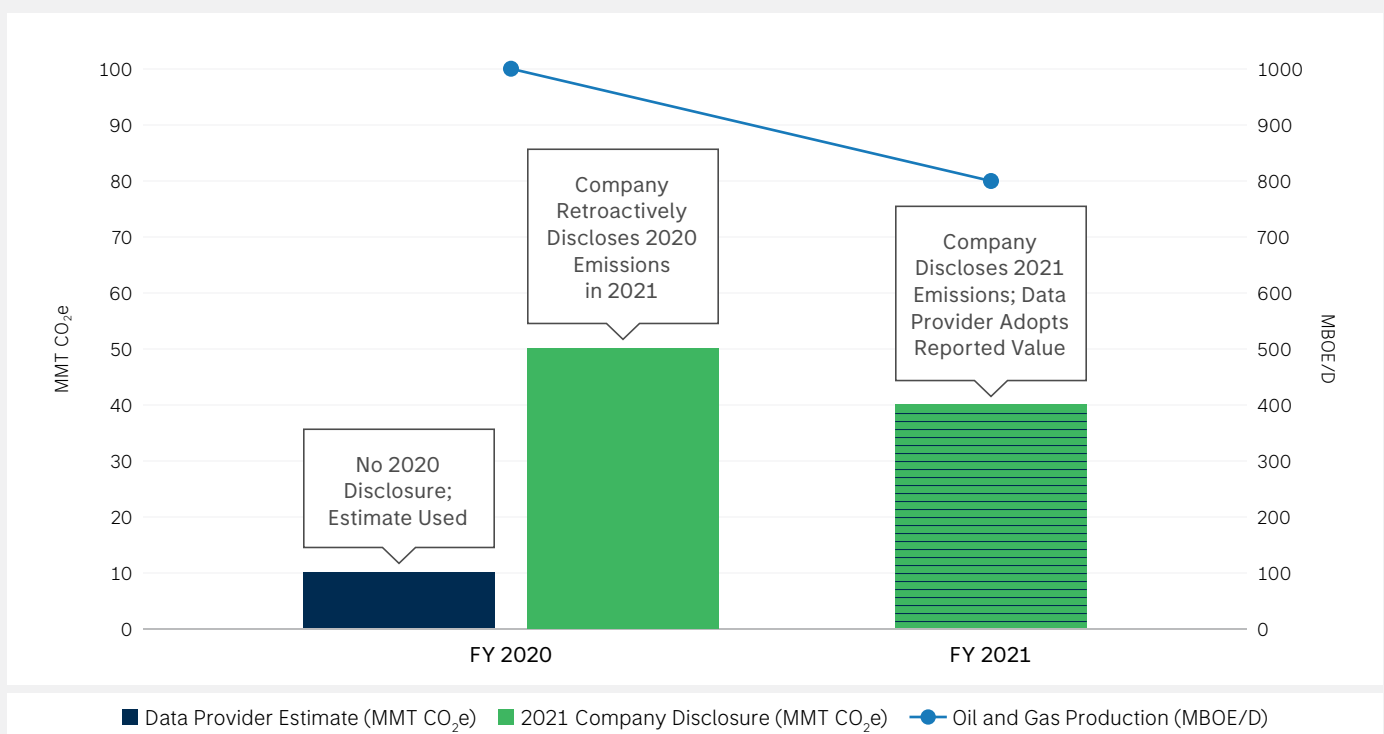
### Example of Updated Company Disclosure Leading to Year-over-Year Discrepancy

Year-over-year variances in reported emissions are not necessarily correlated with an Energy company’s production and related end-use emissions. The data in this example has been anonymized but is representative of a change in emissions values disclosed by a company and the values reported by data providers.

For the first time, an oil and gas producer disclosed its emissions for the most recent year (2021) and the previous year (2020). A data provider which used a production-based estimate for the company’s 2020 emissions pivots to utilize the company’s reported value for 2021 emissions. However, the data provider does not retroactively revise or restate its prior year estimate for the company’s 2020 emissions.

In this example, there is a resulting discrepancy between the company’s reported change in emissions (-20% YoY) and the implied change (+300% YoY), while erroneously demonstrating an inverse relationship to annual production which decreased (-5%) over the same period.

Our goal in sharing this case study is to illustrate the complexities in the data dynamics which drive the results of our FELI emissions. Over time, we expect increased company reporting and consistency in the relationship between emissions data as reported and underlying production and use of sold products.



## Minimizing Our Environmental Footprint

From 2012 through 2022, Morgan Stanley reduced its total location-based emissions by 41% and its market-based emissions by 74%. Key strategies to reduce emissions include increasing the efficiency of our infrastructure and using renewable electricity on-site. We are also working to enhance the efficiency of our heating, air-conditioning and ventilation systems (HVAC); reducing the water intensity of our HVAC; focusing on plug load management to reduce parasitic losses; and leveraging daylighting to improve the employee workplace while reducing lighting loads.

In 2020 and 2021, the COVID-19 pandemic contributed to reduced emissions due to remote working and reduced travel. In 2022, we began to see the impact of returning to work and increased business travel across our emissions aligning to declining health and safety restrictions. In particular, scope 1 increased due to higher utilization of office real estate and vehicles and aircraft operated by the Firm or employees, scope 2 increased due to higher utilization of office and data center real estate reflecting increased use and technology business demand, and scope 3 increased due to increased business travel.

## GHG Emissions Data<sup>23</sup>

EMISSIONS (mtCO <sub>2</sub> e)	(Base Year)						
	2012	2017	2018	2019	2020	2021	2022 <sup>24</sup>
Scope 1	28,098	29,684	29,081	25,913	23,470	25,571	27,268
Scope 1: Real Estate	24,005	25,545	24,694	21,942	21,213	22,043	22,805
Scope 1: Mobile Combustion	4,093	4,139	4,387	3,971	2,257	3,528	4,463
Scope 2 Location-Based	331,917	233,876	247,716	215,911	191,772	186,255	196,553
Scope 2 Market-Based	345,738	236,745	256,950	224,092	201,922	198,648	40,150
<b>Total Location-Based: Scope 1 &amp; 2</b>	<b>360,015</b>	<b>263,560</b>	<b>276,797</b>	<b>241,824</b>	<b>215,242</b>	<b>211,826</b>	<b>223,821</b>
<b>Total Market-Based: Scope 1 &amp; 2</b>	<b>373,836</b>	<b>266,429</b>	<b>286,031</b>	<b>250,005</b>	<b>225,392</b>	<b>224,219</b>	<b>67,418</b>
Scope 3 Total Category 6 & 13	113,349	112,203	125,666	105,039	20,624	25,306	57,268
Scope 3: Category 6 Business Travel	112,921	111,974	125,457	104,832	20,451	25,168	57,057
Scope 3: Category 13 Downstream Leased Assets	428	229	209	207	173	138	211
<b>Total Location-Based Emissions</b>	<b>473,364</b>	<b>375,763</b>	<b>402,463</b>	<b>346,863</b>	<b>235,866</b>	<b>237,132</b>	<b>281,089</b>
<b>Total Market-Based Emissions</b>	<b>487,185</b>	<b>378,632</b>	<b>411,697</b>	<b>355,044</b>	<b>246,016</b>	<b>249,525</b>	<b>124,686</b>

<sup>23</sup> The 2012 base year and periods 2017-2021 have been recalculated from our 2021 Climate Report which principally reflects our decision to report our Scope 2 Market-Based accounting in accordance with the GHG Protocol, along with improvements in the accuracy and availability of data and also structural changes from the acquisitions of E\*TRADE and Eaton Vance in 2020 and 2021, respectively.

<sup>24</sup> The 2022 Emissions information was subject to Deloitte & Touche LLP's review. As such, Deloitte & Touche LLP expresses a conclusion only with respect to 2022 Emissions. See [Independent Accountant's Review Report](#).

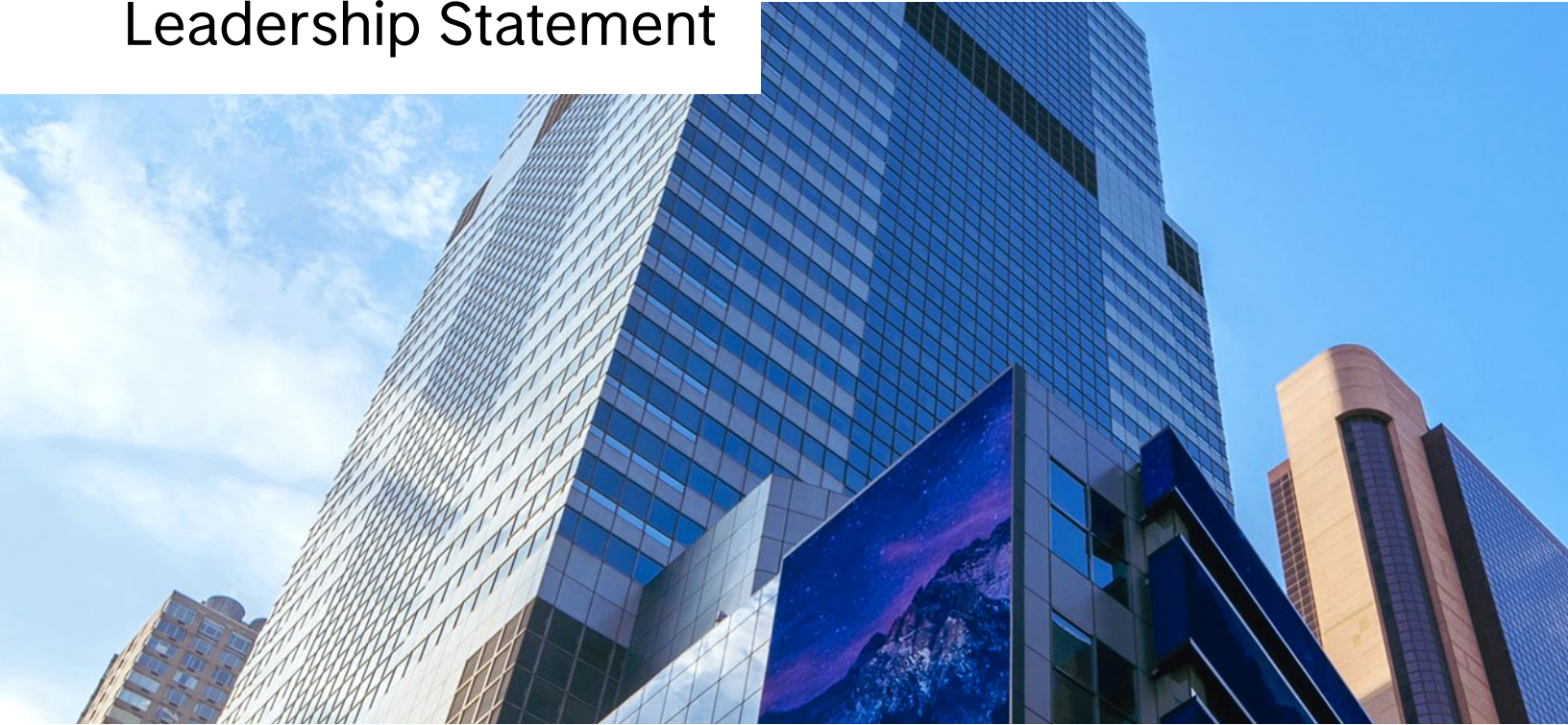
# Sustainability



Sustainability efforts at Morgan Stanley span ESG topics and encompass the Firm’s global operations and risk management, and the activities of the Morgan Stanley Institute for Sustainable Investing.

- 62** Leadership Statement
- 63** The Morgan Stanley Institute for Sustainable Investing
  - Delivering Actionable Analysis
  - Fostering Innovation
  - Developing Future Sustainability Leaders
- 67** Risk Management
  - Addressing Environmental and Social Risk
  - Operational Resilience
  - Cybersecurity
  - Data Protection and Client Privacy
- 71** Governance and Business Ethics
  - Leadership From the Top
  - Stakeholder Engagement
  - Ethical Business Conduct

# Leadership Statement



As Chief Sustainability Officer and CEO of the Institute for Sustainable Investing, I am proud of the work Morgan Stanley has done to mobilize capital in ways that drive systemic and sustainable change around the world.

As the landscape around ESG continues to grow increasingly complex, we remain committed to leveraging our expertise to serve the sustainability needs of our clients, our communities and our colleagues. We also recognize that today's sustainability challenges are truly global in nature. That is why, in 2022, we expanded the footprint of our Global Sustainability Office to Europe. With our newly launched Firm ESG Committee, we are ensuring that Morgan Stanley continues to increase connectivity and improve accountability across the Firm.

It is an incredibly exciting time to be focused on sustainability. With ever-increasing demands and a steady stream of innovations across the field, my role as Chief Sustainability Officer will continue to align directly with our Firm's core values of doing the right thing and putting clients first in the transition to a low-carbon, sustainable and inclusive economy.

*Jessica Alsford*

**JESSICA ALSFORD**

Chief Sustainability Officer and CEO of the Morgan Stanley Institute for Sustainable Investing

# The Morgan Stanley Institute for Sustainable Investing (ISI)

Established by CEO and Chairman James Gorman in 2013, The Morgan Stanley ISI aims to accelerate sustainable finance by driving innovation, empowering investors with insights and supporting the development of the next generation of sustainable investing leaders. The ISI is guided by an advisory board of prominent leaders from business, academia and nongovernmental organizations, and is utilized to drive strategic internal sustainability-focused initiatives.

1

**Delivering insights** to inform and empower investors and corporates.

2

**Driving innovation** by leveraging the Firm’s experience and market perspective to advance the field of sustainable investing.

3

**Developing the next generation of sustainable investing leaders** through strategic partnerships and programs.

## IMPACT IN NUMBERS

250+

graduate students from 51 schools in 35 countries entered our annual Sustainable Investing Challenge, with projects designed to make an impact in 29 countries

\$250,000

grants provided to five visionary startups as part of the Sustainable Solutions Collaborative

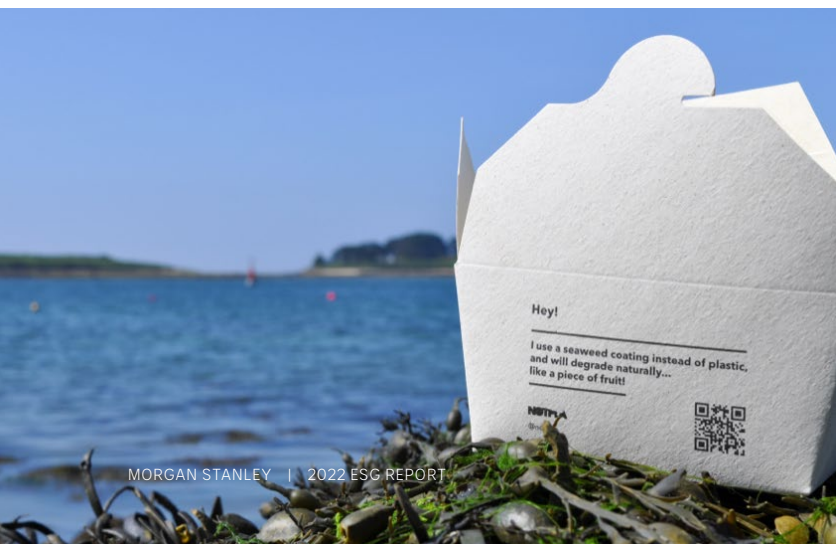
## CASE STUDY

### MORGAN STANLEY-BACKED SEAWEED PACKAGING INNOVATOR WINS EARTHSHOT PRIZE

Notpla, a U.K.-based sustainable packaging startup, invented a seaweed-based alternative to single-use plastic containers with transformative potential. The company’s biodegradable packaging material comes in a variety of forms, including an edible bubble container to hold liquid and seaweed-based coatings, film and paper—all of which can be composted at home. In 2022, Notpla made over 1 million food cartons coated in biodegradable material for one U.K. takeout company alone.

Notpla was among five global innovators selected to join the second cohort of the Morgan Stanley Sustainable Solutions Collaborative in 2022. Each Collaborative member received a \$250,000 award and took part in a bespoke, year-long program focused on supporting and scaling their solution. In December 2022, Notpla was a recipient of the £1 million Earthshot Prize, founded by the Prince of Wales to identify and scale solutions to help repair the planet.

Read more about our [Sustainability Solutions Collaborative](#) and our second cohort of visionary entrepreneurs.



# Delivering Actionable Analysis

The ISI informs and empowers the growing number of investors looking to drive environmental and social impact. Our thought leadership focuses on trends driving sustainable investing and critical thematic issues such as climate change and inclusive economic growth. 2022 examples are highlighted below:



**Sustainable Reality: Strong Inclusive Growth Performance Drives Down Risk for Bondholders** demonstrated that bonds issued by companies ranking high on inclusive growth metrics had lower credit spreads and were considered less risky than bonds issued by low-scoring peers. This in turn can impact corporate bond performance, especially in times of severe market volatility.



**Sustainable Signals: How Asset Managers Can Meet Growing Asset-Owner Demand** surveyed global asset managers and asset owners to understand global market trends in sustainable investing for institutional investors. The findings revealed that asset managers have a significant opportunity to better align their sustainable investment ESG practices, products and reporting with the expectations and priorities of asset owners globally.



## Fostering Innovation

The ISI leverages Morgan Stanley’s global experience and market perspective to advance the field of sustainable investing. The ISI also drives Firmwide initiatives and innovation to address sustainability challenges.

### SUSTAINABLE INVESTING SUMMIT

The annual Morgan Stanley Sustainable Investing Summit brings together global sustainability thought leaders and practitioners to share innovative ideas that are redefining capital markets and approaches to sustainability challenges.

The fourth virtual summit in October 2022 focused on the importance of investing in resilient and sustainable systems. Global leaders discussed the impact of extreme heat on cities, the business case for mental health support, innovation in materials sciences and investing in social justice causes, and more.

### SUSTAINABLE SOLUTIONS COLLABORATIVE

The world’s most pressing sustainability challenges require highly scalable, systems-level solutions. In 2020, Morgan Stanley launched the Sustainable Solutions Collaborative to support startups with the potential to provide such breakthrough innovation. Each year, through a rigorous selection process, the ISI invites five organizations to join the Sustainable Solutions Collaborative. Each organization receives a grant and engages with our experts in a year-long supportive partnership intended to help scale their solution.

