Morgan Stanley - Climate Change 2020

C0. Introduction

C0.1

(C0.1) Give a general description and introduction to your organization.

Morgan Stanley is a global financial services firm. Our subsidiaries and affiliates advise, originate, trade, manage and distribute capital for governments, corporations, institutions and individuals. We maintain significant market positions in our three business segments—Institutional Securities, Wealth Management and Investment Management. These businesses provide a wide variety of products and services to a large and diversified group of clients and customers.

Our core values—Doing the Right Thing, Putting Clients First, Leading With Exceptional Ideas, Giving Back and Diversity and Inclusion—guide everything we do. Through the talents and effort of our over 60,000 employees in more than 36 countries, we aim to deliver results for our stakeholders today while setting strategic goals for the future.

Institutional Securities provides investment banking, sales and trading, lending, and other services to corporations, governments, financial institutions and high to ultra high net worth clients. Other activities include Asia Wealth Management services, investments and research.

Wealth Management provides a comprehensive array of financial services and solutions to individual investors and small- to medium-sized businesses and institutions. These offerings cover brokerage and investment advisory services; financial and wealth planning services; stock plan administration services; annuity and insurance products; 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, liquidity and alternative/other products.

C0.2

(C0.2) State the start and end date of the year for which you are reporting data.

	Start date	End date	Indicate if you are providing emissions data for past reporting years	Select the number of past reporting years you will be providing emissions data for
Reporting year	January 1 2019	December 31 2019	No	<Not Applicable>

C0.3

(C0.3) Select the countries/areas for which you will be supplying data.

Argentina
Australia
Brazil
Canada
China
China, Hong Kong Special Administrative Region
France
Germany
Hungary
India
Indonesia
Israel
Italy
Japan
Luxembourg
Mexico
Peru
Poland
Qatar
Republic of Korea
Russian Federation
Saudi Arabia
Singapore
South Africa
Spain
Sweden
Switzerland
Taiwan, Greater China
Thailand
Turkey
United Arab Emirates
United Kingdom of Great Britain and Northern Ireland
United States of America

C0.4

(C0.4) Select the currency used for all financial information disclosed throughout your response.

USD

C0.5

(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your chosen approach for consolidating your GHG inventory.

Operational control

C-FS0.7

(C-FS0.7) Which organizational activities does your organization undertake?

Bank lending (Bank)
Investing (Asset manager)

C1. Governance

C1.1

(C1.1) Is there board-level oversight of climate-related issues within your organization?

Yes

C1.1a

(C1.1a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for climate-related issues.

Position of individual(s)	Please explain
Board-level committee	The Nominating and Governance (N&G) Committee of the Morgan Stanley Board of Directors oversees corporate governance principles, and ESG initiatives, including climate change. The Committee receives periodic updates from the Chief Sustainability Officer (CSO), and Environmental and Social Risk Management (ESRM) Group, who each report on climate-related information. The Risk Committee oversees risks related to climate, and receives updates from the Chief Risk Officer, as appropriate. Both committees report key information to the full Board. In 2019, the N&G Committee approved Morgan Stanley's updated Environmental and Social Risk Policy, which includes guidance on our approach to managing climate-related franchise risk.
Chief Sustainability Officer (CSO)	Our CSO leads our efforts to promote sustainability through the global capital markets and drives our corporate sustainability strategy, including our approach to climate change assessment and management. Positioned under the CSO and the firm's Vice Chairman, the Global Sustainable Finance (GSF) group works with our business units—Institutional Securities Group, Wealth Management and Investment Management—to integrate climate change into client solutions and business activities. In 2019, our CSO approved the purchase of renewable energy as the firm works towards our goal of being carbon neutral by 2022. The CSO also approved the onboarding of new staff and data to help the firm with its climate-related work
Chief Risk Officer (CRO)	The Chief Risk Officer oversees several committees, which include oversight of climate-related risks across our businesses and operations. In 2019, we appointed a global Climate Change Firm Risk Lead and a Head of Climate Change Risk for our U.K. entity to help coordinate climate integration under the CRO. In 2019, our CRO approved a risk management process to identify, assess and manage climate-related risks.
Chief Executive Officer (CEO)	Our CEO is the Chairman of our Board of Directors. The Board receives periodic updates from the firm's Chief Sustainability Officer. Our CEO also chairs the Morgan Stanley Institute for Sustainable Investing Advisory Board, which meets twice a year. The Advisory Board reviews the firm's overall sustainability performance, and also helps to ensure that our sustainability strategy, including our climate strategy, is comprehensive, rigorous and innovative. Presently, the Advisory Board membership includes one current and one former Morgan Stanley Board Member. In 2019, the Advisory Board supported the Institute's inaugural Sustainable Investing Summit, which included three panel discussions and presentations related to climate change.
Board Chair	Morgan Stanley's CEO also serves as Board Chair, so the information mentioned above also applies.
Chief Investment Officer (CIO)	The Co-Head and Chief Investment Officer of Morgan Stanley Investment Management's Solutions and Multi-Asset Group is the co-sponsor of the Investment Management Sustainability Council, an advisory council of cross-functional leaders that oversee Investment Management's approach to ESG integration, including climate related issues. In 2019, this individual also championed Investment Management's onboarding of climate data and build out of climate related solutions. Please note that Morgan Stanley Investment Management does not have a central CIO.

