

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

Investment Firm Regulatory Disclosures Report

As at 30 June 2024

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1. Overview

Overview

The disclosures in this document fulfil regulatory obligations for Morgan Stanley France S.A. ("MS France") on a stand-alone and consolidated basis as required by the Investment Firms Regulation ("IFR"). MS France, and its parent entity, Morgan Stanley France Holdings I S.A.S. ("MSFH1"), an investment holding company, together "MS France Group", are required to disclose to market participants information on risk management objectives and policies, own funds, own funds requirements, remuneration policies and Environmental, Social and Governance ("ESG").

Effective 1 May 2024 Morgan Stanley France Holdings II S.A.S ("MSFH2") was merged into MSFH1.

This mid-year disclosure dated 30 June 2024 covers ESG related risk disclosures only. Year-end disclosures dated 31 December cover the full suite of required disclosures.

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

The principal activities of MS France are equity sales and the provision of investment banking services.

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

The direct parent of the MS France Group is Morgan Stanley Europe Holding SE ("MSEHSE"), together with its subsidiaries (the "MSEHSE Group").

The MSEHSE Group is a wholly owned sub-group of Morgan Stanley International Limited ("MSI") which, together with its consolidated subsidiaries, form the "MSI Group". The MSI Group is regulated by the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA") in the United Kingdom ("UK").

The MSEHSE Group's, and MSI Group's, ultimate parent undertaking and controlling entity is Morgan Stanley, a Delaware corporation which, together with its consolidated subsidiaries, form the Morgan Stanley Group. Morgan Stanley is a "Financial Holding Company" as defined by the Bank Holding Company Act of 1956, as amended, and is subject to regulation and oversight of the Board of Governors of the Federal Reserve System ("FED").

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

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

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

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

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

2. Regulatory Frameworks

The IFR sets out a consistent regulatory framework applicable to non-systemic investment firms (typically those less than €15bn in asset size) across the European Union ("EU").

Under the IFR Framework, investment firms authorised under the Markets in Financial Instruments Directive ("MiFID") are categorised based on asset size:

Class 1 – Systemic investment firms with greater than €15bn of assets, which are subject to the Capital Requirements Directive ("CRD") and Capital Requirements Regulation ("CRR"). Those that are greater than €30bn in asset size also need to re-authorise as credit institutions.

Class 2 - Non small and non-interconnected ("non-SNI") firms consisting of those that are not a Class 1 firm and do not meet the definition of a small and non-interconnected ("SNI") investment firm, which are subject to full IFR requirements.

Class 3 - SNI firms that meet certain thresholds and conditions, which are subject to reduced IFR requirements.

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

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

Requirements described above are supplemented with further detail where relevant through the European Banking Authority ("EBA") Regulatory Technical Standards ("RTS") and Implementing Technical Standards ("ITS"), which include a number of common templates that are used within this disclosure.

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

3. Environmental, Social and Governance Risks

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

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

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

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

As a subsidiary of Morgan Stanley Group, MS France is part of Morgan Stanley's overall climate strategy, as articulated in the Morgan Stanley Group's ESG Report. The latest Morgan Stanley Group ESG Report is available at <https://www.morganstanley.com/about-us/sustainability-reports-research>.

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

Environmental and Social Risk Management ("ESRM")

MS France is part of the overall Morgan Stanley Group approach to the management of environmental and social risks that could impact its reputation. Morgan Stanley Group's ESRM Group provides internal subject matter expertise on environmental and social risk, manages development and implementation of the Morgan Stanley Group's Environmental and Social Policy Statement and related policies and procedures, conducts diligence on relevant transactions, engages with stakeholders and monitors emerging risks and developments in partnership with the business units, Global Sustainability Office and other relevant control functions.

Due diligence and risk management processes are designed to identify, assess and address potentially significant environmental and social issues that may impact Morgan Stanley, clients and other stakeholders. As outlined in Morgan Stanley Group's Environmental and Social Policy Statement, Morgan Stanley Group has tailored approaches to certain sectors and cross-sector environmental and social issues. Transactions that carry potential franchise risk associated with environmental and social issues may be escalated to the Global Franchise Committee, or Regional Franchise Committees such as the EMEA Franchise Committee, as well as senior management. This Policy Statement is reviewed annually and updated as necessary to reflect strategy and key developments. For further detail, refer to Morgan Stanley Group's Environmental and Social Policy Statement which can be found at https://www.morganstanley.com/content/en/about-us-governance/pdf/Environmental_and_Social_Policy_Statement.pdf.

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

Governance Risk² is the risk of any negative financial impact on MS France stemming from the current or prospective impacts of governance factors on its counterparties or invested assets. Governance Risk at the Morgan Stanley Group's counterparties may include such factors as board oversight, shareholder rights, audit practices, tax evasion, and corruption and bribery (including sanctions and money-laundering).

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

² ESG Risk definitions are sourced from [EBA Report 2021/18 Management and Supervision of ESG Risks for Credit Institutions and Investment Firms](#) as required by IFR Article 53.

4. Appendix I: Abbreviations

Term	Definition
ACPR	Authority of Prudential Control and Resolution
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
EBA	European Banking Authority
ESG	Environmental, Social and Governance
ESRM	Environmental and Social Risk Management
EU	European Union
FCA	Financial Conduct Authority
FED	Federal Reserve System
IFR	Investment Firms Regulation
ITS	Implementing Technical Standards
MiFID	Markets in Financial Instruments Directive
MS France	Morgan Stanley France S.A.
MS France Group	MS France together with MSFH1 and MSFH2
MSEHSE	Morgan Stanley Europe Holding SE
MSEHSE Group	Morgan Stanley Europe Holding SE Group
MSFH1	Morgan Stanley France Holdings I S.A.S.
MSFH2	Morgan Stanley France Holdings II S.A.S.
MSI	Morgan Stanley International Limited
MSI Group	Morgan Stanley International Group
Non-SNI	Non small and non-interconnected
PRA	Prudential Regulation Authority
RTS	Regulatory Technical Standards
SNI	Small and non-interconnected
UK	United Kingdom