2022’s second cohort consisted of:

- **Notpla**, a U.K.-based sustainable packaging startup (see case study [here](#)).
- **CarbonBuilt**, from Los Angeles, California, delivers a scalable concrete product that reduces carbon emissions by 70% compared with traditional concrete, without compromising performance or production cost.
- **ISeeChange**, a data company from New Orleans, Louisiana, empowers communities to report and track climate change impact.
- **OceanMind**, a nonprofit based in the U.K., aids enforcement and compliance efforts to protect the world’s oceans.
- **Teesas**, a Nigeria-based EdTech startup, delivers curriculum-aligned online educational content to elementary school students across the African continent.

### ADDRESSING PLASTIC WASTE, ADVANCING A CIRCULAR ECONOMY

Managing plastic waste is a pressing environmental challenge and an opportunity to reinvent how the world treats natural resources by implementing a circular economy. The ISI leads our efforts, working with clients and partners to help shift the global economy away from single-use plastic.

In 2019, we announced our Plastic Waste Resolution to help facilitate the prevention, reduction and removal of 50 million metric tons of discarded plastic from rivers, oceans, landscapes and landfills by 2030. As of year-end 2022, our estimates suggest that we supported the prevention, removal or reduction of nearly 14 million metric tons of plastic waste from entering the environment and landfills by 2030. We incorporate relevant transactions and operational activities in calculating our progress. These include:

- **Recykal**, a circular economy-focused company digitizing the supply chain for waste and connecting waste generators directly with waste processors and recyclers, received investment from the Morgan Stanley India Infrastructure. At the time of investment in January 2022, the company had channelized more than 100,000 metric tons of dry waste back into the circular economy and away from landfills and water bodies.
- **PepsiCo’s \$1.25Bn 10-year green bond**, for which Morgan Stanley served as a bookrunner. PepsiCo’s new Green Bond Framework outlines four environmental categories where funding can be directed, all of which align with at least one UN SDG. This includes Regenerative Agriculture (UN SDG 2 and 8) and circular economy and virgin plastic waste reduction (UN SDG 9 and 12) in line with PepsiCo’s goal to use 50% recycled plastic content in its packaging by 2030. In addition, PepsiCo’s Green Bond Framework furthers the company’s ability to direct funding to projects that strengthen recycling infrastructure.



# Developing Future Sustainable Investing Leaders

Morgan Stanley is invested in developing the next generation of sustainable investing leaders through fellowships and strategic partnerships.

## SUSTAINABLE INVESTING FELLOWSHIP

We enable talented graduate students to learn from our sustainability experts and ESG investing specialists across the Firm. Each year, our Sustainable Investing Fellowship places successful candidates in our New York City headquarters and London office. In 2022, 490 students applied for seven positions, with selected applicants placed in GSO, Equity Research, Global Capital Markets, Wealth Management and Investment Management.

## SUSTAINABLE INVESTING CHALLENGE

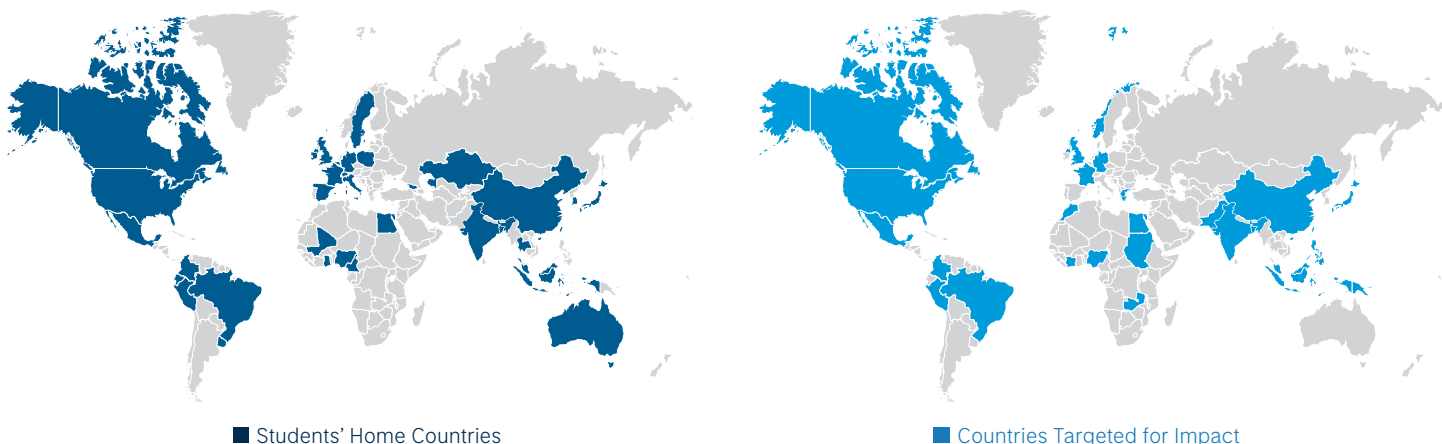
The Kellogg-Morgan Stanley Sustainable Investing Challenge invites graduate students to invent financial solutions to social and environmental challenges that can also achieve market-rate financial returns. In 2022, the competition's 12th year, more than 250+ graduate students forming 77 teams from 35 countries submitted entries.

Volunteers from across the sustainable investing community offered their services as mentors and judges, helping identify 16 teams to advance to the final pitch day.

Students from the University of Cambridge's Judge Business School in the U.K. won the top prize for their prospectus, which leveraged a parametric insurance model to help protect and restore coastal mangrove forests. The Coast Haven Brokerage team proposed a platform connecting mangrove beneficiaries such as tourism industries and governments with impact investors, project developers and ecosystem restoration experts. The runner-up prize went to a team from the Fletcher School of Law and Diplomacy at Tufts University in the United States. Their proposed GOAL Fund would finance the acquisition and restoration of land around decommissioned oil and gas wells, leveraging private equity and carbon credits for remediation work.

## Kellogg-Morgan Stanley Sustainable Investing Challenge

### 2022 COMPETITION SNAPSHOT



TOTAL OF  
**251**  
STUDENTS

FROM  
**51**  
SCHOOLS

FROM  
**35**  
HOME COUNTRIES

FORMING  
**77**  
TEAMS

TARGETING IMPACT IN  
**29**  
COUNTRIES

# Risk Management

Risk is an inherent part of financial services, and effective risk management is vital to the success of our Firm.

Our policies and procedures identify, measure, monitor, escalate, mitigate and control the principal risks facing our three businesses and the larger Firm. Our Enterprise Risk Management (ERM) framework integrates the diverse roles of risk management into a holistic enterprise structure and incorporates risk assessment into Firm decision-making processes.

Our business activity principal risks include market (including non-trading risks), credit, operational, model, compliance, cybersecurity, liquidity, strategic, reputational and conduct risk. Strategic risk is integrated into our business planning, embedded in the evaluation of all principal risks and overseen by our Board.

The cornerstone of our risk management philosophy is the pursuit of risk-adjusted returns through prudent risk-taking that protects our capital base and franchise. This philosophy is implemented through the ERM framework, and five key principles comprise this philosophy: integrity, comprehensiveness, independence, accountability and transparency.

For more information on Risk Management, including governance priorities, see our [2022 Form 10-K](#) and our [2023 Proxy Statement](#).

## Addressing Environmental and Social Risk

Our due diligence and risk management processes are designed to identify, assess and address potentially significant environmental and social issues relevant to the Firm, our clients and our stakeholders. Our Environmental and Social Risk Management (ESRM) Group provides internal subject matter expertise on environmental and social risk, manages development and implementation of the [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.

Morgan Stanley regularly engages external and internal stakeholders on environmental and social topics and we review our policies annually and update them as necessary to reflect our strategy and key developments.

As a result of this year’s review of the [Environmental and Social Policy Statement](#), we have committed to enhance our approach to managing certain deforestation risks.

### SUMMARY OF MORGAN STANLEY’S ENVIRONMENTAL AND SOCIAL POLICY



#### SCOPE

The Policy is applied globally across the following types of transactions:

- Lending
- 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
- Other transactions or activities as applicable and appropriate



#### GOVERNANCE

The Policy Statement is reviewed annually and updated as necessary. Any proposed amendments are presented to the Global Franchise Committee for approval, and material amendments are presented to the Governance and Sustainability Committee of the board of directors for approval.



#### SECTOR APPROACHES

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

- Power generation (Coal, Hydropower, Nuclear)
- Mining (Thermal Coal Mining, Metals Mining)
- Oil and Gas (Arctic Oil and Gas, Oil Sands, Ultra Deepwater Oil and Gas, Shale Oil and Gas, Oil and Gas Transportation Pipelines, Liquefied Natural Gas (LNG) Export)
- Forestry
- Agricultural Commodities



#### CROSS-SECTOR APPROACHES

We also have tailored approaches to certain cross-sector environmental and social issues including:

- Climate change
- Human rights
- Indigenous Peoples
- Biodiversity, critical habitats and critical cultural heritage

### REVIEWING TRANSACTIONS

Transactions that pose potential environmental and social risks are reviewed by the relevant business units and the ESRM Group as outlined in the ESPS. When particular issues are identified, we conduct enhanced due diligence, which may involve reviewing how risks related to human rights, adverse impacts on communities or Indigenous Peoples, or abatement of GHGs and other emissions are managed. Transactions that carry potential franchise risks associated with environmental and social issues may also be escalated to senior management and/or our Regional and Global Franchise Committees.

#### 2022 Transaction Reviews in Practice:

- In 2022, the ESRM Group assessed Morgan Stanley’s potential participation in a financing opportunity involving a mining company. The ESRM Group worked with the relevant business unit to conduct a review of the potential environmental and social impacts associated with the company’s operations, including an assessment of the mining processes, existing and planned energy sources, and waste management practices. Upon review, Morgan Stanley declined to act on this transaction.
- Morgan Stanley was asked to provide advisory services to a client in the industrial sector that was entering into a joint venture with a mining company and a mineral processor to establish a strategic supply chain capability. As part of its due diligence, the ESRM Group reviewed the environmental and social risk management frameworks as well as related commitments and performance of the various parties involved. Following a number of assessments that included the results of an onsite visit, review of technical reports and direct engagement with the client’s management, we determined that the client’s efforts to mitigate potential risks were adequate. Morgan Stanley decided to proceed with the transaction.

For more information on ESRM’s process and tailored approaches to certain sectors and cross-sectors, please refer to our [Environmental and Social Policy Statement](#).

### BY THE NUMBERS

## 2022 Transactions by Industry Reviewed by ESRM Group

INDUSTRY	COMPLETED IN 2022
Basic Materials	42
Communications	1
Energy	105
Financial Institutions	31
Health Care	11
Industrials	103
Pharmaceuticals	16
Power & Utilities	119
Real Estate	33
Retail	34
Services	84
Transportation	15

**TOTAL** 594



## Operational Resilience

The Firm’s critical processes and businesses could be disrupted by events including cyberattacks, failure or loss of access to technology and/or associated data, military conflicts, acts of terror, natural disasters, severe weather events, and infectious diseases. The Firm maintains a Firmwide resilience program designed to provide for operational resilience and enable it to respond to and recover critical processes and supporting assets in the event of a disruption impacting our people, technology, facilities and third parties. The key elements of the Firm’s resilience program include: business service identification, business continuity and technical recovery planning, and internal testing and testing with critical third parties to validate recovery capability in accordance with business requirements.

As part of our Firm resilience program, we maintain a Fusion Response team, which provides 24/7 global coverage to monitor and manage disruptive incidents. Furthermore, our three core businesses have continuity plans for critical business processes and essential personnel. We also plan and practice for extraordinary events at a sector level and share threat information as appropriate with peers, vendors and relevant government agencies.

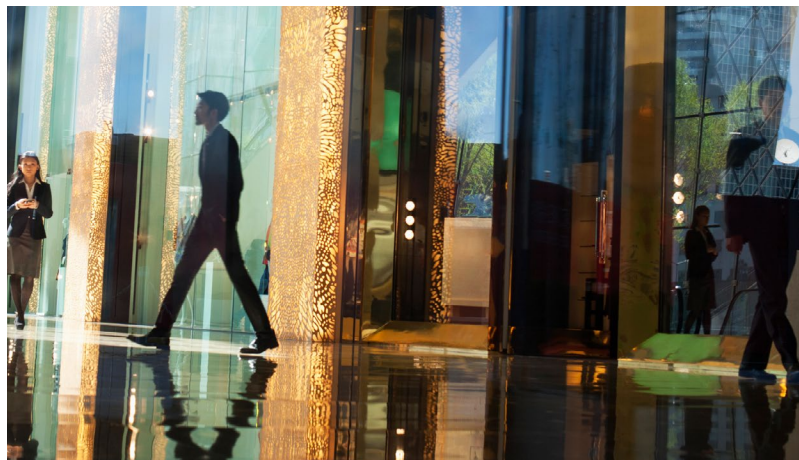
Specialist teams support our global resilience programs and standards, including Technology, Risk Management, Information Security and Corporate Services. Dedicated governance and risk committees, the Operations and Technology Committee of our Board, and senior management oversee the program.

### NAVIGATING GEOPOLITICAL RISKS

Russia’s invasion of Ukraine and the subsequent impacts on Europe’s energy supply put geopolitical risks top of mind for our business and sector. Risks associated with these geopolitical events include the ability to serve our clients and protect Firm data, as well as business interruption due to sanctions activity.

Fusion Response led efforts to protect the Firm’s people operations and assets, and prepare for the effects of geopolitical risks on our business operations through its Significant Event Readiness process.

When reviewing risks associated with Europe’s energy supply, our response focused on safeguarding energy security where our staff live and operations take place. Fusion Response conducted deep-dive, country- and office-specific analyses to further assess risks to the Firm. The team continues to work with regional and local management to monitor, assess and prepare for ongoing risks, including through enhanced business continuity planning activities and frequent intelligence summaries on energy risk trends.



### COMBATING NATURAL DISASTERS

Both acute and chronic physical risks from climate change have the potential to impact our facilities around the world. Together, our Corporate Services and Fusion Response teams evaluate and prepare for the potential effects on our direct operations.

Fusion Response combines risk intelligence, event detection and monitoring, and cyber, crisis management and technology expertise to enable effective collaboration in managing climate-related events that could significantly disrupt our business. In 2022, the Fusion Response team monitored 84 weather and other natural hazards and reacted to 31 of these events, including hurricanes, wildfires, blizzards and earthquakes.

We most recently implemented recovery strategies in 2022 when Category 4 Hurricane Ian made landfall in Florida, bringing winds of up to 155 mph and 12-18 inches of rain. Our top concern was for our approximately 3,500 staff in the area, with other impacts including damage to property and infrastructure and widespread power and internet outages. Our Crisis Management team kept in touch with stakeholders throughout the storm and its aftermath through triage and impact communications, using the Firm’s Rapid Notification System to assess and confirm employee safety and to intervene and provide support through housing assistance, supplies and other resources, as required.

For more on how we address climate risks facing our business, see the [Climate](#) section.

## Cybersecurity

Our business and industry face an increasingly complex online threat environment. To withstand this challenge, we invest heavily in cybersecurity and fraud prevention technology and employ experienced talent to lead our Cybersecurity and Information Security organizations. The Firm's efforts focus on helping to protect our people, property, products, services and brand by preserving the confidentiality, integrity and availability of information, enabling the secure delivery of client services, and protecting the business and the safe operation of our technology systems. Morgan Stanley's Board and its Operations and Technology Committee oversee the Firm's Cybersecurity and Information Security programs. We continually adjust our approach to address the evolving threat landscape and meet legal and regulatory expectations.

We have multiple teams in place to prepare for, respond to and recover from disruptive incidents and events across our global operations. These teams include our:

- **Information Security Incident Management and Investigations**, which helps protect the Firm from misuse of sensitive information and systems by employees and contractors.
- **Cyber Incident Response Team**, which tracks threats and mitigates potential risks posed by computer security incidents on the Firm's systems, providing 24/7 detection and response.
- **Fusion Resilience Center**, which, as previously described, prepares for, responds to and analyzes operational threats and incidents, ranging from cybersecurity, fraud and general technology disruptions to weather events, terrorist attacks, geopolitical unrest and pandemics.
- **Fraud, Threat Hunt and Cyber Analytics** teams, which use data science, analytics and threat hunt techniques to reduce the risk of Morgan Stanley assets being compromised, stolen or misappropriated.

Each employee plays a valuable role in helping us manage cyberthreats and we maintain a robust global training program on cybersecurity risks and requirements.

## INDUSTRY COLLABORATION

Collaboration across the financial services industry and with government agencies is critical to combating cyberthreats. To facilitate the exchange of threat information, Morgan Stanley actively engages in public-private industry organizations including the Financial Services Information Sharing and Analysis Center. We are also among eight founding members of the Analysis and Resilience Center, a nonprofit, cross-sector organization working to mitigate risk to critical U.S. infrastructure from existing and emerging threats.

We also maintain relationships across the U.S. government. Morgan Stanley is a founding member of the New York Finance Threat Exchange, an intelligence-sharing partnership between the FBI and major U.S. financial services organizations.

In the U.K., we are a member of the Cyber Information Sharing Group of industry, government and law enforcement partners, as well as a partner in the National Cyber Security Centre's Financial Services Information Exchange. In Asia, we are a member of the Japan Financial Services Information Sharing and Analysis Center. To develop tomorrow's cyber leaders and widen access to training and development, we partner with iMentor, Girls Who Code, NPower, local universities and other nonprofit organizations. Our Fusion Resilience Center also partners with the U.S. Marine Corps to provide fellowships with our cybersecurity team.

## Data Protection and Client Privacy

Our business maintains physical, technical and administrative safeguards that help protect the confidentiality, integrity and availability of our clients' information. Our global data-protection and privacy policies and procedures govern the collection, storage, access, use and disclosure of such information. Senior leaders from our Legal and Compliance and Risk Management teams oversee these standards.

Morgan Stanley also informs clients and employees about how and why it collects personal information. For more information, see our [Privacy Pledge](#).