C1.1b

(C1.1b) Provide further details on the board's oversight of climate-related issues.

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Please explain
Scheduled – some meetings	Reviewing and guiding strategy Reviewing and guiding risk management policies Monitoring implementation and performance of objectives Monitoring and overseeing progress against goals and targets for addressing climate-related issues	Climate-related risks and opportunities to our own operations Climate-related risks and opportunities to our bank lending activities Climate-related risks and opportunities to our investment activities The impact of our own operations on the climate The impact of our bank lending activities on the climate	The N&G Committee of the Morgan Stanley Board of Directors oversees ESG initiatives, including those related to climate change. To monitor and guide the firm's strategy, the Committee receives periodic updates from the Chief Sustainability Officer who leads the firm's efforts to promote global sustainability through capital markets. The N&G Committee also reviews the firm's environmental and social risk management (ESRM) policies.
Scheduled – some meetings	Reviewing and guiding strategy Reviewing and guiding risk management policies Monitoring implementation and performance of objectives Monitoring and overseeing progress against goals and targets for addressing climate-related issues	Climate-related risks and opportunities to our own operations Climate-related risks and opportunities to our bank lending activities Climate-related risks and opportunities to our investment activities Climate-related risks and opportunities to our other products and services we provide to our clients The impact of our bank lending activities on the climate The impact of other products and services on the climate	The Risk Committee oversees issues related to climate risk and receives updates from the Chief Risk Officer, as appropriate.
Scheduled – some meetings	Reviewing and guiding strategy Reviewing and guiding risk management policies Monitoring implementation and performance of objectives Monitoring and overseeing progress against goals and targets for addressing climate-related issues	Climate-related risks and opportunities to our own operations Climate-related risks and opportunities to our bank lending activities Climate-related risks and opportunities to our investment activities The impact of our own operations on the climate	The Morgan Stanley Chief Sustainability Officer periodically presents to the full Board of Directors, of which the CEO is Chair.
Scheduled – all meetings	Reviewing and guiding strategy	The impact of our own operations on the climate The impact of our investing activities on the climate The impact of other products and services on the climate	The Morgan Stanley Institute for Sustainable Investing is housed within GSF and has an external advisory board chaired by Morgan Stanley's chairman and CEO. The Institute's advisory board includes corporate, sustainability, academic and philanthropic leaders, and informs our innovative and rigorous approach to sustainability and sustainable investing, including climate change.

C1.2

(C1.2) Provide the highest management-level position(s) or committee(s) with responsibility for climate-related issues.

Name of the position(s) and/or committee(s)	Reporting line	Responsibility	Coverage of responsibility	Frequency of reporting to the board on climate-related issues
Other C-Suite Officer, please specify (Vice Chairman)	CEO reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	More frequently than quarterly
Chief Risks Officer (CRO)	Reports to the board directly	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities	Annually
Chief Sustainability Officer (CSO)	Corporate Sustainability/CSR reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our investing activities Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	More frequently than quarterly
Other, please specify (Head of Global Sustainable Finance)	Corporate Sustainability/CSR reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our investing activities Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	More frequently than quarterly
Risk committee	CEO reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our investing activities Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	As important matters arise
Risk manager	Risk - CRO reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our investing activities Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	As important matters arise
Sustainability committee	Other, please specify (This is a cross-divisional committee made up representatives who report to various business lines)	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our investing activities Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	As important matters arise
Other, please specify (Global Head of Corporate Services)	Operations - COO reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our own operations	As important matters arise
Environment/ Sustainability manager	Corporate Sustainability/CSR reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our investing activities Risks and opportunities related to our other products and services	As important matters arise

C1.2a

(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored (do not include the names of individuals).