# Governance and Business Ethics

For decades, Morgan Stanley’s strong governance and reputation for integrity have reduced business risk and provided a foundation for success. Our core values underpin this culture and drive our efforts to meet client needs, deliver value for investors, and help contribute to an inclusive and equitable society.

## Leadership From the Top

Morgan Stanley believes that an effective board features individuals with a diverse set of skills and a range of tenures. The Governance and Sustainability Committee and the Board regularly consider qualifications in the context of the Board’s overall composition, with a view toward experience in overseeing the Firm’s business and the

challenges it faces, and toward reflecting the diversity of the Firm’s workforce, clients and the communities it serves.

Additional details for each director nominee are also included in the director’s biography. For more information, please see pages 14 and 16-22 of our [2023 Proxy Statement](#).

## The Morgan Stanley Board of Directors

### DIVERSE AND INTERNATIONAL BOARD<sup>25</sup>







### DIRECTORS’ SKILLS ALIGN WITH COMPANY BUSINESS MODEL AND STRATEGY



<sup>25</sup> Data and metrics are as of the date of the 2023 annual meeting and are based on characteristics self-identified by each director nominee.

## Stakeholder Engagement

Our approach to sustainability benefits from the varied perspectives and insights of our key sustainability stakeholders. Our engagement strategies and 2022 highlights include:

STAKEHOLDER GROUP	APPROACH TO ENGAGEMENT	2022 EXAMPLES
 <p><b>Shareholders</b></p>	<ul style="list-style-type: none"> <li>• Ongoing dialogue with institutional investors</li> <li>• Sustainability disclosures focused on investor relevant information</li> <li>• Public reporting on diversity metrics</li> <li>• Responses to inbound questionnaires and surveys</li> </ul>	<p>Our Global Sustainability Office, Diversity &amp; Inclusion and Environmental and Social Risk Management teams joined Investor Relations in its engagement with top Morgan Stanley institutional shareholders. Discussions covered climate change, diversity, Firmwide strategy, governance and compensation practices, among other topics.</p>
 <p><b>Clients</b></p>	<ul style="list-style-type: none"> <li>• Events and analysis on sustainable investing and finance topics</li> <li>• Collaboration on new product development to meet client ESG needs</li> <li>• Dialogue with key clients</li> <li>• Responses to inbound questionnaires, requests for proposals, surveys</li> </ul>	<p>We held a number of ESG conferences for clients and other stakeholders globally, including a two-day ESG conference in Japan. Keynote speakers included Yasutoshi Nishimura, Minister of Economy, Trade and Industry on Japan's green transformation, and Rahm Emanuel, the U.S. Ambassador to Japan, on Japan's transition to net zero.</p>
 <p><b>Employees</b></p>	<ul style="list-style-type: none"> <li>• Employee networks, events and campaigns (see employee networks section on <a href="#">page 22</a>)</li> <li>• Company intranet, which includes articles and other resources</li> <li>• Employee surveys</li> </ul>	<p>The Employee Sustainability Forum (ESF) hosted a webinar for employees with the Wealth Management IIP team. The IIP team shared its expertise on the "how-tos" of Investing with Impact, the IIP framework and other resources to help colleagues align their investments and values.</p>
 <p><b>Non-Governmental Organizations (NGOs) and Civil Society</b></p>	<ul style="list-style-type: none"> <li>• Morgan Stanley events</li> <li>• One-on-one or small-group dialogues on sustainability topics, risks or emerging issues</li> <li>• Sustainability reporting and other disclosures</li> <li>• Direct involvement in collaborative initiatives and membership organizations (see <a href="#">Key Memberships and Affiliations</a> below)</li> </ul>	<p>In partnership with eight community partners, Morgan Stanley launched the Equity in Education and Career Consortium, an effort to help address achievement gaps for young adults from low-income backgrounds</p>



### KEY MEMBERSHIPS AND AFFILIATIONS



**Catalyst CEO  
Champions for Change**

**CEO Action for Diversity  
and Inclusion**



**Net-Zero Banking Alliance**



## Ethical Business Conduct

As a global financial institution, our ethical standards are an integral part of our governance framework. We reinforce our focus on integrity through our [Code of Conduct](#) and [Code of Ethics and Business](#), which together guide the day-to-day behavior of the approximately 82,000 members of our workforce. (See also [Our Culture](#) above). Every employee is required, upon hire and annually thereafter, to certify that they understand our Code of Conduct and will follow its provisions on ethical comportment. To further engage employees, we invite new recruits to attend culture events with senior leaders in each region.

Financial crimes undermine public trust in our sector. We take strong measures to prevent them, including mandatory awareness training for employees. Robust risk-based policies, procedures and internal controls help guard against misuse of our products and services for money laundering, terrorism, bribery or other criminal activity. We require employees to report any legal or ethical concerns to a supervisor, our Human Resources or Legal and Compliance teams, or an anonymous Integrity Hotline operated by an independent vendor. We take allegations of misconduct seriously and prohibit retaliation against anyone raising a concern in good faith.

We also expect our suppliers to meet our core values and high standards for doing business. Our [Supplier Code of Conduct](#) lays out our requirements for human and labor rights, environmental protections and ethical business practices.

## COMBATING CORRUPTION

Morgan Stanley prohibits all forms of bribery and corruption. To combat such practices, we have implemented policies, procedures and internal controls that are reasonably designed to comply with applicable anti-corruption laws and regulations in the jurisdictions where we operate. Our Global Anti-Corruption Policy, updated annually, lays out rules to mitigate corruption risk, and all employees receive related training at least once a year. We also provide additional, targeted training for relevant employees, and conduct risk-based monitoring and testing to encourage and assess employee compliance. For more information on our anti-corruption program, see our Code of Conduct.

## PROMOTING A HARASSMENT-FREE WORKPLACE

Morgan Stanley supports a professional work environment where equal opportunity, dignity and respect are prioritized. We expect every manager and employee to recognize diverse points of view, make decisions based on merit and lead with integrity. Our workplace policies set the tone, guiding employee conduct and actions. These policies include our Code of Conduct, Non-Discrimination and Anti-Harassment policies, and Global Speaking Up and Reporting Concerns policies. We also empower our people to express their concerns through our confidential Integrity Hotline, available worldwide.

## Political Activity

Morgan Stanley's [Corporate Political Activities Policy Statement](#) is approved by the Board's Governance and Sustainability Committee, and sets out our policies on U.S. political contributions, lobbying activities and trade association participation. In accordance with the policy, we prohibit corporate contributions at the U.S. federal, state and local levels.

# Solutions and Services



Morgan Stanley’s three business segments aim to advance our D&I, climate and sustainability priorities by driving innovation across global capital markets. We strive 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 or social benefit.

- 76 Sustainable Finance Target
- 78 Institutional Securities
- 82 Wealth Management
- 86 Investment Management
- 92 Community Development Finance
- 94 Inclusive Ventures Group

# Sustainable Finance Target

Across our businesses, we are committed to mobilizing \$1 trillion in sustainable finance by 2030.

## Our \$1 Trillion Sustainable Finance Target and Progress



Tracking toward our 2030 \$1Tn Sustainable Finance Target and \$750Bn Low-Carbon and Green Subset is guided by our Sustainable Finance Framework (the Framework). The Framework is maintained by the Global Sustainability Office, which considers the UN SDGs and industry frameworks and standards such as the International Capital Markets Association’s Green and Social Bond Principles when evaluating the Framework on an annual basis to help ensure alignment with evolving industry best practices. The Framework is further informed by input from contributing business units and relevant committees across the Firm in

order to remain aligned with our Firm ESG priorities and changes in our business activities and products. In addition, the underlying data is reviewed annually by an internal control function. Business segments, units and programs contributing to the target include Investment Banking, Global Capital Markets, Public Finance, Securitized Products Group, Commodities, Investment Management, Wealth Management, Community Development Finance, the Inclusive Ventures Lab and the Morgan Stanley Sustainable Solutions Collaborative. Eligible themes and products under the Framework are shown below.

### SUSTAINABLE FINANCE FRAMEWORK: ELIGIBLE THEMES

#### Sustainable Finance Target (\$1 trillion)

#### Low-Carbon and Green Solutions (\$750 billion subset)

#### Social

##### ELIGIBLE THEMES

##### ELIGIBLE THEMES

Clean Energy	Carbon Reduction & Removal
Clean Mobility	Climate Adaptation
Energy & Operational Efficiency	Other Environmental Solutions

Affordable Housing	Education & Training
Basic Infrastructure	Financial & Economic Inclusion
Diversity, Equity & Inclusion	Health & Wellness

CATEGORY	IN-SCOPE PRODUCTS
Financing	Term Loans and Revolvers (new issuance)
	Project Finance
	Tax Equity
Facilitation	Equity Capital Markets
	Private Placements
	Debt Capital Markets (including Bonds & Comm. Paper)
	Munis & Securitized Products (ESG-labeled only)
	Syndicated Lending
Advisory	Sell-side and buy-side M&A
Commodities	Renewable power hedges & offtake agreements (e.g., PPAs and VPPAs)
	Transactions to enable retiring of verified, voluntary carbon offsets or credits across physical products
Investments (managed or distributed)	Direct investments
	Investment funds
Select Grants	Morgan Stanley Sustainable Solutions Collaborative grants
	CRA-eligible donations and grants

Unless otherwise noted, eligible transactions and investments may be either ESG-labeled (i.e., having designated use of proceeds or key performance indicators aligned with eligible themes), entity-based (i.e., transactions without a designated use of proceeds, but that support a client entity that has a significant majority of revenue or underlying activities from eligible themes) or specifically eligible under the U.S. Community Reinvestment Act. Eligible investments may also include strategies incorporating certain sustainable or impact investing criteria.

In calculating cumulative progress towards our goal, we reflect the full transaction value for eligible financing, facilitation and advisory activities, as opposed to the proportional value attributable to Morgan Stanley in most instances, in order to remain consistent with the approach taken since we set our initial low-carbon financing target in 2018. However, we reflect commitment amounts for term-loan and revolver-lending facilities and do not include transactions where Morgan Stanley served as a co-manager

for our Global Capital Markets and Public Finance businesses. For all eligible investment strategies managed or distributed, we reflect assets under management by Morgan Stanley as of December 31, 2022, which include changes due to asset flows and market performance during the calendar year.

In 2022, we enhanced our Framework and tracking to include several business segments and products for the first time—including financing of eligible term loans and revolving credit facilities, facilitation of ESG-labeled securitized products, transactions to enable retiring of verified, voluntary carbon offsets credits across physical products, and investments made by the Morgan Stanley Inclusive Ventures Lab. As part of enhancing our Framework in 2022, we also refined the eligibility criteria for investment strategies managed by Morgan Stanley Investment Management and distributed by Morgan Stanley Wealth Management to better reflect current Firm classifications of sustainable and low-carbon and green investment strategies.

# Institutional Securities

Institutional Securities uses the scale and speed of capital markets to provide capital to innovative companies, including those that seek to drive positive environmental and social benefits. Teams across the business units—from Global Capital Markets, and Investment Banking to Equities, Fixed Income, and Research—work with clients to meet these objectives.

## IMPACT IN NUMBERS

~\$430Bn

of ESG-labeled debt<sup>26</sup> transactions supported from 2013-2022, including nearly \$130Bn in 2022

14MM MWhs+

of transactions in renewable assets with renewable energy projects and renewable-driven consumers of power

## Driving Sustainable Finance

Morgan Stanley was involved in the first corporate green bond issuance in 2013, and has been active in sustainable capital markets ever since. Our commercial teams apply their knowledge and expertise to design financial solutions that enable our clients to meet their sustainability goals and objectives. In 2022, we appointed our first Head of Sustainable Finance for Institutional Securities with a remit to scale up our sustainable finance efforts and harmonize activity across the division.

### THREE CHARACTERISTICS UNDERPIN HOW WE APPROACH SUSTAINABLE FINANCE:



#### INTEGRITY

We believe authenticity coupled with good governance and risk management is key to everything we do.



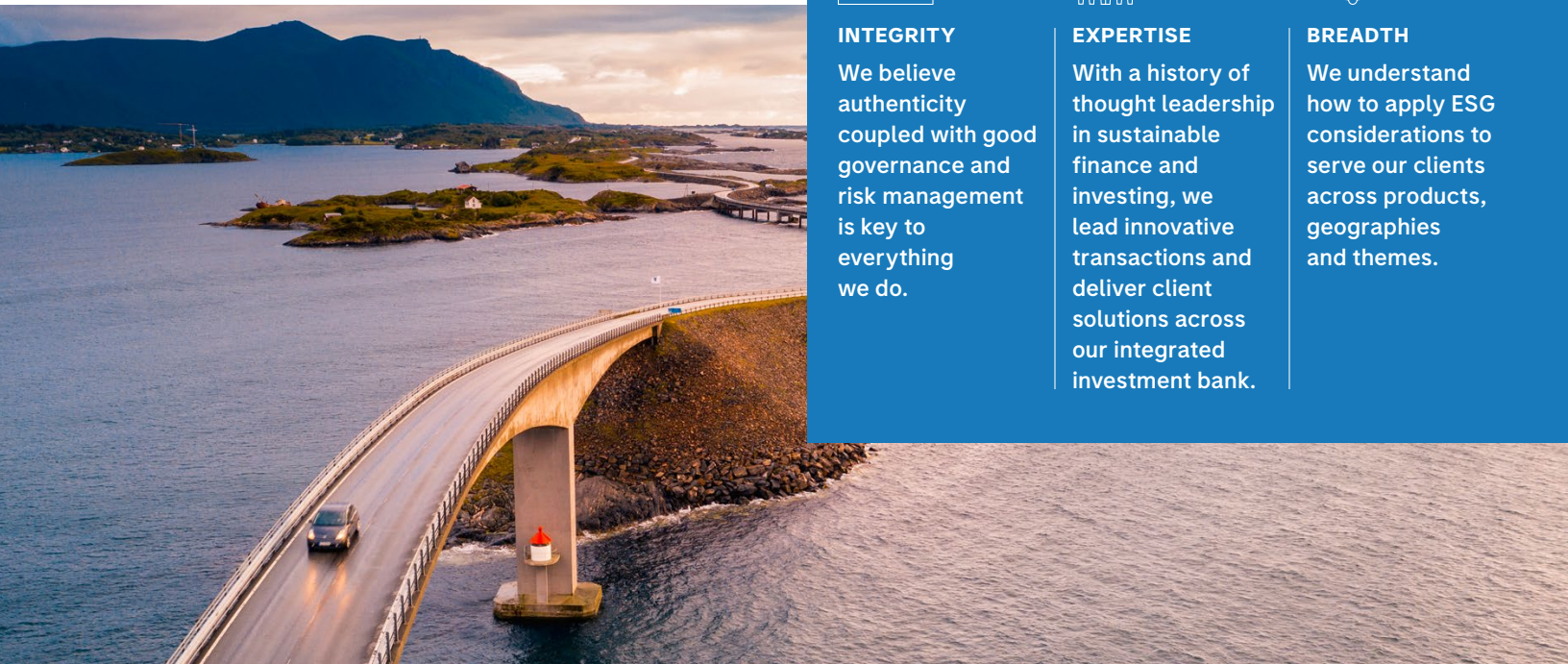
#### EXPERTISE

With a history of thought leadership in sustainable finance and investing, we lead innovative transactions and deliver client solutions across our integrated investment bank.



#### BREADTH

We understand how to apply ESG considerations to serve our clients across products, geographies and themes.



<sup>26</sup> Debt instruments that seek to achieve certain environmental and/or social criteria, such as Green, Social, Sustainability, and Sustainability-linked instruments.

# 2022 Sustainable Finance Transaction Highlights

## €1.5Bn

Led the €1.5Bn sustainability-linked offering by EQT, serving as sole global coordinator and joint lead manager. EQT became the first private equity company globally to formalize science-based targets (SBTs), enabling its mission to make a positive impact at scale and accelerate climate transformation. The bond featured a coupon step-up linked to non-satisfaction of the achievement of 40% of eligible EQT Funds' private and listed equity portfolio companies by EUR invested capital having set SBTs approved by the Science Based Targets initiative by 2025.



## \$5.1Bn

Acted as lead left bookrunner to Novolex's \$5.1Bn sustainability-linked leveraged buyout financing, the largest transaction of its kind to date. We worked with this provider of sustainable, high-volume consumer packaging to align the transaction with its target of reducing emissions intensity by 20% by 2025 and by 30% by 2030.

## €4Bn

Acted as active bookrunner to the German government's €4Bn green bond. An amount equal to the net proceeds was allocated for expenditures that comply with the country's Green Bond Framework encompassing five sectors—transport; international cooperation; research, innovation and awareness raising; energy and industry; and agriculture, forestry, natural landscapes and biodiversity.



## \$1.1Bn

Served as a joint placement agent of the \$1.1Bn in primary capital raised via a privately placed convertible note offering by Northvolt, a Swedish battery technology company, which aims to deliver batteries with a significantly lower carbon footprint. The transaction proceeds will finance the expansion of battery cell and cathode material production in Europe amid soaring demand.

## \$400MM

Served as a joint lead manager to the City of New York for its \$400MM social bond, the net proceeds for which were used to reimburse spending on affordable housing projects.



## €260MM

Served as joint placement agent to H2 Green Steel in its landmark €260MM equity raise. The Swedish firm aims to transform industries that generate significant carbon emissions, starting with steel through a hydrogen-powered steel plant in Boden.

## \$700MM

Acted as Joint Global Coordinator for New World Development's first green-labelled perpetual and social bond in the Hong Kong market. New World Development, one of Hong Kong's largest property developers, will allocate an amount equal to the net proceeds from the \$700MM bond to eligible green and social projects such as green buildings and landscaping, affordable housing, socio-economic advancement and job creation.



## \$10MM

Served as sole underwriter to the Family Forest Impact Foundation (subsidiary of the American Foundation) for its \$10MM green bond issued to capitalize the Family Forest Carbon Program, proceeds of which are used to make incentive payments to individual and family land-owners to participate in the U.S. Voluntary Carbon Offset market. Family Forests represent the largest portion of America's forest land with over 290 million acres owned by individuals and families nationwide. The program will serve to drive ESG investment in nature-based climate change-mitigation activities.



## \$4.1Bn

Served as sole financial advisor to BP in its \$4.1Bn landmark acquisition of biogas firm Archaea Energy. BP's transition strategy includes investing in bioenergy to support customer decarbonization goals and help reduce the carbon intensity of its energy products.

## \$200MM

Served as lead left bookrunner and stabilization agent to Hannon Armstrong's \$200MM Green Exchangeable Bond Offering. The U.S. company invests in corporate climate solutions in the energy efficiency, renewable energy and other sustainable infrastructure markets.

## €1.5Bn

Served as global coordinator to Sanofi's €1.5Bn dual tranche bond offering, including €650MM of sustainability-linked notes that included a target to provide essential medicines to at least 1.5 million patients by 2026 in low-income and lower-middle-income countries.



## Investment Banking and Global Capital Markets

Our Investment Banking and Global Capital Markets teams advise and support corporates, financial institutions, supranationals, sovereigns, agencies, municipalities and nonprofits in transactions that help them meet their sustainability goals. In 2022, we built on our long track record of issuing and supporting innovative bonds that aim to raise capital for positive environmental and social impact (see [2022 Sustainable Finance Transaction Highlights](#) above).

Working closely with clients, we work to develop financing solutions for complex sustainability challenges including Morgan Stanley’s thematic priorities of D&I, climate and sustainability. Much of our work in this area also supports the UN SDGs.

In 2022, our Investment Banking and Global Capital Markets clients joined our second annual sustainability-focused Financial Decision Makers Conference. Chief financial officers, treasurers, and heads of investor relations and business development were among those who heard from our experts on the theme “Reimagining the Future Through an ESG Lens.”

### CASE STUDY

## SUPPORTING FIRMS WITH DIVERSE OWNERSHIP

We are committed to inclusive growth that generates opportunity for all. Within our own industry, we seek to partner with and enable opportunities for diverse-owned firms.

As a D&I Coordinator, we act as a central point of contact for diverse-led underwriters and support their commercial success. For example, our Global Capital Markets team served as D&I Coordinator for 19 large-scale, investment-grade bond transactions in 2022 for several high-profile global brands. These transactions included Starbucks, Amazon, American Express, PayPal and Meta, leading to deal allocations to underwriters owned by minorities, veterans and women.

## Public Finance

Morgan Stanley has been a leader in the U.S. municipal and not-for-profit bond market for a decade. In underwriting senior managed green, social and sustainability bonds, we have helped bring environmental and social benefits to communities.

In 2022, our Public Finance Group served as underwriter across thematic areas including affordable housing, renewable energy, mass transportation, climate resiliency, carbon capture, sustainable water and wastewater, cultural institutions, and educational facilities. As part of this process, we worked with municipal issuers to enhance disclosure on green, social and sustainability bond transactions in line with the International Capital Market Association Principles and Guidelines.

Two transactions Morgan Stanley lead managed were recognized by Environmental Finance: Social bond of the year—U.S. municipal bond: The City of New York and Sustainability bond of the year—U.S. municipal bond: Preservation of Affordable Housing. During the year, we led affordable-housing financings in California, Connecticut, Florida, Iowa, Illinois, Maryland, Massachusetts, New York, Oregon and Rhode Island. We also entered new sectors, serving as sole manager for the first investment-grade, not-for-profit bond offering that solely and directly supports development of voluntary U.S. carbon markets on behalf of the Family Forest Impact Foundation. (See [Highlights](#), on the previous page, for more examples.)





## Equities and Fixed Income

Our Equities and Fixed Income divisions provide a wide range of ESG-focused solutions to our institutional clients that span data, analytics, capital introduction, hedging solutions, carbon markets and structured products. In 2022, the teams partnered with Morgan Stanley's in-house Sustainable Insights Lab to develop and launch two new digital applications—Morgan Stanley Analytics and Portfolio Central. These tools will allow clients to leverage third-party sustainability data alongside traditional financial metrics during portfolio construction or pre-trade analytics.

Our Equities division continues to provide asset manager, asset owner and corporate clients with customized sustainability solutions. These activities include, but are not limited to, thought leadership, ESG-focused corporate access events, capital introduction on ESG fund launches and data and analytics to identify portfolio exposures. As one example, our Equities division has developed thematic sustainability baskets with the Firm's Sustainable Insights Lab, which leverages third-party data to identify companies with sustainability-driven revenues by looking at factors including environmental intensity, business practices and social metrics. In 2022, the Equities division also hosted the Firm's third annual Sustainable Alpha Forum, showcasing leading ESG long/short managers, and our 7th Annual Sustainable Futures conference, in partnership with Morgan Stanley Equity Research.

Morgan Stanley Fixed Income continues to expand its ESG capabilities and solutions. The Securitized Products Group (SPG) worked with global alternative investment managers to integrate ESG data and climate risk considerations into their investment framework for the management of their collateralized loan obligations transactions.

The Commodities team within Fixed Income works in partnership with institutional and corporate clients to acquire exposure to and purchase renewable energy and environmental commodities. As carbon markets continue to evolve globally, Morgan Stanley is an active participant in the purchase and sale of carbon credits, offsets and renewable energy certificates, overseeing more than 14MM MWhs of transactions in renewable assets with renewable energy projects and renewable-driven consumers of power.



## Sustainability Research

Morgan Stanley Research supports ESG integration by using a sustainability lens to conduct investment research across equities and fixed income. Our Global Sustainability Research team leads this work, providing actionable information to clients in many areas, including:

- **Assessment of the interconnected impacts of climate change**, factoring in risk of damage from weather extremes, impacts to the cost and availability of food, and loss of biodiversity.
- **Global primers on carbon and carbon offsets** to help investors understand the rapidly changing landscape, of both mandatory and voluntary markets.
- **Analysis of regulatory developments**, with timely analysis, forward-looking expectations and regular calls with experts.
- **Partnership with the Quantitative Investment Strategies Research** team to guide investors on how to use the Paris Agreement as a starting point to integrate a low-carbon tilt without meaningfully sacrificing performance.
- **A spotlight on the water crisis**, exploring the most water-intensive sectors and identifying global companies and technologies leading the way in reducing water usage.
- **Publication of lists of enabling stocks** across various thematic verticals like energy transition, climate mitigation, food, water and biodiversity.
- **Creation of a proprietary Rate of Change framework** identifying more than 50 stocks across Americas, Europe and Asia that are best-positioned to create ESG impact while providing significant alpha potential.

# Wealth Management

In 2022, Morgan Stanley’s Investing with Impact Platform celebrated 10 years of helping individuals, families and institutions use their capital to drive positive change in the world. Now with approximately \$68 billion in assets, the platform allows our Wealth Management clients to align portfolios of any size and level of complexity with their unique impact goals, which span such themes as climate action, gender lens, racial equity and faith-based investing. With 310+ investment strategies and associated tools, the platform has achieved widespread adoption across our Wealth Management Financial Advisors.

## IMPACT IN NUMBERS

~\$68Bn

in client assets invested on the IIP across 310+ investment products

\$14Bn+

allocated to products from diverse-owned asset managers

>328,000

clients served by the IIP

~\$43Bn

in assets with a Morgan Stanley IQ® profile

## Investing with Impact Framework

Our Investing with Impact Framework guides our approach to sustainable investing for wealth management clients. It leverages the Three I’s of Impact—Intentionality, Influence and Inclusion—to seek to generate market-rate financial returns alongside positive social and environmental impact, while supporting active ownership, market building and diversity in our sector.

Updated in 2021, the framework informs our due diligence and manager selection process, as well as how we construct portfolios and associated tools and applications, including Morgan Stanley IQ®. All 310+ Investing with Impact strategies, including separately managed accounts, mutual funds, exchange-traded funds and private market strategies, align with one or more of the Three I’s of Impact.



## Our Three I's of Impact Investing Model<sup>27</sup>



### Investing with Impact Platform

Morgan Stanley was the first major financial institution to launch a wealth management platform dedicated to sustainable and impact investing. It has been a decade since its inception, and today the IIP has achieved widespread adoption across our Wealth Management Financial Advisors. Since the launch of the IIP, Morgan Stanley has aimed to consistently raise the standard in providing clients with innovative and holistic solutions to align their investments with their values.

In 2022, client assets on the IIP totaled \$68 billion. IIP investors can choose to advance broad sustainability solutions or target specific issues, such as mitigating climate change, supporting D&I or addressing plastic waste from over 310+ investment strategies across asset classes.

We also offer additional customizable opportunities such as restriction overlay screening. Our 15 Morgan Stanley Portfolio Solutions capture the Firm’s best thinking on asset allocation, manager selection, portfolio construction and risk management in a single unified managed account.

As the sustainable investing field expands, we continue to offer impact alternatives to investors. In 2022, we onboarded solutions across asset classes and impact themes, including products from diverse-owned managers. As of December 31, 2022, clients invested over \$4Bn of assets in alternatives on our platform, representing over 100% growth since 2021.

<sup>27</sup> Morgan Stanley’s Global Investment Management Analysis team defines “diverse asset managers” as those with 33% or greater ownership by women or racial/ethnic diverse individuals. This definition aligns with the U.S. Equal Employment Opportunity Commission categories and includes: Hispanic or Latino, Black or African American, Asian, American Indian or Alaska Native, or Native Hawaiian or other Pacific Islander.

<sup>28</sup> “Inclusion” defined as diverse asset manager ownership and/or diverse portfolio manager representation.

## Morgan Stanley IQ®

Morgan Stanley IQ® is an award-winning<sup>29</sup> and patented<sup>30</sup> application that empowers clients to assess their portfolios' alignment to their unique impact goals. The proprietary application provides clients with a comprehensive menu of metrics, including nine impact themes and more than 100 social and environmental impact metrics.

The tool harnesses insights gathered from multiple third-party data providers, as well as our own proprietary analytics, to assess how investments align with both client impact goals and global frameworks, including the UN SDGs. It also enables our Financial Advisors to find investment solutions that may better align clients' portfolios with their top-priority impact goals over time. Clients can also take advantage of Morgan Stanley IQ® reporting to measure the impact of their portfolios across the three I's of Impact. In 2022, we added a new capability to Morgan Stanley IQ® that allows clients to evaluate which strategies in their portfolios are managed by diverse-owned firms.

In addition to impact reporting, we leverage Morgan Stanley IQ® analytics to power our Impact Signal quantitative manager scoring tool, which is used by Financial Advisors and their clients to quantitatively assess investment strategies on the strength of their environmental and social impact.

These resources and client-centric approach help us deepen relationships with existing and new clients, including individuals, families and institutions.

## TRACKING CLIENT ALIGNMENT ACROSS NINE IMPACT THEMES

### BROAD-BASED SUSTAINABILITY

Advancing the broadest range of environmental and social goals **UN SDG 1, 5**

### CLIMATE ACTION

Advancing solutions to combat climate change and transition to a less carbon-intensive economy **UN SDG 7, 13**

### GENDER LENS

Promoting gender equality in corporate leadership and empowering women and girls **UN SDG 5, 10**

### IMPROVING LIVES

Generating solutions that contribute to healthy lives and wellbeing for all ages **UN SDG 2, 4**

### INCLUSIVE WORKPLACE

Promoting fair and safe work environments for all employees **UN SDG 5, 10**

### DEI

Advancing equal opportunity, representation and inclusivity for all people **UN SDG 5, 8**

### CIRCULAR ECONOMY

Improving natural resource efficiency and reducing waste through recycling, reuse and recovery **UN SDG 12, 13**

### CONSERVATION AND BIODIVERSITY

Protecting vital land and marine ecosystems and biodiversity **UN SDG 14, 15**

### HEALTH AND WELLNESS

Supporting long-term health outcomes, including nutrition and disease treatment **UN SDG 3, 7**

<sup>29</sup> Best private bank, ESG technology, North America, 2021 PWM Wealth Tech Awards, <https://pwmwealthtechawards.com>

<sup>30</sup> U.S. Pat. No. 11,188,983

## Helping Our Clients Meet Their D&I Goals

Advancing D&I and helping clients meet their D&I goals are top priorities for Morgan Stanley Wealth Management. We partner with clients to mobilize capital at scale to advance D&I across dimensions, including race, ethnicity and gender. In 2022, 116 products on our IIP took an intentional approach to D&I investing, more than double what it was in 2021. Working with Wealth Management’s Diversity & Inclusion Investment Office, IIP offered 88 diverse-owned strategies, up 69% since 2021.

Our wide-ranging efforts to advance D&I include:

- Delivering Portfolio Solutions:** Since 2021, we have offered clients Investing with Impact Diversity Portfolios. These portfolios leverage ESG criteria to advance D&I through products and solutions that support diverse communities, such as investing in low-income housing and inclusive corporate practices, and companies with leading diversity records. In addition, managers promote D&I issues with portfolio companies, and we work to advance diverse portfolio management in our industry. In 2022, 100% of equity managers in the Diversity Portfolios actively engaged with portfolio companies on key D&I issues. 40% and 70% of the Equity and Balanced Portfolios, respectively, were from diverse-owned asset managers and/or run by diverse portfolio managers.
- Leveraging Tools and Analytics:** To help our Financial Advisors support clients’ unique D&I goals, in 2022, we added a filter to IIP’s product platform making it easier to sort the 310+ available strategies across the three I’s of Impact, including Inclusion. In addition, Financial Advisors can now sort strategies by D&I-related impact themes from Morgan Stanley IQ®, and by D&I Signal, our tool to identify asset managers who are industry leaders in making their firms more diverse and inclusive. Clients can also flag over 30 issues of concern to minimize their D&I-related exposure, including human rights, weapons and pornography, and in 2022 we added a screen to assess portfolio exposure to private prisons.

## Enhancing Platform Governance

In 2022, the Investing with Impact team strengthened the platform’s governance by appointing an Investing with Impact Investment Committee to provide centralized oversight for approving strategies on the platform and maintaining communication across key teams. The committee consists of representatives from the Global Investment Office, including the Investing with Impact team and Global Investment Manager Analysis team.

## Equipping Financial Advisors

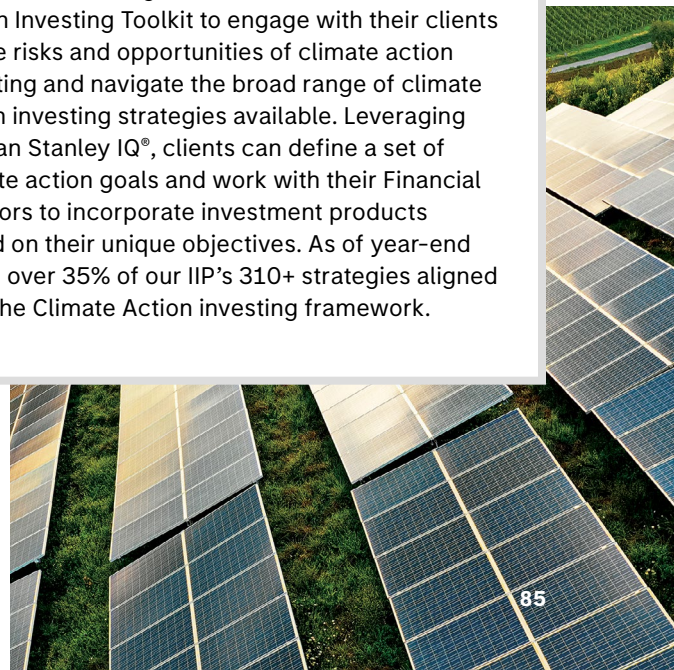
Our IIP’s growth and success are due to the quality of our people. The IIP team supports our Financial Advisors, Private Wealth Advisors, International Client Advisors and Institutional Consultants to better serve clients in pursuing their financial and impact objectives. Resources include an online curriculum, thematic implementation guides and regular updates on sustainable investing trends.

To further encourage excellence and leadership among these colleagues, we provide an Investing with Impact Director designation for impact-focused practitioners. To achieve this distinction, practitioners must pass an exam and demonstrate a track record in utilizing IIP products and solutions with clients, and must also meet continuing-education requirements. In 2022, there were 96 Investing with Impact Directors. We hosted our 10th annual cohort gathering, which consisted of an in-person event and eight virtual webinars spread throughout the year to educate Impact Directors on a variety of topics, including impact in private markets, faith-based investing, leveraging Morgan Stanley IQ®, shareholder engagement, climate action and D&I.

### CASE STUDY

## INVESTING IN CLIMATE ACTION

As our energy systems, technology and infrastructure are reimagined to address a changing climate, we continue to support our clients in the transition to a low-carbon economy. Morgan Stanley Wealth Management’s Financial Advisors, Private Wealth Advisors and Institutional Consultants leverage resources from our Climate Action Investing Toolkit to engage with their clients on the risks and opportunities of climate action investing and navigate the broad range of climate action investing strategies available. Leveraging Morgan Stanley IQ®, clients can define a set of climate action goals and work with their Financial Advisors to incorporate investment products based on their unique objectives. As of year-end 2022, over 35% of our IIP’s 310+ strategies aligned with the Climate Action investing framework.



# Investment Management

Morgan Stanley Investment Management<sup>31</sup> provides broad-based 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. Our investment solutions include a broad range of high-conviction active strategies, alternatives, customization strategies and ESG expertise.

MSIM’s investment teams are responsible for developing their individual approaches to sustainable investing. MSIM believes that ESG factors can present investment risks and opportunities. Understanding and managing these risks and opportunities may therefore contribute to both risk mitigation and long-term investment returns. We seek to drive investment performance through engagement with the assets we own to deliver long-term value and align with our objective to be responsible stewards of our clients’ capital.

MSIM is characterized by its global reach, experience and reputation for providing customized solutions to clients. We aim to create a culture that fosters investment diversity, innovation and independent thought. This is demonstrated in our investment offerings that range across various geographies, investment styles, asset classes and approaches to sustainability. We believe this can deliver better outcomes for clients, portfolio companies and markets, as each investment team will be better placed to determine an appropriate focus on ESG to seek to deliver increased and long-term value for its investment strategies and clients.

In 2022 we also continued to advance our strategic aim to deliver long-term value for our clients in three main areas:



## STEWARDSHIP AND ENGAGEMENT

Deploying shareholder rights and stakeholder guidance on behalf of our clients to encourage relevant, strong ESG practices with issuers, borrowers and counterparties, as appropriate. In 2022, we joined a number of new collaborative initiatives, such as the PRI Advance, World Benchmarking Alliance (WBA), Farm Animal Investment Risk and Return (FAIRR) and the 30% UK Club Investor Group.