The Vice Chairman is a member of the Morgan Stanley Operating Committee, and is responsible for many of the firm's operational divisions, including:

Global Sustainable Finance (GSF), which is responsible for driving sustainability integration across policies activities, products and services. The team partners with senior leadership across Institutional Securities, Wealth Management and Investment Management, as well as support services and risk functions. The Morgan Stanley Institute for Sustainable Investing is part of GSF, and is dedicated to accelerating the adoption of sustainable investing strategies. This input from the market feeds into our assessment of climate-related risks and opportunities. GSF reports to the Vice Chairman through the CSO.

Corporate Services (CS), which leads a wide range of initiatives that aim to reduce our operational environmental impact and partners with GSF to develop and manage our operational climate goals. CS reports to the Vice Chairman through the Head of CS.

Our Chief Risk Officer, who has responsibility for assessing and managing climate related risks in our lending business, and reports to the board's Risk Committee. Our CRO is a member of the Firm Risk Committee, the highest-level governance body that oversees risk matters at the firm.

Our Regional and Global Franchise Committees are responsible for overseeing franchise risk to the firm, including reputational risks associated with environmental and social issues. The franchise committees consist of senior stakeholders from risk, legal and other control functions and from the business. The Global Franchise Committee is chaired by the Chief Legal Officer. Transactions that meet designated environmental and social criteria may require approval by our franchise committees in addition to senior management.

Morgan Stanley also has several firm-wide sustainability councils and working groups that provide expertise and input on specific aspects of our sustainability efforts, including those related to climate change. GSF plays various roles on each of these groups, including convening, participating or advising.

The Firm Risk Committee (FRC) is the most senior risk governance body within Morgan Stanley. The FRC has primary responsibility for all relevant and material risks to the firm. It is chaired by our CEO, and includes C-suite executives across Morgan Stanley's business units and control functions, including our Chief Risk Officer. In 2019, the FRC explored how climate change risk may impact the firm, our business and our clients, including by piloting qualitative climate impact scenarios.

The Executive Climate Change Risk Steering Committee and Working Group were established in 2019. The former is the highest-level body dedicated solely to climate change risk, comprising senior leaders from across our business units and control functions. Its purpose is to align our approach to understanding, assessing and managing potential material climate-related risks and to coordinate a comprehensive and strategic firm-wide response. Members are senior leaders from across our business units and functions, including Risk Management. The Working Group tracks significant internal and external developments, coordinates and aligns climate initiatives across the firm, and elevates significant issues to the Steering Committee and senior management.

The Firm Risk Management (FRM) Climate Risk Steering Committee was created in 2019, and convenes risk managers across relevant risk functions (such as credit, market and operational) as well GSF representatives. Members coordinate information sharing and support the technical integration of climate change into Risk Management assessments. The Committee is chaired by the Climate Change Firm Risk Lead.

The Prudential Regulatory Authority (PRA) Climate Risk Working Group oversees Morgan Stanley's response to the Prudential Regulatory Authority's April 2019 supervisory statement on climate risk management at banks and insurance companies in the United Kingdom. Members from our UK Risk Management, Regulatory Relations and Government Affairs teams along with GSF representatives, identified potential relevant climate risks for our UK entity and developed appropriate climate scenarios. The Working Group coordinates with U.S. Risk Management leadership to align the approaches.

The Sustainability Disclosure Committee convenes senior leaders from across the firm to provide input on, review and approve corporate sustainability disclosures, including our CDP response. The committee is convened by GSF and its membership includes senior stakeholders from our finance, legal, risk, investor relations, corporate communications and businesses, as well as other subject matter experts as needed.

C1.3

(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?

	Provide incentives for the management of climate-related issues	Comment
Row 1	Yes	Executives with responsibility for sustainability, including but not limited to the Vice Chairman, Chief Sustainability Officer, Head of Global Sustainable Finance and the Global Head of Corporate Services are evaluated against sustainability performance, goals and targets.

C1.3a

(C1.3a) Provide further details on the incentives provided for the management of climate-related issues (do not include the names of individuals).