## SUSTAINABILITY EXPERTISE IN INVESTMENT MANAGEMENT<sup>32</sup>

Considering ESG factors, as appropriate, for certain MSIM investment strategies, asset classes and client needs. These efforts are supported by specialist resources in sustainability regulation and policy, strategic initiatives, and sustainability data due diligence and technology innovation.



## SUSTAINABLE INVESTING SOLUTIONS

Providing our clients with investment solutions that are aligned with their return objectives alongside their sustainability preferences and needs.



<sup>31</sup> MSIM refers to the collective subsidiaries of Morgan Stanley in its investment management division. Certain subsidiaries may differ in their approach to ESG investing, therefore the discussion of ESG investing described herein may not be applicable to each affiliate of Morgan Stanley.

<sup>32</sup> Some investment strategies do not integrate ESG where it is not currently feasible or appropriate to do so (e.g., certain passive investment strategies, certain asset allocation strategies or where requested by clients).

**MSIM SUSTAINABILITY TEAM**

MSIM believes that a successful sustainability governance framework requires committed leadership, strong collaboration, and robust policies and oversight. MSIM’s portfolio managers and investment teams have access to support from the centralized MSIM Sustainability team and the Firm’s Global Sustainability Office.

Led by MSIM’s Global Head of Sustainability, the MSIM Sustainability team supports MSIM’s collective sustainable investing and governance processes. This group works with the sustainability leads from our investment teams to coordinate global sustainable investing and stewardship initiatives. The MSIM Sustainability team’s activities include supporting investment teams in relation to incorporating ESG considerations into their investment approaches, developing sustainable products, stewardship and integrating sustainability data, tools and research, as required. MSIM’s Global Stewardship function, a part of the MSIM Sustainability team, supports and helps coordination of our MSIM proxy voting and investee engagement activities.

We recognize that the ESG landscape continues to evolve, so we have developed a culture of ongoing learning and improvement. This includes ESG knowledge-sharing across investment teams and client/market trends.

**1 Stewardship and Engagement**

As active investors and active owners, we have a duty to be good stewards of our clients’ capital. We fulfill this duty by engaging with selected companies in which we invest, and by exercising our proxy voting and other rights as shareholders. These stewardship activities give us the opportunity to help guide companies in which we invest toward better ESG practices.

Our investment teams endeavor to engage in constructive dialogue with companies, which may encompass meetings and discussions on a particular issue or multiyear engagements/stewardship on a range of E, S or G topics specific to the company or asset to seek to encourage enhancement. On the public markets side, we exercise our proxy voting and other rights as shareholders.

MSIM’s Thematic Engagement Priorities focus on four themes, aligned with the UN SDGs, which are issues that may cause risk to our society and wellbeing, economy and/or capital markets. The priorities touch our investment teams to varying degrees depending on asset class, geography, investment style and strategy.

**MSIM’s Thematic Priorities for Engaging With Companies**



**DECARBONIZATION & CLIMATE RISK**

Supporting the transition to a low-carbon economy in line with Paris Agreement goals

- Renewable energy and clean tech
- Energy efficiency
- Physical impact adaptation
- Just transition

7 AFFORDABLE AND CLEAN ENERGY



9 INDUSTRY INNOVATION AND INFRASTRUCTURE



11 SUSTAINABLE CITIES AND COMMUNITIES



13 CLIMATE ACTION



**CIRCULAR ECONOMY & WASTE REDUCTION**

Supporting business models that reduce impact on natural resources and that innovate to reduce waste generation, with a focus on plastic waste

- Recycling and reuse
- Sustainable sourcing
- Life cycle analysis
- Water stewardship
- Biodiversity

9 INDUSTRY INNOVATION AND INFRASTRUCTURE



11 SUSTAINABLE CITIES AND COMMUNITIES



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



14 LIFE BELOW WATER



**DIVERSE & INCLUSIVE BUSINESS**

Supporting business practices that create a more just and inclusive society

- Affordable access to essential services
- Investing in communities
- Racial justice
- Pay equity
- Board and employee diversity

3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



5 GENDER EQUALITY



10 REDUCED INEQUALITIES



**DECENT WORK & RESILIENT JOBS**

Supporting decent work across the entire value chain and making workforces resilient in the face of innovation and change

- Automation and the workforce
- Supply chain management
- Living wage
- Workforce wellbeing

3 GOOD HEALTH AND WELL-BEING



5 GENDER EQUALITY



8 DECENT WORK AND ECONOMIC GROWTH



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



**COLLABORATIVE ENGAGEMENTS: DIVERSITY AND INCLUSION AT THE FOREFRONT**

The investment teams responsible for MSIM’s actively managed investment solutions generally find one-to-one discussions to be the most effective way to articulate views to a company’s management. However, we are supportive of collaborative engagement where it could be necessary or useful to materially enhance portfolio values and where we can do so in a manner that is in full compliance with applicable laws, regulations and judicial precedents. Other factors that we consider before participating in collaborative actions include, but are not limited to: potential conflicts of interest, our obligations under competition or antitrust laws, materiality of the issue, and potential for delivering tangible outcomes in relation to key sustainability or stewardship-related issues. These may include collaboration with industry peers and standard-setting organizations, and engagement in public policy development in ways that seek to advance sustainable investing practices. Notwithstanding the adopted mode of collaboration, we approach collaborative engagement from the perspective of our role as fiduciaries of client assets, acting on behalf of and in the best interests of our clients.

In 2022, MSIM targeted new D&I partnerships that align with our fiduciary duties and client interests, and focused on obtaining positive outcomes. MSIM joined the 30% Club’s U.K. Investor Group, an investor initiative that brings together more than 40 investors with £11 trillion in AUM to drive change with companies on inclusion and diversity. MSIM’s International Equity team co-chairs this initiative alongside National Employment Savings Trust, the U.K.’s largest pension fund.

This past year, MSIM also joined FAIRR, WBA and the PRI Advance, a stewardship initiative led by the PRI, where institutional investors work together to take action on human rights and social issues.



**CASE STUDY**

**A RESPONSIBLE ENERGY TRANSITION**

The MSIM Emerging Markets Equity team believes that a responsible energy transition includes companies that enable the energy transition and/or companies in high-emitting sectors with viable and/or Paris-aligned decarbonization pathways. With more than 60% of global carbon emissions coming from emerging markets,<sup>33</sup> the team believes it is important to help companies progress on transition pathways, rather than exclude those companies from the investment universe. Over the course of 2022, the team engaged with a number of companies focused on responsible energy, as well as those with high carbon emissions, to analyze the viability of and promote progress on transition pathways. MSIM encourages companies to have both long- and short-term feasible targets that are integrated in business operations, with accountable oversight at the board level, and carbon analysis on which to support and measure progress. Of the companies the Emerging Markets Equity team engaged with, they found that several metals and mining companies were leading on each of these metrics. There were other companies that were improving on decarbonization with feasible targets and plans to integrate those further into the business with oversight and carbon analysis. Some were assessed as laggards in their respective industries, given the lack of interim targets or integration planning. The team has shared best practices with those companies and will continue stewardship efforts to effectuate progress toward integration of transition plans.

<sup>33</sup> International Monetary Fund (IMF), 2022



### ENGAGEMENT ACROSS THE CAPITAL STRUCTURE

MSIM engages with companies across their capital structure, including through our debt holdings. We leverage our Fixed Income platform to engage with bond issuers beyond listed companies, including sovereign states, agencies and private companies. A large number of these engagements primarily focus on environmental risks and opportunities, in particular decarbonizing fossil fuel intensive sectors, climate-related disclosure, and biodiversity and deforestation issues in sectors like agribusiness. We also focus on how sustainable debt financing can support these efforts.

### PROXY VOTING STRATEGY

Exercising our proxy voting rights enables us to guide portfolio companies toward improved ESG practices, which we believe will produce attractive returns for our clients over the long term. Proxy voting decisions are typically made in-house by members of the relevant investment team and the Global Stewardship team, as required.

For more information on our approach to engagement and proxy voting policies in 2022, see [MSIM Proxy Voting Policy](#) and [MSIM Engagement & Stewardship Principles](#).

#### CASE STUDY

## A FAIR TRIAL— INVESTOR ENGAGEMENT WITH PHARMACEUTICAL COMPANIES ON DIVERSITY IN CLINICAL TRIALS

Diversity in clinical trials is a significant challenge for pharmaceutical companies. Clinical trial efficacy is, to a large extent, determined by the diversity of the trial population. Failure to effectively incorporate a suitable degree of diversity in population samples limits understanding of the safety and effectiveness of new drugs and therapies. The risks that may arise from this are potentially severe, from product failures and poor health outcomes to litigation risk for companies. Moreover, a clinical trial is often the only way for a patient to gain access to the most advanced treatment, and so underrepresentation of certain populations may mean patients are excluded from potentially beneficial therapies for a long period of time.

In the clinical trials conducted for new drugs approved by the U.S. Food and Drug Administration (FDA) in 2020, 75% of participants were white, yet over 40% of the entire U.S. population is made up of ethnic minorities.<sup>34</sup> Meanwhile, research in 2015 uncovered that approximately 20% of new drugs approved in the six years prior demonstrated differences in exposure and response across racial and ethnic groups.<sup>35</sup>

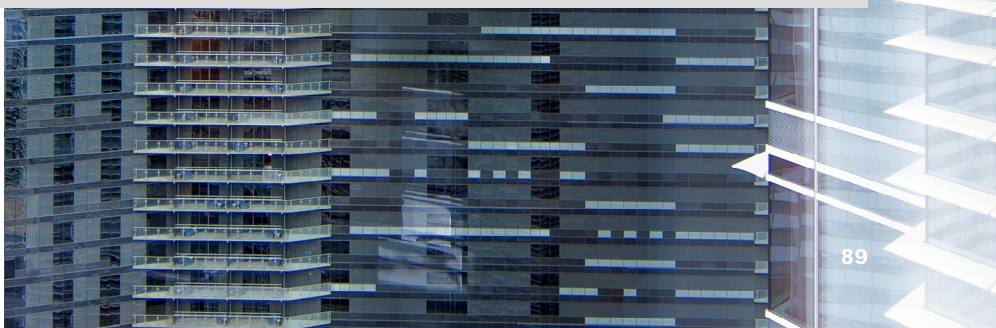
Now, regulators are taking action to address the issue. To tackle the challenge, the FDA published its final guidance in 2020 on enhancing the diversity of clinical trial populations.

In 2022, the International Equity team engaged with several pharmaceutical companies in its portfolio to understand how companies manage and address diversity in clinical trials, and ask them to embed it in their processes—starting with better disclosures to investors. Some companies have implemented changes, which they are preparing to disclose to investors. For example, one large Swiss company has created a Clinical Trial Diversity Program and recruited an experienced leader who is driving change across the business and created a dashboard where they track the makeup of trial populations, and diversity is now embedded into the annual bonuses of trial project managers.

The International Equity team will monitor further company disclosures and continue to engage on this subject.

<sup>34</sup> U.S. Food and Drug Administration 2020 drug trials snapshot. Summary report. <https://www.fda.gov/media/145718/download>

<sup>35</sup> Racial/ethnic differences in drug disposition and response: review of recently approved drugs. <https://pubmed.ncbi.nlm.nih.gov/25669658/>



## 2 Sustainability Expertise in Investment Management

MSIM’s investment teams incorporate the assessment of material ESG risks and opportunities into investment decision-making processes, as appropriate, and according to investment teams’ particular investment strategies. Incorporation of such ESG risks and opportunities may occur at various stages of the investment life cycle including due diligence and research, valuation, asset selection, portfolio construction, and ongoing engagement and investment monitoring.

### APPROACHES TO CLIMATE CHANGE

Portfolio managers and investment teams may take into account climate-related risks and opportunities that could have a significant effect on value, investments and/or portfolios, where applicable. Approaches include, but are not limited to, evaluating, as applicable, the carbon footprint and intensity of investments as well as portfolio companies’ climate resiliency and adaptation strategies.

### APPROACHES TO SUSTAINABLE CONSUMPTION SOLUTIONS

MSIM supports efforts to advance sustainable use of natural resources and a circular economy. In particular, several of our investment strategies incorporate analysis of related risks and opportunities.

#### CASE STUDY

### CALVERT U.S. OCEAN HEALTH STRATEGY

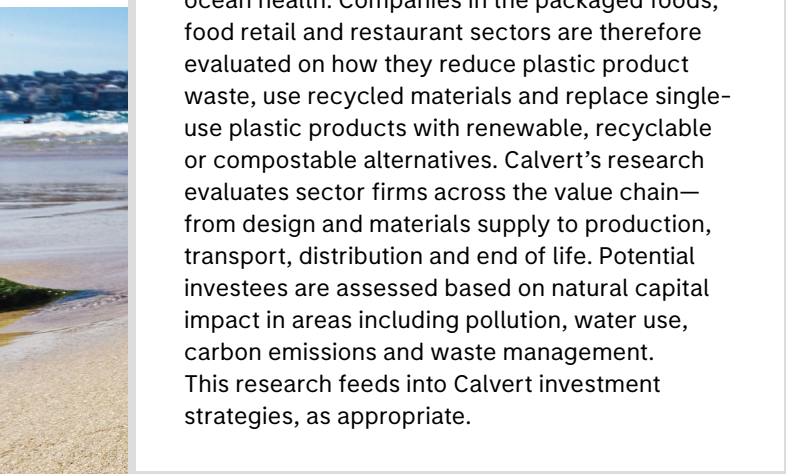
The Calvert U.S. Ocean Health strategy assesses U.S. large-cap issuers on their efforts to address ocean health. Companies in the packaged foods, food retail and restaurant sectors are therefore evaluated on how they reduce plastic product waste, use recycled materials and replace single-use plastic products with renewable, recyclable or compostable alternatives. Calvert’s research evaluates sector firms across the value chain—from design and materials supply to production, transport, distribution and end of life. Potential investees are assessed based on natural capital impact in areas including pollution, water use, carbon emissions and waste management. This research feeds into Calvert investment strategies, as appropriate.

#### CASE STUDY

### PRIVATE MARKETS SOLUTIONS

The U.K. government has committed to reduce carbon emissions at a national level by 2050 and the electrification of transportation will be important in meeting those targets. The U.K. and European Union are highly supportive of electric vehicle (EV) adoption and many traditional auto companies have made major commitments to developing their EV manufacturing capability. However, a lack of EV charging infrastructure has been a significant hindrance to EV adoption, with \$17Bn of EV charging infrastructure estimated to be needed in Europe by 2030<sup>36</sup> to meet expected demand.

To help accelerate the adoption of EVs, the Private Markets Solutions team invested in the largest owner-operated network of rapid EV chargers in the U.K. (at the time of investment, June 2020). The company owns, operates and maintains rapid EV charging units capable of fully recharging most EVs quickly. The company also secures long-term leases at locations where dwell times align with charging times, such as gas stations, highway service stations and retail sites. The company maintains excellent availability across its portfolio, partnering with leading technology providers to install high-quality chargers at key locations nationwide.



<sup>36</sup> Charging Ahead: Electric Vehicle Infrastructure Demand—McKinsey & Co. As of October 2018.

### 3 Sustainable Investing Solutions

We offer clients a range of sustainable investing solutions from products that integrate<sup>37</sup> ESG factors at various stages of the investment life cycle to sustainable-focused products that seek to achieve certain sustainability standards in the investment process (such as by meeting a minimum standard for inclusion, having an intentional tilt toward certain sustainability factors, and/or requiring a minimum allocation to certain thematic labelled/certified securities) to funds that seek to achieve attractive financial returns alongside positive environmental and/or social impacts.

MSIM launched several D&I-focused investment strategies that are a key focus area for many of our clients and investors. These strategies include the impact-focused Morgan Stanley Next Level Fund, which invests in startups led by women and diverse entrepreneurs, Calvert Diversity Research strategies and a Morgan Stanley Institutional Liquidity Fund Government Securities Portfolio centered on purchase transactions with diverse broker-dealers.

~\$40Bn  
in AUM with Sustainability Features<sup>38</sup>

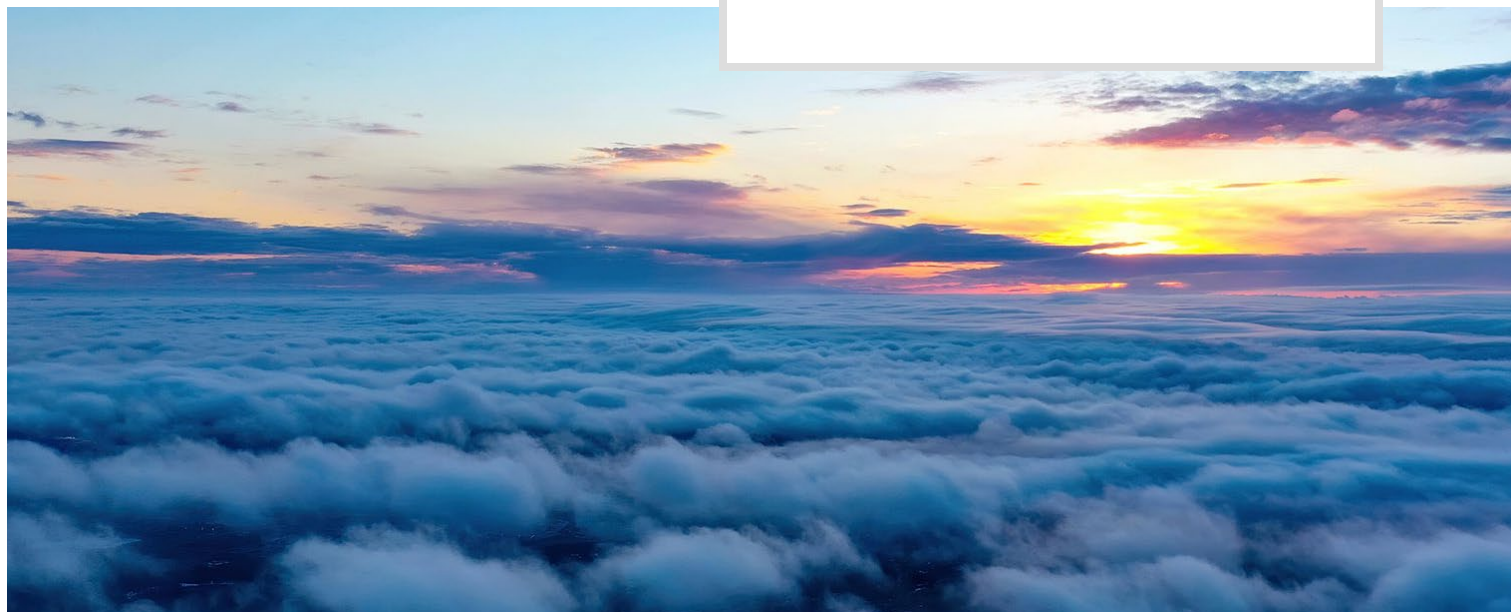
#### CASE STUDY

### NEW PLATFORM SUPPORTS CLIMATE CHANGE MITIGATION

In November 2022, MSIM launched 1GT, a growth-oriented private equity platform to invest in companies seeking to mitigate climate change. Through the collective investments it makes, the platform seeks to avoid or remove one gigaton of carbon dioxide-equivalent emissions from the Earth’s atmosphere from the date of investment through 2050.