Entitled to incentive	Type of incentive	Activity inventivized	Comment
Other C-Suite Officer	Monetary reward	Emissions reduction target	The Vice Chairman's responsibilities include oversight of the Global Sustainable Finance (GSF) and Corporate Services (CS) groups. As such, the Vice Chairman's compensation is associated with the firm's sustainability performance. In 2017, Morgan Stanley committed to become carbon neutral by 2022, aiming to source 100 percent of our global operational electricity needs from renewable energy. As this goal is led by the GSF and CS groups, the Vice Chairman will be evaluated against it.
Other C-Suite Officer	Monetary reward	Energy reduction target	The Vice Chairman's responsibilities include oversight of the Global Sustainable Finance (GSF) and Corporate Services (CS) groups. As such, the Vice Chairman's compensation is associated with the firm's sustainability performance. Alongside Morgan Stanley's commitment to become carbon neutral, we are aiming to reduce energy usage by 20 percent by 2022. As this goal is led by the GSF and CS groups, the Vice Chairman will be evaluated against it.
Other C-Suite Officer	Monetary reward	Other (please specify) (Sustainability integration)	The Vice Chairman's performance is linked to the firm's sustainability performance. The Vice Chairman oversees the Global Sustainable Finance (GSF) and Corporate Services (CS) groups and their respective sustainability performance. The Vice Chairman is evaluated against these responsibilities in annual performance reviews.
Chief Risk Officer (CRO)	Monetary reward	Other (please specify) (Management of financial risks from climate change)	The Chief Risk Officer responsibilities include oversight and management of financial risks in our lending business, including potential impacts from the risk of climate change.
Chief Sustainability Officer (CSO)	Monetary reward	Emissions reduction target	The CSO oversees the firm's efforts to promote global sustainability and sustainable investing. As such, the CSO's compensation is associated with the firm's sustainability performance, including its climate performance. In 2017, Morgan Stanley committed to become carbon neutral by 2022, aiming to source 100 percent of our global operational electricity needs from renewable energy. As this goal is in part led by GSF, the CSO is evaluated against it.
Chief Sustainability Officer (CSO)	Monetary reward	Energy reduction target	The CSO oversees the firm's efforts to promote global sustainability and sustainable investing. As such, the CSO's compensation is associated with the firm's sustainability performance, including its climate performance. Alongside Morgan Stanley's commitment to become carbon neutral, we are aiming to reduce energy usage by 20 percent by 2022. As this goal is in part led by GSF, the CSO is evaluated against it.
Chief Sustainability Officer (CSO)	Monetary reward	Other (please specify) (Sustainability integration)	The Chief Sustainability Officer (CSO) oversees the firm's efforts to promote global sustainability and sustainable investing. The CSO is evaluated against these responsibilities, including those related to climate change.
Business unit manager	Monetary reward	Emissions reduction target	The Head of GSF is responsible for the firm's efforts to promote global sustainability and sustainable investing. As such, the Head's compensation is associated with the firm's sustainability performance, including its climate performance. In 2017, Morgan Stanley committed to become carbon neutral by 2022, aiming to source 100 percent of our global operational electricity needs from renewable energy. As this goal is in part led by GSF, the Head of GSF is evaluated against it.
Business unit manager	Monetary reward	Energy reduction target	The Head of GSF is responsible for the firm's efforts to promote global sustainability and sustainable investing. As such, the Head's compensation is associated with the firm's sustainability performance, including its climate performance. Alongside Morgan Stanley's commitment to become carbon neutral, we are aiming to reduce energy usage by 20 percent by 2022. As this goal is in part led by GSF, the Head of GSF is evaluated against it.
Business unit manager	Monetary reward	Other (please specify) (Sustainability integration)	The Head of the Global Sustainable Finance (GSF) group is responsible for implementing sustainable business strategies across the firm, and is the engine behind the Institute for Sustainable Investing. The Head is evaluated against these responsibilities, including those related to climate change.
Business unit manager	Monetary reward	Emissions reduction target	The Global Head of Corporate Services (CS), together with a network of consultants and vendors, leads a wide range of initiatives to reduce the environmental footprint of Morgan Stanley facilities while contributing to a better working environment. CS, in consultation with GSF, reviews and sets greenhouse gas (GHG) emissions and other environment-related targets. In 2017, Morgan Stanley committed to become carbon neutral by 2022, aiming to source 100 percent of our global operational electricity needs from renewable energy. As this goal is in part led by CS, the Global Head is evaluated against it.
Business unit manager	Monetary reward	Energy reduction project	The Global Head of Corporate Services (CS), together with a network of consultants and vendors, leads a wide range of initiatives to reduce the environmental footprint of Morgan Stanley facilities while contributing to a better working environment. CS, in consultation with GSF, reviews and sets GHG emissions and other environment-related targets. Alongside Morgan Stanley's commitment to become carbon neutral, we are aiming to reduce energy usage by 20 percent by 2022. As this goal is in part led by CS, the Global Head is evaluated against it.
Environment/Sustainability manager	Monetary reward	Emissions reduction target	The Corporate Services (CS) Global Head of Operational Sustainability, in collaboration with firm functional teams, is responsible for implementing the firm's operational sustainability strategy. CS, in consultation with GSF, reviews and sets greenhouse gas (GHG) emissions and other environment-related targets. In 2017, Morgan Stanley committed to become carbon neutral by 2022, aiming to source 100 percent of our global operational electricity needs from renewable energy. As this goal is in part led by CS, the CS Global Head of Operational Sustainability is evaluated against it.
Environment/Sustainability manager	Monetary reward	Energy reduction target	The Corporate Services (CS) Global Head of Operational Sustainability, in collaboration with firm functional teams, is responsible for implementing the firm's operational sustainability strategy. CS, in consultation with GSF, reviews and sets GHG emissions and other environment-related targets. Alongside Morgan Stanley's commitment to become carbon neutral, we are aiming to reduce our energy usage by 20 percent by 2022. As this goal is in part led by CS, the CS Global Head of Operational Sustainability is evaluated against it.
Facilities manager	Monetary reward	Energy reduction target	The Property Services Group within Corporate Services has specific key performance indicators (KPIs) tied to the firm's overall energy use, as well as carbon emission reduction targets and service level agreements, including improving Energy Star Scores, achieving building certifications and managing utilities budgets. Employees involved in Property Services have explicit goals related to energy management, including reducing energy use, increasing energy efficiency/conservation, employing renewable energy, reducing emissions, and environmental stewardship. As such, members of the Property Services Group are evaluated against these responsibilities in annual performance reviews.
Facilities manager	Monetary reward	Emissions reduction target	The Property Services Group within Corporate Services has specific key performance indicators (KPIs) tied to the firm's overall energy use, as well as carbon emission reduction targets and service level agreements, including improving Energy Star Scores, achieving building certifications and managing utilities budgets. Employees involved in Property Services have explicit goals related to energy management, including reducing energy use, increasing energy efficiency/conservation, employing renewable energy, reducing emissions, and environmental stewardship. As such, members of the Property Services Group are evaluated against these responsibilities in annual performance reviews.
Environment/Sustainability manager	Monetary reward	Other (please specify) (Sustainability integration)	The Global Sustainable Finance (GSF) group is responsible for implementing sustainable business strategies across the firm. In fulfilling its duties, GSF focuses on engagement with and disclosure to investors and other stakeholders and is the engine behind the Institute for Sustainable Investing. GSF is also responsible for helping to set the firm's operational sustainability goals in partnership with CS. As such, team members are evaluated against these responsibilities, including those related to climate change, in annual performance reviews.
Environment/Sustainability manager	Monetary reward	Emissions reduction target	The Global Sustainable Finance (GSF) group is responsible for implementing the firm's sustainability strategy. In 2017, Morgan Stanley committed to become carbon neutral by 2022, aiming to source 100 percent of our global operational energy needs from renewable energy by 2022. As this goal is in part led by GSF, select team members are evaluated against it.
Environment/Sustainability manager	Monetary reward	Energy reduction target	The Global Sustainable Finance (GSF) group is responsible for implementing the firm's sustainability strategy. Alongside Morgan Stanley's commitment to become carbon neutral, we are aiming to reduce our electricity usage by 20 percent by 2022. As this goal is in part led by GSF, select team members are evaluated against it.
Risk manager	Monetary reward	Other (please specify) (Manage E&S franchise risk exposure)	The Environmental and Social Risk Management (ESRM) team provides internal subject matter expertise on environmental and social risk, acting as an advisor to the businesses, conducting diligence on relevant transactions, and monitoring for emerging risks. Members of the ESRM group are evaluated against these responsibilities.