The new platform focuses its investments on private companies that seek to deliver attractive financial returns alongside measurable positive environmental impacts across the mobility, power, sustainable food and agriculture, and circular economy sectors.

The platform will seek to leverage Morgan Stanley’s sustainability resources to partner with portfolio companies. This may include monitoring ESG risks, reporting scopes 1-3 emissions, aligning companies with key trends and pursuing earnings growth, multiple expansion and enhanced exit potential.



<sup>37</sup> Some investment strategies do not integrate ESG where it is not currently feasible or appropriate to do so (e.g., certain passive investment strategies, certain asset allocation strategies or where requested by clients).

<sup>38</sup> This AUM figure includes funds and mandates with at least one of the following sustainability features: 1. Impact objectives, 2. Sustainability theme objectives, 3. Tilts based on sustainability factors, 4. Low-Carbon or Net-Zero commitments. Parametric AUM is not currently included in this figure.

# Community Development Finance

Morgan Stanley helps deliver positive changes in communities across the United States. Our program’s track record in meeting community needs has consistently earned Morgan Stanley’s U.S. Banks “Outstanding” ratings from the Office of the Comptroller of the Currency, most recently awarded in 2022.

Our Community Development Finance (CDF) Group is a key driver of inclusive growth at Morgan Stanley. Designed and implemented with community and nonprofit partners, CDF executes innovative transactions not routinely performed by private investors in areas of pressing need, including:

- Preservation and development of sustainable, multifamily, affordable rental housing
- Healthy communities
- Support for service-enriched housing
- Economic development that supports quality jobs
- Capital for underserved, small and rural markets
- Capacity building for nonprofits

Morgan Stanley’s \$1 billion Social Bond, issued in 2020, accelerates this work by directing capital into affordable housing projects that support vulnerable communities. For more details and case studies, see our [Social Bond disclosures](#).

## IMPACT IN NUMBERS: 2010-2022

**\$32Bn+**

committed in community development loans and investments



**179,000+** affordable housing units funded



**\$426MM+** in small-business loans



**246,000+** jobs created or retained



# 2022 Community Development Finance Highlights



## Keeping Housing Affordable

New construction, preservation and rehabilitation of affordable housing are core components of our community development strategy and a critical need across the country. CDF has continued to help alleviate the growing housing affordability crisis, financing over 75 affordable housing developments for a total of ~\$1.5 billion in 2022. CDF provided a \$50 million loan to support the renovation of the Williamsburg Houses located in Brooklyn, New York, consisting of 20 four-story residential buildings with 1,621 affordable apartments and 18 retail locations. As part of this transaction, residents benefited from rental subsidies through 20-year contracts from the Department of Housing and Urban Development.



## Affordable Housing in Rural Markets

Since the Great Recession, rural communities have faced an escalating housing crisis. Although rural markets have lower housing costs compared to metro markets, these areas still face persistent poverty. We seek opportunities to finance affordable housing and support the needs of residents in rural communities. In 2022, Morgan Stanley provided more than \$17 million to build a new 54-unit affordable housing development in Lindsay, California, a small rural community. Amenities include an outdoor playground and picnic area, and a community building with a kitchen, bathrooms, computer lab and management offices. The design maximizes on-site recreational and open space, and the site offers additional supportive services including adult education, after-school programs and part-time service coordination.



## Responding to Natural Disasters

Morgan Stanley has helped meet needs after natural disasters in [many ways](#), including CDF's work to support community development activities in the wake of extreme weather events. Natural disasters, such as the California wildfires, can exacerbate affordable housing shortages. We work with locally based partners to provide financing that helps communities rebuild. In 2022, Morgan Stanley financed \$43 million for the adaptive reuse and new construction of 90 affordable apartments in Napa, California. A majority of the apartments will house farmworker households and the formerly homeless, with social service coordination provided for all residents, including adult education programming.



## Capacity Building for Nonprofits

As part of our inclusive growth strategy, CDF is addressing the need to provide additional human capital support for high-impact community organizations and develop the next generation of leaders in the community development field. Launched in New York City in 2012, our Community Development Fellows program has since expanded to Salt Lake City, Utah, and the Washington, D.C. metropolitan area. The program places graduate students in school-year-long, paid fellowships at local community organizations. The nonprofits receive high-quality assistance, and the students receive valuable experience. A high percentage of the participants remain in the community and economic development field.



# Inclusive Ventures Group

The Morgan Stanley Inclusive Ventures Group (MSIVG) works to address the significant market inefficiency limiting access to capital for women and ethnically diverse startup founders. Previously named the Multicultural Client Strategy Group, MSIVG’s innovative approach to bridging investment gaps focuses on changing investor attitudes and behaviors, accelerating growth and investing directly in early-stage, technology-enabled companies founded by underserved entrepreneurs. Launched in 2016, MSIVG’s mission is to deliver strong returns and long-term value by creating a more equitable investment landscape.

## Morgan Stanley Inclusive Ventures Lab

The Morgan Stanley Inclusive Ventures Lab (the Lab) is an intensive, five-month, in-house accelerator designed to help further develop and scale startups, culminating in a showcase presentation and Demo Day to the investor community. Morgan Stanley launched the Lab, formerly called the Multicultural Innovation Lab, in 2017, to address inequities in funding of ethnically and racially diverse and women-led startups.

In 2022, we hosted our first global cohort, including companies from the United States and EMEA. Through the Lab, Morgan Stanley makes direct investments in early-stage, high-growth companies, and supports each founder’s growth and development through a rigorous program and a global ecosystem of internal and external partners. The Lab provides startups in the program with much-needed access to investors—along with the tools, resources and connections to grow and thrive.

To date, 69 companies have gone through the program, reaching more than \$730 million in combined valuation and raising \$195 million in funding after participating in the Lab. Previous participants have used the platform to secure additional funding rounds, refine their strategy and expand their business—and some have been acquired. Following the Lab’s global expansion in 2022, the 2023 cohort will support up to 15 companies in the U.S. and 10 companies in EMEA.



## NEXT LEVEL FUND

The Next Level Fund, established as a partnership between MSIVG and MSIM, makes privately negotiated equity and equity-related venture capital investments in primarily early-stage technology and technology-enabled companies with women or underrepresented founders as part of the founding team. The Next Level Fund is also backed by three key corporate partners: Hearst, Microsoft and Walmart. The targeted partnership strategy aims to improve outcomes for portfolio companies by providing funds and specific strategic expertise to accelerate business results. In 2022, the Fund deployed a quarter of the capital across 10 companies. Many of these companies were not only founded by underrepresented groups, but serve them as well.

69

companies have gone through the program

\$195MM

raised in funding after participating in the Lab

\$730MM+

in combined valuation to date of companies that participated

# Appendices



- 96** 2022 ESG Data
- 100** 2022 EEO-1 Data
- 101** SASB Index
- 104** TCFD Index
- 105** Approach to Transition Index
- 107** Operational Emissions Methodology
- 110** Awards and Recognition
- 111** Independent Accountant's Review Report
- 114** Disclosures

# Appendix 1: 2022 ESG Data

## FIRMWIDE GOALS

## DATA AS OF YEAR-END 2022

\$1Tn Sustainable Financing Target	<b>\$700Bn+</b> to date, including <b>\$550Bn+</b> in low-carbon and green solutions
Plastic Waste Resolution	<b>Nearly 14 million metric tons</b> of plastic waste was estimated to be avoided by 2030, goal to reach <b>50MM</b> metric tons
Carbon neutrality <sup>39</sup>	<b>Achieved</b>

## OUR BUSINESS

## DATA AS OF YEAR-END 2022

Total Employees	<b>82,000</b>
Number of countries with office locations	<b>41</b>

## INSTITUTE FOR SUSTAINABLE INVESTING

## DATA AS OF YEAR-END 2022

Sustainable Investing Challenge participation	<b>250+</b> graduate students from <b>51</b> schools across <b>35</b> countries
Sustainable Investing Fellowship applicants	<b>490</b> applicants for <b>7</b> positions

## SOLUTIONS AND SERVICES

## DATA AS OF YEAR-END 2022

### Institutional Securities

ESG-Labeled Debt Facilitated <sup>40</sup>	<b>~\$430Bn</b> 2013-2022, including <b>nearly \$130Bn</b> in 2022
D&I Coordinator Transactions	<b>19</b> large-scale investment-grade bond transactions
Transactions in Renewable Assets	<b>14MM MWhs+</b> of transactions in renewable assets with renewable energy projects and renewable-driven consumers of power

<sup>39</sup> Please see [Achieving Carbon-Neutral Operations](#) for more information.

<sup>40</sup> Debt instruments that seek to achieve certain environmental and/or social criteria, such as Green, Social, Sustainability, and Sustainability-linked instruments.



**SOLUTIONS AND SERVICES**

**DATA AS OF YEAR-END 2022**

**Wealth Management**

Investing with Impact Client Assets	<b>\$68 billion</b>
Number of Investing with Impact Strategies	<b>310+</b>
% IIP products that align with Morgan Stanley Wealth Management Climate Action Investing Framework	<b>35%+</b>
Number of clients served by the IIP	<b>328,000+</b>
Number of Investing with Impact Directors	<b>96</b>
IIP Client Asset Allocation of Products from Diverse-Owned Managers	<b>\$14Bn+</b>
Number of IIP products with Intentional Approach to D&I	<b>116</b>
Morgan Stanley IQ client assets	<b>~\$43Bn</b> in assets with a Morgan Stanley IQ® profile
Number of diverse-owned strategies on the IIP	<b>88</b> diverse-owned strategies, up <b>69%</b> since 2021

**Investment Management**

AUM with Sustainability Features	<b>~\$40Bn<sup>41</sup></b>
----------------------------------	-----------------------------

**Community Development Finance**

Community Development Finance Impact 2010-2022	<p><b>\$32Bn+</b> community development loans and investments</p> <p><b>\$426MM+</b> small business loans</p> <p><b>\$325MM</b> bonds structured for Community Development Financial Institutions</p> <p><b>179,000+</b> units of quality affordable housing units created or preserved</p> <p><b>246,000+</b> jobs created or retained</p> <p><b>320+</b> small businesses supported across the U.S.</p>
--	---

**Inclusive Ventures Lab**

Inclusive Ventures Lab Participants 2017-2022	<b>69</b>
Valuation of Inclusive Venture Lab Companies 2017-2022	<b>\$730MM+</b>
Morgan Stanley Inclusive Ventures Lab	Since 2017, <b>69</b> participating companies have gone through the program, reaching more than <b>\$730 million</b> in combined valuation and raising <b>\$195 million</b> in additional funding after participating in the Lab

<sup>41</sup> This AUM figure includes funds and mandates with at least one of the following sustainability features: 1. Impact objectives, 2. Sustainability theme objectives, 3. Tilts based on sustainability factors, 4. Low-Carbon or Net-Zero commitments. Parametric AUM is not currently included in this figure.

CLIMATE

Operational GHG Emissions Data<sup>42</sup>

EMISSIONS (mtCO <sub>2</sub> e)	(Base Year)	
	2012	2022
Scope 1	28,098	27,268
Scope 1: Real Estate	24,005	22,805
Scope 1: Business Travel	4,093	4,463
Scope 2 Location-Based	331,917	196,553
Scope 2 Market-Based	345,738	40,150
<b>Total Location-Based: Scope 1 &amp; 2</b>	<b>360,015</b>	<b>223,821</b>
<b>Total Market-Based: Scope 1 &amp; 2</b>	<b>373,836</b>	<b>67,418</b>
Scope 3 Total Category 6 & 13	113,349	57,268
Scope 3: Category 6 Business Travel	112,921	57,057
Scope 3: Category 13 Downstream Leased Assets	428	211
<b>Total Location-Based Emissions</b>	<b>473,364</b>	<b>281,089</b>
<b>Total Market-Based Emissions</b>	<b>487,185</b>	<b>124,686</b>

Financed Emissions Lending Intensity<sup>43</sup>

SECTOR	2019		2020	2021
	REPORTED	RESTATED		
<b>Auto Manufacturing</b>	<b>1,418</b>	<b>1,473</b>	<b>1,260</b>	<b>1,789</b>
(Scope 1 + 2)		31	25	24
(Scope 3)		1,442	1,235	1,765
<b>Energy</b>	<b>1,839</b>	<b>2,010</b>	<b>2,456</b>	<b>2,691</b>
(Scope 1 + 2)		194	205	209
(Scope 3)		1,816	2,251	2,482
<b>Power</b>	<b>1,339</b>	<b>1,320</b>	<b>1,105</b>	<b>1,127</b>
(Scope 1 + 2)		821	673	711
(Scope 3)		499	432	416

Absolute Financed Emissions<sup>44</sup>

SECTOR (tCO <sub>2</sub> e)	2019		2020	2021
	REPORTED	RESTATED		
<b>Auto Manufacturing</b>	<b>43,968</b>	<b>38,101</b>	<b>16,298</b>	<b>4,120</b>
(Scope 1 + 2)	1,591	1,591	410	80
(Scope 3)	42,378	36,510	15,888	4,040
<b>Energy</b>	<b>1,904,106</b>	<b>1,473,781</b>	<b>2,362,679</b>	<b>1,144,234</b>
(Scope 1 + 2)	167,754	165,401	207,880	125,511
(Scope 3)	1,736,352	1,308,380	2,154,799	1,018,723
<b>Power</b>	<b>992,134</b>	<b>882,542</b>	<b>394,107</b>	<b>843,878</b>
(Scope 1 + 2)	485,110	484,811	264,409	350,646
(Scope 3)	507,024	397,731	129,698	493,232

<sup>42</sup> See [Minimizing Our Environmental Footprint](#) for additional contextual information.

<sup>43</sup> Carbon data is also significantly lagged, which means that we do not obtain new client carbon data sets until 12-18+ months after the underlying emissions-generating activities have taken place.

<sup>44</sup> Carbon data is also significantly lagged, which means that we do not obtain new client carbon data sets until 12-18+ months after the underlying emissions-generating activities have taken place.

**FIRMWIDE SUSTAINABILITY**

**DATA AS OF YEAR-END 2022**

Number of weather and other natural hazard events the Firm reacted to	<b>31</b>
Number of transactions by industry (reviewed by ESRM Group)	<b>42:</b> Basic Materials <b>1:</b> Communications <b>105:</b> Energy <b>31:</b> Financial Institutions <b>11:</b> Health Care <b>103:</b> Industrials <b>16:</b> Pharmaceuticals <b>119:</b> Power & Utilities <b>33:</b> Real Estate <b>34:</b> Retail <b>84:</b> Services <b>15:</b> Transportation

## Appendix 2: 2022 EEO-1 Data

Each year, the U.S. Equal Employment Opportunity Commission (EEOC) requires all companies that meet specific criteria to complete an EEO-1 survey. The annual survey requires that a company’s U.S. employment data be categorized by race/ethnicity and gender in EEOC-defined job categories.

Morgan Stanley recognizes the value of public disclosure of standardized data across companies and industries and, as a result, we have committed to releasing our U.S. EEO-1 data annually.<sup>45</sup>

EEO CATEGORY	HISPANIC		MALE						FEMALE					TOTAL	
	Male	Female	White	Black or African American	Native Hawaiian or Pacific Islander	Asian	American Indian or Alaska Native	Two or More Races	White	Black or African American	Native Hawaiian or Pacific Islander	Asian	American Indian or Alaska Native		Two or More Races
Executive/ Senior Officials and Managers	34	11	786	30	0	116	1	6	242	26	0	68	0	3	<b>1,323</b>
First/Mid Officials and Managers	451	376	4,851	411	9	2,132	23	116	2,734	450	5	1,267	14	94	<b>12,933</b>
Professionals	1,214	1,336	6,433	1,158	25	1,776	23	278	6,714	1,481	40	1,726	31	293	<b>22,528</b>
Sales Workers	727	226	9,758	229	16	460	23	135	2,224	74	5	315	5	50	<b>14,247</b>
Administrative Support	55	186	223	81	1	50	2	11	545	209	2	91	3	29	<b>1,488</b>
<b>TOTAL</b>	<b>2,481</b>	<b>2,135</b>	<b>22,051</b>	<b>1,909</b>	<b>51</b>	<b>4,534</b>	<b>72</b>	<b>546</b>	<b>12,459</b>	<b>2,240</b>	<b>52</b>	<b>3,467</b>	<b>53</b>	<b>469</b>	<b>52,519</b>

<sup>45</sup> As of this report’s publication, the U.S. EEOC had not opened the 2022 EEO-1 filing window, and the data above represents the Firm’s intended filing but has not yet been officially certified by the EEOC.

## Appendix 3: SASB Index

The Sustainability Accounting Standards Board SASB guidance for Investment Banking, Commercial Banking and Asset Management helps inform the content, narrative and data included in this report. The following table highlights sections of the report and other public disclosures that include information in line with SASB’s metrics as of the year ending December 31, 2022. We are committed to providing investors with useful, relevant and meaningful sustainability information within the context of our businesses, and may evolve our disclosure on these topics over time.