Entitled to incentive	Type of incentive	Activity inventivized	Comment
Dedicated Responsible Investment staff	Monetary reward	Other (please specify) (Sustainable investing)	The Investing with Impact team within Wealth Management is responsible for providing clients with a suite of investment options and portfolios across asset classes that seek to generate both market-rate financial returns and measurable, positive environmental and social impact. The MSIM Sustainability team is responsible for developing MSIM's ESG investment integration standards, helping to launch ESG thematic products, advising sales professionals and clients on sustainability matters, and producing sustainability data, tools and research in support of our investment teams and clients. The team partners with the ESG leads on each of our investment platforms to continually enhance ESG integration practices and to deliver sustainability products and solutions. The team is also responsible for overseeing the global proxy-voting program and facilitating shareholder engagement. The Sustainability team supports investment teams in their integration of climate-related issues in the investment process and is responsible for developing MSIM's strategic approach to climate change, accompanied by the appropriate tools and resources. As a result, performance appraisals for members of this team include a consideration of their contributions to MSIM's climate strategy.

C-FS1.4

(C-FS1.4) Does your organization offer its employees an employment-based retirement scheme that incorporates ESG principles, including climate change?

	We offer an employment-based retirement scheme that incorporates ESG principles, including climate change.	Comment
Row 1	Yes, as an investment option for some plans offered	In the United States, Morgan Stanley's 401k retirement plan provides at least one Environmental, Social and Governance-related retirement option. Our colleagues in the UK also have at least one sustainable investing fund available.

C2. Risks and opportunities

C2.1

(C2.1) Does your organization have a process for identifying, assessing, and responding to climate-related risks and opportunities?

Yes

C2.1a

(C2.1a) How does your organization define short-, medium- and long-term time horizons?

	From (years)	To (years)	Comment
Short-term	0	3	
Medium-term	3	5	
Long-term	5	50	

C2.1b

(C2.1b) How does your organization define substantive financial or strategic impact on your business?

Where Morgan Stanley may potentially face substantial transition and physical risks from the impacts of climate change we utilize expertise and resources from many parts of the business to explore these issues. Through the multidisciplinary companywide risk identification, assessment, and management processes described above, we continually monitor climate risks on an ongoing basis and assess time horizons ranging from immediate to long term on a case-by-case basis. In the context of this report, we define substantive impacts as those that would cause the firm a loss or gain great enough to change our internal approach to managing the risk or opportunity. Currently, the firm takes an integrated approach to risk identification, assessment and management.

C2.2

(C2.2) Describe your process(es) for identifying, assessing and responding to climate-related risks and opportunities.

Value chain stage(s) covered

Downstream

Risk management process

Integrated into multi-disciplinary company-wide risk management process

Frequency of assessment

More than once a year

Time horizon(s) covered

Short-term

Medium-term

Long-term

Description of process

Downstream risks: Where Morgan Stanley may face substantive transition and physical risks from the impacts of climate change, we seek to deploy expertise and resources from many parts of the business to explore these issues. Through multidisciplinary companywide risk identification, assessment, and management processes, we continually monitor climate risks, and assess time horizons ranging from immediate to long term on a case-by-case basis As a first line of defense, business units may assess materiality of climate change as appropriate for their activities, and evaluate ESG risks through client and investment-related due diligence. As a second line of defense, our risk and control functions support deal teams and functional groups globally, reviewing transactions and activities to evaluate potential risk to the firm, including climate-related risk when relevant. The second line of defense includes Firm Risk Management (FRM), the division that oversees climate-related financial risks in our lending operations, among other types of risk. GSF and FRM have also worked to identify, test and onboard new tools and datasets to help identify and assess climate risk and to help determine which may have the potential for substantive impact. For example, we participated in a pilot with the 2 Degrees Investing Initiative on their Paris Agreement Capital Transition Assessment tool, which helps banks understand their potential transition risks by assessing how aligned their portfolios are with a 2 degree pathway. For our physical risk identification process, where we may have geographic concentrations of exposures, we seek to understand the range of physical risks we may be exposed to. We have assessed the potential impact of risks including flooding, rising sea-levels, hurricanes, and extreme heat on these concentrations to understand where there may be the potential for substantive impacts. Climate change is affecting the frequency, intensity and nature of these physical events. We regularly reference the latest climate science, so we can understand the current probabilities of certain events occurring, and have begun developing partnerships with leading academic and research organizations to draw upon their expertise. To identify transition risks, we track climate-related regulations at the local, state, federal and international levels to assess potential transition risks to our business. GSF partners with Government Relations and other functions, as appropriate, to coordinate the firm's responses to relevant policy measures. Recognizing the potential of these risks, we have responded and took action to also engage externally to stay aware of evolving policy trends. For example, we are a member of the Center for Climate and Energy Solutions (C2ES) which helps inform our tracking of U.S. federal climate policy developments. C2ES has published research analyzing various climate pricing bills in Congress, and we utilized their research to inform our scenario analysis work. We have also engaged with Ceres for many years, and benefit from their insights on policy. As we work to identify and assess risks, understanding their timing is important. FRM estimates when various risks could likely impact the firm across short, medium and long-term outlooks, and classifies them accordingly. For example, intense physical events like hurricanes and wildfires are near-term risks, as they could happen in any given year, while significant shifts in technology are likely to impact counter-parties overtime in the medium to long-term range. We categorize risks by timing and prioritize accordingly. To better understand which risks may have substantive or strategic impact, Morgan Stanley is also conducting focused stress tests on concentrated physical and transition risk vulnerabilities, as well as broader scenario analyses. As a results, the findings will help our leadership refine our strategy and risk management processes, and determine how to incorporate climate considerations into firm strategy more holistically. In particular, we are evaluating where the firm may be vulnerable to outsized, substantive climate-driven losses. In 2019, senior Risk Management leadership presented scenarios to the Firm Risk Committee that explored impacts from both physical and transitional climate risk events. In response to this work, and to enhance our capacity to identify, assess and respond to climate risk, GSF and FRM have formed a strategic partnership to educate and engage decision-makers across the firm. One initiative is Climate Change University (CCU). Currently targeted at Morgan Stanley risk professionals, CCU offers an external and internal speaker series, reference library, weekly news digest and access to the latest climate risk-related reports. With respect to franchise risk, we monitor financial transactions that could expose Morgan Stanley to risks raised by environmental and social issues in accordance with our ESRM policies. The ESRM group supports businesses globally, providing guidance on potential material franchise risk exposure to the firm. Transactions in-scope are reviewed both by ESRM and our business units for environmental and social risk. If a potentially significant issue is flagged, ESRM conducts enhanced due diligence to understand further how the risks are being mitigated and how impacts are being addressed by the company. Depending on the results of the review, transactions may be escalated for further review to our Regional and Global Franchise Committees in addition to senior management. Downstream opportunities: Our business segments partner with GSF to offer scalable financial solutions and advisory services that seek to deliver competitive financial returns while driving positive environmental and social impact. The Global Sustainability Bond Leadership and the Investment Management Sustainability Councils help the firm to identify climate-related opportunities. Due to growing demand for low-carbon products coupled with the need to rapidly scale climate finance to meet the goals of the Paris Agreement, in April 2018, we announced plans to mobilize $250 billion to support low-carbon solutions by 2030. Our business activities in clean-tech and renewable energy financing, sustainable bonds and other relevant transactions and investments contribute to this commitment. Through 2019, we have mobilized approximately $80 billion in capital toward this goal. We also develop informative analysis on climate change to help clients and other stakeholders navigate the low-carbon transition and seize opportunities. Our Sustainability Research team and the Institute for Sustainable Investing lead this work. For example, in 2019, the Sustainability Research team published a blue paper on de-carbonization that analyzed the role of five key technologies in delivering the low-carbon transition—renewables, electric vehicles, carbon capture and storage, biofuels and hydrogen.