SASB CODE	SASB METRIC	MORGAN STANLEY RESPONSE <sup>46</sup>
<b>IB-330a.1</b> <b>AC-330a.1</b>	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals and (4) all other employees	We disclose global gender representation and U.S. ethnic diversity representation; see page 7 of our <a href="#">2022 Form 10-K</a> and the <a href="#">Workforce Diversity Data</a> section.
<b>IB-410a.2</b>	(1) Number and (2) total value of investments and loans incorporating integration of environmental, social and governance (ESG) factors, by industry	Teams across the Firm invest in and lend to institutions that aim to generate environmental and social benefits. Examples and key performance indicators are provided in the <a href="#">Solutions and Services</a> section. For information on transactions that were reviewed in accordance with our Environmental and Social Policy Statement (industry and number), see the <a href="#">Environmental and Social Risk Management (ESRM)</a> section.
<b>IB-410a.3</b>	Description of approach to incorporation of ESG factors in investment banking and brokerage activities	Institutional Securities’ sustainability activities, <a href="#">page 78</a> . ESRM review process and number of transactions referred for review, <a href="#">page 68</a> and our <a href="#">Environmental and Social Policy Statement</a> .
<b>IB-510a.1</b> <b>CB-510a.1</b> <b>AC-510a.1</b>	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations	Material legal proceedings for the Firm are disclosed on page 145 of our <a href="#">2022 Form 10-K</a> .
<b>FN-IB-550a.2</b> <b>N-CB-550a.2</b>	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy and other business activities	We conduct various scenario analyses and stress tests, including the Federal Reserve’s Comprehensive Capital Analysis and Review and other stress tests for market, credit and liquidity risks, as appropriate. For more information, see page 49 as well as additional pages throughout our <a href="#">2022 Form 10-K</a> . For information on climate scenario analysis, see the <a href="#">Climate Risk Management</a> section.
<b>IB-510a.2</b> <b>CB-510a.2</b> <b>AC-510a.2</b>	Description of whistleblower policies and procedures	The Raising Legal and Ethical Concerns and Reporting Misconduct section of our <a href="#">Code of Conduct</a> defines the Firm’s policies and procedures.

<sup>46</sup> If a metric is not addressed in the report, we have provided links to public disclosures that include relevant information.

SASB CODE	SASB METRIC	MORGAN STANLEY RESPONSE <sup>46</sup>
<b>IB-510b.4</b>	Description of approach to ensuring professional integrity, including duty of care	Our <a href="#">Code of Conduct</a> and <a href="#">Code of Ethics and Business</a> describe our ethical business practices, guiding the day-to-day behavior of our employees worldwide. We require every employee to certify his or her adherence to, and understanding of, the Code of Conduct when they join the Firm, and on an annual basis thereafter.
<b>IB-550a.1</b> <b>CB-550a.1</b>	Global Systemically Important Bank (G-SIB) score, by category	1, <a href="#">Systemic Risk Report</a> at December 31, 2022 (FR Y-15). For more information see page 46 of our <a href="#">2022 Form 10-K</a> , which describes how the G-SIB buffer is determined, and page 4 of our <a href="#">Basel III Pillar 3 Disclosures Report</a> for the quarterly period ended December 31, 2022, which discloses our G-SIB capital surcharge of 3%.
<b>IB-550b.1</b>	Percentage of total remuneration that is variable for Material Risk Takers (MRTs)	Our MRT policies and procedures align with regulatory principles and requirements, and are overseen by the Compensation, Management Development and Succession Committee of the board. In 2022, on average, 61% of total remuneration was variable for material risk takers. See <a href="#">page 19</a> for more information.
<b>IB-550b.2</b>	Percentage of variable remuneration of MRTs to which malus or clawback provisions were applied	Of the 61% of total compensation that was variable for MRTs, 37% was subject to cancellation or clawback. See <a href="#">page 19</a> for more information.
<b>IB-000.A</b>	(1) Number and (2) value of (a) underwriting, (b) advisory and (c) securitization transactions	<b>Investment Banking volumes:</b> Completed Mergers and Acquisitions: \$897 billion Equity and Equity-Related Offerings: \$23 billion Fixed Income Offerings: \$228 billion For more information see page 30 of our <a href="#">2022 Form 10-K</a> .
<b>CB-230a.2</b>	Description of approach to identifying and addressing data security risks	Overview of our activities regarding data security risk, <a href="#">page 70</a> , as well as the Cybersecurity section of our <a href="#">2022 Form 10-K</a> , page 68.
<b>CB-240a.1</b>	(1) Number and (2) value of loans and investments made as part of our Community Reinvestment Act program designed to promote small business and community development	The cumulative values of transactions as part of our Community Development Finance program are noted below: 2010–2022: <ul style="list-style-type: none"> <li>• \$32Bn+ committed in loans and investments</li> <li>• \$426MM+ in small-business loans</li> </ul> For more information see the Community Development Finance section, <a href="#">pages 92–93</a> .
<b>CB-410a.1</b>	Commercial and industrial credit exposure, by industry	Institutional Securities Loans and Lending Commitments by industry, see page 63 of our <a href="#">2022 Form 10-K</a> .
<b>CB-410a.2</b>	Description of approach to incorporation of environmental, social and governance (ESG) factors in credit analysis	The Global Sustainability Office partners closely with FRM, including Credit Risk Management, to integrate climate change considerations into our risk management processes and governance structures. See the Climate Risk Management section on <a href="#">page 47</a> . For more information, please see page 70 of our <a href="#">2022 Form 10-K</a> .
<b>CB-000.B</b>	(1) Number and (2) value of loans by segment: (a) personal, (b) small business and (c) corporate	Small-business loans that incorporate sustainability factors are discussed in the Community Development Finance section, <a href="#">pages 92–93</a> . Our Investment Banking and Global Capital Markets section, which includes corporate lending, is discussed in the Finance and Advisory Services section, <a href="#">page 80</a> , with select transactions highlighted on <a href="#">page 79</a> . We disclose loan portfolios by type; for more information, please see page 61 of our <a href="#">2022 Form 10-K</a> .

SASB CODE	SASB METRIC	MORGAN STANLEY RESPONSE <sup>46</sup>
<b>AC-270a.3</b>	Description of approach to informing customers about products and services	<p>Each business unit is responsible for setting and managing appropriate policies and processes related to their marketing activities, which are subject to supervisory review in accordance with applicable promotion laws and regulatory obligations. We aim to manage risks in marketing and sales pursuant to the following guidelines:</p> <ul style="list-style-type: none"> <li>• Communications to clients and the public must be fair and balanced, without exaggerated or misleading statements.</li> <li>• Employees must use approved marketing materials and messaging systems when conducting the Firm’s business.</li> <li>• Financial Advisors must follow a compliance manual of internal sales practice standards, as well as adhere to all applicable laws and regulations.</li> <li>• The Firm monitors customer complaints. These are dealt with in accordance with relevant internal policies, and business, legal and/or compliance personnel take action as needed.</li> </ul>
<b>AC-410a.1</b>	Amount of assets under management, by asset class, that employ sustainable investing approaches	<p><b>Wealth Management</b> Investing with Impact Client Assets by Asset Class:</p> <ul style="list-style-type: none"> <li>• Equity: ~\$38 Bn</li> <li>• Fixed Income: ~\$14 Bn</li> <li>• Cash Equivalents: ~\$2 Bn</li> <li>• Other<sup>47</sup>: ~\$14 Bn</li> <li>• Total: ~\$68 Bn</li> </ul> <p><b>Investment Management</b> ~\$40Bn in AUM with Sustainability Features<sup>48</sup></p>
<b>AC-410a.2</b>	Description of approach to incorporation of ESG factors in investment and/or wealth management processes and strategies	<p>Overview of our Wealth Management processes, <a href="#">pages 82–85</a>. For more information, see our <a href="#">Investing with Impact brochure</a>.</p> <p>Overview of Investment Management processes, <a href="#">pages 86–91</a>. For more information, see our <a href="#">Sustainable Investing Policy</a>.</p>
<b>AC-410a.3</b>	Description of proxy voting and investee engagement policies and procedures	<p>Overview of Investment Management engagement and activities, <a href="#">pages 86–91</a>.</p> <p>In addition, see Morgan Stanley Investment Management’s <a href="#">Proxy Voting Policy and Procedures</a>.</p>
<b>AC-000.A</b>	(1) Total registered and (2) total unregistered assets under management (AUM)	We disclose fee-based client assets under Wealth Management and Investment Management; see pages 33 and 36, respectively, of our <a href="#">2022 Form 10-K</a> .
<b>AC-000.B</b>	Total assets under custody and supervision	Total Client Assets, representing Wealth Management client assets and Investment Management AUM, see page 24 of our <a href="#">2022 Form 10-K</a> .

<sup>47</sup> Other includes Third-Party Multi-Asset products, Custom Graystone + Dual Contract and Alternative Impact Products

<sup>48</sup> This AUM figure includes funds and mandates with at least one of the following sustainability features: 1. Impact objectives, 2. Sustainability theme objectives, 3. Tilts based on sustainability factors, 4. Low-Carbon or Net-Zero commitments. Parametric AUM is not currently included in this figure.

## Appendix 4: TCFD Index

The Task Force on Climate-Related Financial Disclosures (TCFD) was established by the Financial Stability Board following a mandate from the Group of Twenty. The TCFD’s recommendations aim to help companies provide actionable information on portfolios, client relationships and operations to investors, lenders and insurers.<sup>49</sup> TCFD recommends that companies organize disclosures into four categories: Governance, Strategy, Risk Management, and Metrics and Targets. The following index highlights where content aligned with the TCFD framework can be found in this year’s report.

REPORT SECTION	DISCLOSURE	LOCATION
<b>Governance</b>	a. Describe the board’s oversight of climate-related risks and opportunities.	ESG Governance
	b. Describe management’s role in assessing and managing climate-related risks and opportunities.	ESG Governance; Climate Risk Management
<b>Strategy</b>	a. Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term.	Climate Risk Management
	b. Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy and financial planning.	Climate Risk Management; Climate Strategy
	c. Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a two-degree or lower scenario.	Climate Risk Management; Climate Strategy; Climate Metrics and Targets
<b>Risk Management</b>	a. Describe the organization’s processes for identifying and assessing climate-related risks.	Climate Risk Management
	b. Describe the organization’s processes for managing climate-related risks.	Climate Risk Management
	c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization’s overall risk management.	Climate Risk Management
<b>Metrics and Targets</b>	a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Climate Metrics and Targets; Solutions and Services; Achieving Carbon-Neutral Operations
	b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions, and the related risks.	Climate Metrics and Targets
	c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Climate Metrics and Targets

<sup>49</sup> <https://www.fsb-tcfd.org/about/>



# Appendix 5: Approach to Transition Index

The Glasgow Financial Alliance for Net Zero has released [transition planning guidance](#) for financial institutions. The following index highlights content in the report aligned with the recommendations.

COMPONENT(S)	RECOMMENDATIONS	LOCATION
<b>Foundations</b>	<p><b>Objectives and priorities:</b></p> <ul style="list-style-type: none"> <li>Define the organization’s objectives to reach net-zero by 2050 or sooner in line with science-based pathways to limit warming to 1.5 degrees C.</li> <li>State clearly defined and measurable interim and long-term targets and strategic timelines.</li> <li>Identify the priority financing strategies of net-zero transition action to enable real-economy emissions reduction.</li> </ul>	<ul style="list-style-type: none"> <li><a href="#">Climate Strategy</a></li> <li><a href="#">Net-Zero Targets Methodology</a></li> <li><a href="#">Climate Metrics and Targets</a></li> <li><a href="#">Sustainable Finance Target</a></li> </ul>
	<p><b>Products and services:</b></p> <ul style="list-style-type: none"> <li>Use existing and new products and services to support and increase clients’ and portfolio companies’ efforts to transition in line with 1.5 degrees C net-zero pathways.</li> <li>Include accelerating and scaling the net-zero transition in the real economy, providing transition-related education and advice.</li> <li>Support portfolio decarbonization in accordance with the institution’s net-zero transition strategy.</li> </ul>	<ul style="list-style-type: none"> <li><a href="#">Solutions and Services</a></li> <li><a href="#">Climate Strategy</a> (Client Engagement, Climate Strategy Assessment Framework)</li> </ul>
<b>Implementation Strategy</b>	<p><b>Activities and decision-making:</b></p> <ul style="list-style-type: none"> <li>Embed the financial institution’s net-zero objectives and priorities in its core evaluation and decision-making tools and processes to support its net-zero commitment.</li> <li>This applies to both top-down/oversight structures and bottom-up tools and actions.</li> </ul>	<ul style="list-style-type: none"> <li><a href="#">ESG Governance</a></li> <li><a href="#">Climate Risk Management</a> (Governance)</li> </ul>
	<p><b>Policies and conditions:</b></p> <ul style="list-style-type: none"> <li>Establish and apply policies and conditions on priority sectors and activities, such as thermal coal, oil and gas, and deforestation.</li> <li>Include other sectors and activities that are high-emitting, or otherwise harmful to the climate, to define business boundaries in line with the institutions net-zero objectives.</li> </ul>	<ul style="list-style-type: none"> <li><a href="#">Environmental Social Policy Statement (ESPS)</a></li> <li><a href="#">ESRM</a></li> </ul>

(continued on next page)

COMPONENT(S)	RECOMMENDATIONS	LOCATION
<b>Engagement Strategy</b>	<p><b>Clients and portfolio companies:</b></p> <ul style="list-style-type: none"> <li>Proactively and constructively provide feedback and support to clients and portfolio companies to encourage net-zero-aligned transition strategies, plans and progress with an escalation framework with consequences when engagement is ineffective.</li> </ul>	<ul style="list-style-type: none"> <li>Climate Strategy</li> <li>Climate Strategy Assessment Framework</li> </ul>
	<p><b>Industry:</b></p> <p>Proactively engage with peers in the industry to:</p> <ul style="list-style-type: none"> <li>As appropriate, exchange transition expertise and collectively work on common challenges, and</li> <li>Represent the financial sector's views cohesively to external stakeholders, such as clients and governments.</li> </ul>	<ul style="list-style-type: none"> <li>Informing Climate Policy</li> <li>Trade Associations</li> </ul>
	<p><b>Government and public sector:</b></p> <ul style="list-style-type: none"> <li>Direct and indirect lobbying and public-sector engagement should, in a consistent manner, support an orderly transition to net-zero and,</li> <li>As appropriate, encourage consistency of clients' and portfolio companies' lobbying and advocacy efforts with the institution's own net-zero objectives.</li> </ul>	<ul style="list-style-type: none"> <li>Informing Climate Policy</li> <li>Trade Associations</li> </ul>
<b>Metrics and Targets</b>	<p><b>Metrics and targets:</b></p> <ul style="list-style-type: none"> <li>Establish a suite of metrics and targets to drive execution of the net-zero transition plan and monitor progress of results in the near, medium and long term.</li> <li>Include metrics and targets focused on:                             <ul style="list-style-type: none"> <li>Aligning financial activity in support of the real-economy net-zero transition</li> <li>Executing the transition plan and</li> <li>Measuring changes in client and portfolio GHG emissions.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Climate Metrics and Targets</li> <li>Achieving Carbon-Neutral Operations</li> <li>Sustainable Finance Target</li> <li>ESG Governance</li> <li>Climate Risk Management</li> </ul>
<b>Governance</b>	<p><b>Roles, responsibilities and remuneration</b></p> <ul style="list-style-type: none"> <li>Define roles for the board or strategy oversight body and senior management ensuring they have ownership, oversight and responsibility for the net-zero targets.</li> <li>Assign appropriate individuals and teams to all aspects of both design and delivery of the transition plan. Use remuneration incentives for all roles, where possible.</li> <li>Review the transition plan regularly to ensure material updates/developments are incorporated, challenges are reviewed as an opportunity to correct course and implementation risks are properly managed.</li> </ul>	<ul style="list-style-type: none"> <li>ESG Governance</li> <li>Climate Risk Management</li> </ul>
	<p><b>Skills and culture:</b></p> <ul style="list-style-type: none"> <li>Provide training and development support to the teams and individuals designing, implementing and overseeing the plan so that they have sufficient skills and knowledge to perform their roles (including at the board and senior management levels).</li> <li>Implement a change management program and foster open communication to embed the net-zero transition plan into the organizations, culture and practices.</li> </ul>	<ul style="list-style-type: none"> <li>Educating Employees on Climate</li> <li>Informing Climate Policy</li> <li>Client Engagement</li> <li>Wealth Management</li> </ul>

## Appendix 6: Operational Emissions Methodology

For the purpose of accounting and reporting GHG emissions, Morgan Stanley adopts the Operational Control approach as defined by the GHG Protocol for consolidating GHG emissions. Under this approach, Morgan Stanley accounts for 100% of the GHG emissions from operations over which it has operational control. This includes all owned or leased facilities that the company occupies, and all vehicles that the company owns or leases and operates. Morgan Stanley equity method investments, along with investment funds and other managed entities and their respective portfolio companies and assets are excluded under this boundary.

Morgan Stanley's base year for its GHG inventory is 2012, the earliest year for which we had reliable data. The location-based results have been used as a proxy to calculate scope 2 market-based emissions for the 2012 base year as the Firm cannot calculate market-based results for that year. Morgan Stanley will follow the guidelines in the Climate Leaders Greenhouse Gas Inventory Protocol Design Principles (U.S. EPA, 2005) for adjusting the base year GHG inventory. The base year inventory will be adjusted in response to any structural or methodology changes, if the resulting adjustment is more than 5% of total base year emissions disclosed. Adjustments less than this threshold are considered insignificant and will be decided case by case.

On an annual basis, Morgan Stanley calculates the Firm's GHG emissions inventory: CO<sub>2</sub> (Carbon Dioxide), CH<sub>4</sub> (Methane), N<sub>2</sub>O (Nitrous Oxide), HFCs (Hydrofluorocarbons). The Firm currently has no emissions from PFCs, SF<sub>6</sub>, or NF<sub>3</sub>. Biogenic CO<sub>2</sub>e is not applicable to our business. Emissions of non-CO<sub>2</sub> greenhouse gases are converted to CO<sub>2</sub> equivalent emissions by multiplying by the global warming potential (GWPs) from the IPCC Fourth Assessment Report (AR4), IPCC Fifth Assessment Report (AR5), and EPA Emissions Hub 2022 (2022).

GHG emissions are calculated using third party software, with factors applied based on location and emission source (see table below). There are exceptions for some GHG emission calculations, which are performed external to the third-party software, including scope 1 mobile combustion and scope 3 category 6 (business travel) emission sources and their related GHG emissions. Emission source activity and the related GHG emissions calculations that take place external to the third-party software have their results loaded into the software to maintain a single record of GHG emissions for all scopes.

In most instances, the most up to date emission quantification factors are sourced from international and national environmental authorities across the globe (including but not limited to the International Energy Agency (IEA), United States Environmental Protection Agency (EPA), United Kingdom Department for Environmental, Food & Rural Affairs (DEFRA), and others) and applied to respective regions.

To calculate the scope 1 and 2 emissions, Morgan Stanley gathers actual emission source activity data for all owned facilities and all triple-net lease facilities that Morgan Stanley operates and can obtain utility invoice data. For all other facilities where activity data is not available, Morgan Stanley estimates emissions by adopting the method of energy use intensity factors for annual emission source activity per square foot based on similar facilities, according to building type and region. Estimation intensity factors are held constant unless specified in a methodology change. Morgan Stanley may make individual exceptions if data is available for full-service gross leased facilities that would be estimated, and instead use actual data. Scope 2 market-based emissions are calculated including the impact from Renewable Energy Certificates (RECs) from our Virtual Power Purchasing Agreement and Energy Attribute Certificates (EACs) from renewable power systems. In the case of emissions from fuel cells, we obtain the produced emissions directly from a third-party provider.

For scope 3 category 6 (business travel) and scope 1 mobile combustion, travel data is collected from suppliers and publicly available emission factors are used to estimate emissions. For scope 3 category 13 (downstream leased assets), activity data is collected from electricity invoices paid. The tenant portion is determined by a submeter. Emissions from electricity are calculated using region-specific emission factors. Emissions sources outside of purchased electricity from tenants that lease property from the Firm at its office facilities are de minimis and thus excluded from this inventory.

As data is collected, there will be instances where data may be missing due to delays in data availability. The third-party software calculates accruals for emission source activities for time periods of missing electricity and stationary fuels consumption data at the account level based on the respective data history.

## Emission Factor Sources for 2022 Reporting Period

SCOPES	EMISSION SOURCES/COVERED ACTIVITIES FOR 2022 REPORTING PERIOD	EMISSION FACTOR SOURCES (PUBLISHED DATE)
<b>Scope 1</b>	<b>Stationary Consumption:</b> Natural Gas, Diesel, Propane	EPA GHG Emission Factors Hub 2022 (2022) Greenhouse Gas Reporting: Conversion Factors DEFRA (2021)
	<b>Mobile Combustion:</b> Gasoline, Diesel, Jet Fuel, Petrol	EPA GHG Emission Factors Hub 2022 (2022) UK Department for Energy Security and Net Zero (2022)
	<b>Refrigeration/AC Equipment Use:</b> R-22, R-123, R-134A, R-407A, R-407C, R-410A, R-417A	100-year GWPs from IPCC Fifth Assessment Report (AR5), (2014) 100-year GWPs from IPCC Fourth Assessment Report (AR4), (2007) EPA GHG Emissions Factors Hub 2022 (2022)
<b>Scope 2</b>	<b>Location-Based Electricity</b>	U.S.: EPA eGRID 2020 database (2022) EPA eGRID 2019 database (2021) Canada: 2022 UNFCC (2022) Canada: 2021 UNFCC (2021) United Kingdom: DEFRA 2022 (2022) Australia: National Greenhouse Gas Accounts (NGA) Factors 2022 (2023) Australia: National Greenhouse Accounts (NGA) Factors 2021 (2021) Other Non-US: IEA Emission Factors 2021 (2022) national factors Fuel cell emission factor determined and published by fuel cell manufacturer/operator using EPA Emissions Hub Factors 2022 (2022) divided by electricity produced
	<b>Market-Based Electricity</b>	Association of Issuing Bodies. European Residual Mixes 2021 (2021) Association of Issuing Bodies European Residual Mixes 2020 (2020) Region-specific emission factors from sources listed in Scope 2 location-based electricity Fuel cell emission factor determined and published by fuel cell manufacturer/operator using EPA Emissions Hub Factors 2022 (2022) divided by electricity produced
	<b>Purchased Steam</b>	EPA GHG Emission Factors Hub 2022 (2022)
	<b>Purchased Cooling</b>	Chilled Water: 2006 Building Energy Data Book—Commercial Equipment Efficiencies, applied to the local electric grid emissions factor from sources listed under Scope 2
	<b>Natural Gas</b>	EPA GHG Emission Factors Hub 2022 (2022)

(continued on next page)

SCOPES	EMISSION SOURCES/COVERED ACTIVITIES FOR 2022 REPORTING PERIOD	EMISSION FACTOR SOURCES (PUBLISHED DATE)
<b>Scope 3: Category 6 Business Travel</b>	<b>Air Travel, Chartered Flights, Rail Travel, Car Services, Car Rentals, Reimbursed Mileage, Public Transportation</b>	EPA GHG Emission Factors Hub 2022 (2022) UK Department for Energy Security and Net Zero (2022) UK DEFRA, Table 13—Indirect emissions from the supply chain. March 2014.
<b>Scope 3: Category 13 Downstream Leased Assets</b>	<b>Emissions from electricity consumption</b>	Region-specific emission factors from sources listed in Scopes 1 and 2

The information within this appendix was subject to Deloitte & Touche LLP’s review. See Independent Accountant’s Review Report, [page 111](#).

# Appendix 7: Awards and Recognition

<b>ORGANIZATION OR PUBLICATION</b>	<b>AWARD</b>
AnitaB.org	<b>2022 Top Companies for Women Technologists Participant</b>
Barron’s	<b>2022 Top Women Financial Advisors, 17 spots</b>
Bloomberg Financial Services	<b>Gender Equality Index Participant</b>
Community Business	<b>Hong Kong LGBT+ Inclusion Index Silver Standard 2021</b>
Forbes	<b>Top 100 Women Wealth Advisors, 20 spots</b>
Great Place to Work Institute Japan	<b>Great Place to Work Institute Japan “Best Workplaces in Japan”</b>
	<b>Great Place to Work Institute Japan “Best Workplaces for Women”</b>
HACR	<b>5-Star Award for Excellence in Hispanic Inclusion</b>
Human Rights Campaign	<b>Best Places to Work, Corporate Equality Index (100%)</b>
Latina Style	<b>50 Best Companies to Work for in the U.S.</b>
Lawyers’ Committee for Civil Rights	<b>A. Leon Higginbotham Corporate Leadership Honoree</b>
McKinsey and Company	<b>Women in the Workplace Participant</b>
	<b>Race in the Workplace Participant</b>
Military Friendly	<b>Military Friendly Employer</b>
Newsweek	<b>America’s Greatest Workplaces for Diversity for 2023</b>
NY/NJ Minority Supplier Development Council	<b>Appreciation Award</b>
PwC Hungary	<b>Most Attractive Employer 2022</b>
	<b>100 Best Companies</b>
	<b>Inclusion Index Company</b>
Seramount	<b>Best Companies for Dads</b>
	<b>Best Companies for Multicultural Women</b>
	<b>Diversity Champion</b>
Stonewall Equality	<b>Diversity Champion</b>
The Times	<b>Top 50 Employers for Women</b>
	<b>Top Veteran-Friendly Companies</b>
U.S. Veterans Magazine	<b>Top Supplier Diversity Programs</b>
	<b>Top “Gold” in PRIDE Index Supplier Diversity Programs</b>
Work With Pride Japan	<b>Top “Gold” in PRIDE Index Supplier Diversity Programs</b>

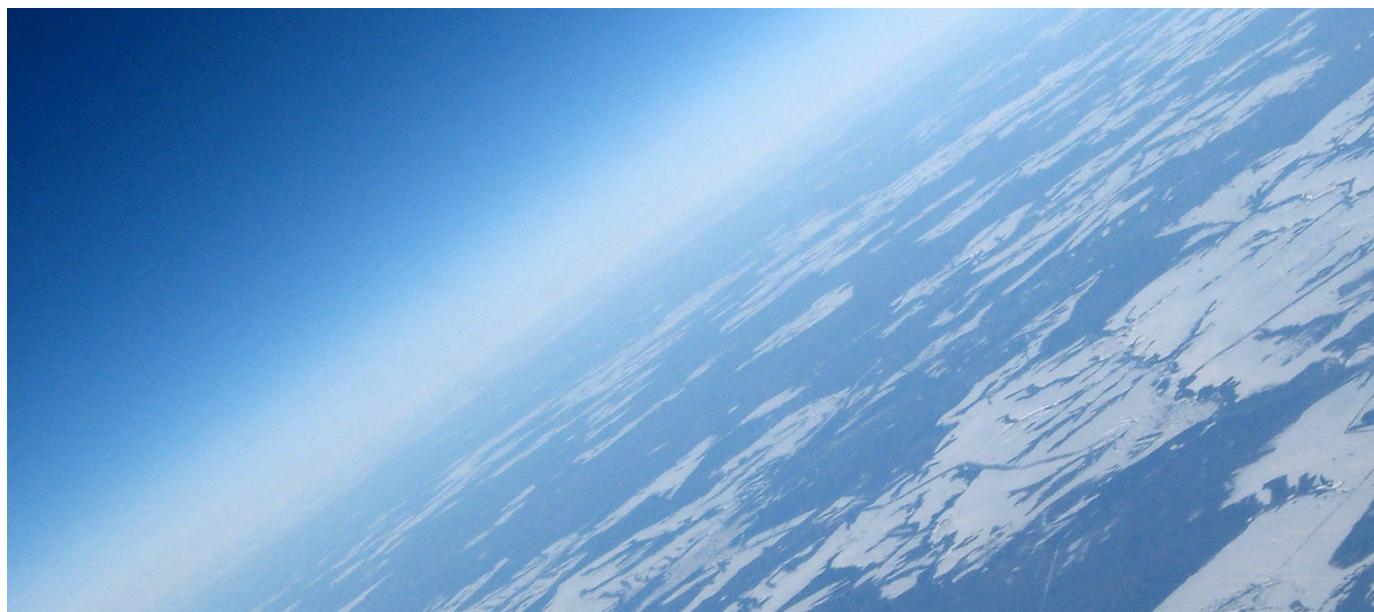
# Independent Accountant’s Review Report

We engaged Deloitte & Touche LLP (“Deloitte”) to perform a review engagement on management’s assertion that the Scope 1, Scope 2, Scope 3, Category 6 (Business travel) and Scope 3, Category 13 (Downstream leased assets) Greenhouse Gas Emissions metrics presented within the Morgan Stanley 2022 ESG Report for the fiscal year ended December 31, 2022 (the “subject matter”) are presented in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition) published by the World Resources Institute/World Business Council for Sustainable Development (the “criteria”).

## Management’s Assertion

Information outside of the subject matter, including linked information, was not subject to Deloitte & Touche LLP’s review and, accordingly, Deloitte & Touche LLP does not express a conclusion or any form of assurance on such information. Further, any information relating to periods prior to the year ended December 31, 2022, or information relating to forward-looking statements, targets, goals and progress against goals, was not subject to Deloitte & Touche LLP’s review and, accordingly, Deloitte & Touche LLP does not express a conclusion or any form of assurance on such information. See Deloitte’s report starting on the next page.

Management of Morgan Stanley is responsible for the completeness, accuracy and validity of the subject matter for the fiscal year ended December 31, 2022. Management is also responsible for the collection, quantification and presentation of the information included in the 2022 ESG Report and for the selection of the criteria, which management believes provide an objective basis for measuring and reporting on the subject matter. Management of Morgan Stanley asserts that the subject matter for the fiscal year ended December 31, 2022, are presented in accordance with the criteria.



## INDEPENDENT ACCOUNTANT'S REPORT

To Those Charged with Governance:

We have reviewed the assertion of Morgan Stanley management that its Scope 1, Scope 2, Scope 3, Category 6 (Business travel) and Scope 3, Category 13 (Downstream leased assets) Greenhouse Gas Emissions metrics presented within the Morgan Stanley 2022 ESG Report as of and for the year ended December 31, 2022 (referred to as the “subject matter”) are presented in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition) published by the World Resources Institute/World Business Council for Sustainable Development (the “criteria”). Morgan Stanley management is responsible for its assertion. Our responsibility is to express a conclusion on the subject matter based on our review.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA). Those standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to the subject matter in order for it to be presented in accordance with the criteria. The procedures performed in a review vary in nature and timing from and are substantially less in extent than an examination, the objective of which is to obtain reasonable assurance about whether the subject matter is presented in accordance with the criteria, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. Because of the limited nature of the engagement, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an examination been performed. We believe that the review evidence obtained is sufficient and appropriate to provide a reasonable basis for our conclusion.

We are required to be independent and to meet our other ethical requirements in accordance with the *Code of Professional Conduct* issued by the AICPA. We applied the *Statements on Quality Control Standards* established by the AICPA and, accordingly, maintain a comprehensive system of quality control.

The procedures we performed were based on our professional judgment. In performing our review, we performed analytical procedures, inquiries, and other procedures as we considered necessary in the circumstances. For a selection of the subject matter, we performed tests of mathematical accuracy of computations, compared the specified information to underlying records, or observed the data collection process.

The preparation of the subject matter included within the Morgan Stanley 2022 ESG Report requires management to interpret the criteria, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. Measurement of certain amounts and metrics may include estimates and assumptions that are subject to substantial inherent measurement uncertainty, including for example, the accuracy and precision of conversion factors or estimation methodologies used by management. Obtaining sufficient appropriate review evidence to support our conclusion does not reduce the inherent uncertainty in the amounts and metrics. The selection by management of a different but acceptable measurement method, input data, or model assumptions, may have resulted in materially different amounts and metrics being reported.



Information outside of the subject matter was not subject to our review and, accordingly, we do not express a conclusion or any form of assurance on such information. Further, any information relating to periods prior to the year-ended December 31, 2022, or information relating to forward-looking statements, targets, goals, progress against goals, and linked information was not subject to our review and, accordingly, we do not express a conclusion or any form of assurance on such information.

Based on our review, we are not aware of any material modifications that should be made to the subject matter in order for it to be presented in accordance with the criteria.

/s/ Deloitte & Touche LLP

July 31, 2023

## DISCLOSURES

### FORWARD-LOOKING STATEMENTS

Certain statements herein, including expectations related to targets, goals or objectives such as financed emissions targets, representation objectives and the achievement thereof, may be “forward-looking statements” within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are not historical facts or statements of current conditions, but instead are based on management’s current expectations and are subject to uncertainty and changes in circumstances. These statements are not guarantees of future results or occurrences and involve certain known and unknown risks, uncertainties and assumptions that are difficult to predict and are often beyond our control. In addition, this report contains statements based on hypothetical scenarios and assumptions, which may not occur or differ significantly from actual events, and these statements should not necessarily be viewed as being representative of current or actual risk or forecasts of expected risk. Actual results and financial conditions may differ materially from those included in these statements due to a variety of factors, including, among others, global socio-demographic and economic trends; energy prices; technological innovations; climate-related conditions and weather events; counterparty and client behavior and financial health; insurance applicability, legislative and regulatory changes; our ability to retain and attract qualified employees in a competitive environment for talent; and other unforeseen events or conditions, and the precautionary statements included in this report and those contained in Morgan Stanley’s periodic filings with the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934 (Exchange Act).

Certain forward-looking statements included in this report are also based on assumptions, standards, metrics, methodologies and frameworks for measurement, reporting and analysis of climate change that continue to evolve, vary across jurisdictions and regulatory bodies and are the subject of proposed regulatory changes in multiple jurisdictions, which may have a material impact on our future measurement and reporting, as well as the results of the efforts set forth in this report.

Any forward-looking statements made by or on behalf of Morgan Stanley speak only as to the date they are made, and Morgan Stanley does not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the date the forward-looking statements were made. In addition, information within this report may be presented from a different perspective or in more detail than disclosures mandated by our global regulators. In particular, while the foregoing discussion describes potential future events that may be significant or material (based on disclosure recommendations and broader definitions of materiality used by certain voluntary external frameworks and reporting guidelines or those in non-U.S. jurisdictions), the significance or materiality of those potential events should not be read as equating to materiality as the concept is used in Morgan Stanley’s periodic filings with the SEC under the Exchange Act.

### USE OF THIRD-PARTY INFORMATION

No reports, documents or websites that are cited or referred to in this report shall be deemed to form part of this report. In addition, certain information contained in this report has been derived from publicly available information released by third-party sources, which Morgan Stanley believes to be reasonable, although Morgan Stanley has only been able to complete limited validation. Third-party climate information may not reflect the latest or most accurate data. Additionally, in the absence of company-specific emissions data,

some financed emissions will be estimated using emissions and activity factors provided by third-party sources. Certain third-party information, such as scope 3 emissions and emissions factors, may change over time as methodologies evolve and are refined or current data changes or is restated or new data is added. These and other factors could cause results to differ materially from those expressed in the estimates and beliefs made by third parties and by Morgan Stanley.

### OTHER DISCLOSURES

This report is provided for informational purposes only and is not intended as advertising, or marketing material, or as a recommendation to purchase any asset, product or service. There is no assurance that goals or targets stated in this report (including interim targets) will be achieved or result in positive measurable outcomes. Information contained in this report, including commitments, goals, targets and objectives, and their related frameworks, methodologies or approaches, are subject to change without notice.

Individual funds and client accounts may have specific environmental, social and governance (ESG)-related goals and restrictions that affect ESG integration. Please refer to governing documents of individual vehicles to understand their binding ESG criteria.

ESG Strategies that incorporate impact investing and/or ESG factors could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. As a result, there is no assurance ESG strategies could result in more favorable investment performance.

The case study examples are provided for illustrative purposes only. There is no assurance that the engagements will be successful and/or result in positive investment outcomes.

Calvert is part of Morgan Stanley Investment Management. Morgan Stanley Investment Management is the asset management division of Morgan Stanley.

For more information about Morgan Stanley,  
visit [morganstanley.com](https://morganstanley.com).

© 2023 Morgan Stanley & Co. LLC and Morgan Stanley Smith Barney LLC. Members SIPC. All rights reserved.