Value chain stage(s) covered

Direct operations

Risk management process

Integrated into multi-disciplinary company-wide risk management process

Frequency of assessment

More than once a year

Time horizon(s) covered

Short-term
Medium-term
Long-term

Description of process

For risks in direct operations: Corporate Services, Business Continuity Management and Operational Risk within FRM assess physical risks and other disruptions to our business operations. To identify risks, including those that may have substantive impact, we map our physical locations and leverage external data and subject matter experts to understand how climate change will drive shifts in physical events in those areas. We track acute events such as windstorms and floods, as well as longer-term issues such as extreme heat to understand the impact on our footprint and employees. For example, this includes conducting emergency communication drills and simulated crisis scenarios, including physical climate risk scenarios, at various points throughout the year, and an annual corporate services risk control self-assessment. As a result, this analysis informs our real estate and property management strategies, disaster recovery and business continuity management. In 2019, the firm reacted to 26 global weather/natural hazard events related to hurricanes, wildfires, blizzards, and earthquakes. As an example of the firm's preparedness, during Hurricane Florence, client business was rerouted from closed offices to call centers, and employees in 17 branches worked remotely. The firm temporarily lost the use of branch properties, but operated in business-as-usual mode throughout the event with all personnel accounted for. To help manage our transition risks, in 2017, we set a target to become carbon neutral by 2022, with an aim to source 100% of our global operational electricity needs from renewable sources, and to offset any remaining emissions. To achieve this goal, we seek to develop on-site power generation, secure power purchase agreements, purchase renewable energy credits and pursue carbon offsets, as appropriate. For opportunities in direct operations: To prioritize opportunities to reduce our impacts of our facilities on the climate, we monitor the environmental performance closely. Our internal standards for construction and renovation projects require green technologies and equipment. The Corporate Services Global Sustainability Council helps ensure we explore climate-related opportunities in our operations by executing our operational sustainability strategy, which focuses on resource efficiency, renewable energy and identifying innovative ways to minimize the environmental impact of our operations globally.

C2.2a

(C2.2a) Which risk types are considered in your organization's climate-related risk assessments?

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	Legal, regulatory and compliance risk includes the risk of legal or regulatory sanctions, material financial loss including fines, penalties, judgments, damages and/or settlements, or loss to reputation we may suffer as a result of our failure to comply with laws. Our Legal & Compliance Division advises the firm on managing legal risk, and monitors our compliance with current and emerging regulatory and legal requirements, including climate-related regulations where applicable. Our Government and Regulatory Relations teams represent the firm's public policy views, and engage with governments and regulators on behalf of the firm on existing regulations, including those related to climate-regulations. In addition, Morgan Stanley's ESRM Group considers counterparties' compliance with applicable laws and regulations – including those related to climate change –as part of its due diligence. Non-compliance can present a range of risks to a transaction or project, including financial or reputational or legal risk. Assessments are guided by our environmental and social risk and franchise risk policies.
Emerging regulation	Relevant, sometimes included	Changes in policies, such carbon taxes, renewable fuel standards or building energy efficient standards, may impact the firm directly or indirectly through our clients, business partners or suppliers. We track climate-related regulations at the local, state, national and international levels to assess potential transition risks to our business. GSF partners with Government Relations and other functions, as appropriate, to coordinate the firm's responses to relevant policy measures. Similar to current regulation, emerging legal, regulatory and compliance risk includes the risk of legal or regulatory sanctions, material financial loss including fines, penalties, judgments, damages and/or settlements, or loss to reputation we may suffer as a result of our failure to comply with laws. We also engage externally to share best practice and stay on top of trends. We joined C2ES to keep track of U.S. federal climate policy development. In 2019, our Climate Change Firm Risk Lead was appointed to the first panel commissioned by a U.S. market regulator to examine climate-related risks to the financial system. The panel, formed by the Commodity Futures Trading Commission, will provide policy recommendations across a range of climate risks. Morgan Stanley will continue to engage with policymakers as opportunities arise to support development of effective regulatory policies to address climate change.
Technology	Relevant, sometimes included	For transactions or investments in which climate-related technology is material, business units consider it in their analysis. We are also working to better understand how the transition risks associated with emerging climate-related technologies could impact the firm and our clients. For example, we collaborated with peers to explore scenario analyses and stress testing that shed light on the sensitivities of companies' creditworthiness under select climate transition pathways, including a pathway related to a technological breakthrough regarding the rapid adoption of electric vehicles over a three-year time horizon. The analysis did not find significant financial impacts near-term.
Legal	Relevant, always included	Legal, regulatory and compliance risk includes for example the risk of legal or regulatory sanctions, material financial loss including fines, penalties, judgments, damages and/or settlements, or loss to reputation we may suffer as a result of our failure to comply with laws. Such negative impacts could harm the firm's reputation and have the potential to limit future business opportunities. Our Legal & Compliance Division advises the firm on managing legal risk, and monitors our compliance with current and emerging regulatory and legal requirements, including climate-related regulations where applicable. For example, when evaluating transactions for environmental and social risk, our ESRM group considers the counterparty's compliance with the host country's legal framework. Our Regional and Global Franchise Committees are responsible for overseeing franchise risk to the firm, including reputational risks associated with environmental and social issues, including those related to climate change. As result of these reviews, transactions that meet designated criteria, including in specific sectors, for example may require approval by our Regional or Global Franchise Committees in addition to senior management. The ESRM Group works with groups across Morgan Stanley – such as Research and Legal and Compliance – to monitor emerging trends, including proposed regulations as well evolving stakeholder expectations and standards. The ESRM Group also works closely with business units to assess specific assets and such reviews may include considerations of climate resilience.
Market	Relevant, sometimes included	Our Market Risk division assesses monitors and manages the firm's risk, including risk to investments, due to changes in market conditions. Like others divisions within Firm Risk Management, Market Risk has begun integrating climate risks into its risk identification and management process to understand how changes in regulations of physical events could, for example, impact energy markets or commodity prices. Market risk has created a heat map of physical risks by regions the firm is exposed to help guide their integration process. Market risk has also started the process of conducting scenario analysis to help assess potential climate-related vulnerabilities in our market positions. In transactions in which market risk is material, business units consider it in their analysis.
Reputation	Relevant, always included	An example of a reputational risk is if a client's operations create negative environmental impacts, such as water or air pollution, without proper controls in place. Such negative impacts could harm the firm's reputation and have the potential to limit future business opportunities. To assess potential material reputational risk exposure to the firm, the ESRM Group supports deal teams globally by reviewing transactions for environmental and social risk. Depending on the results of the review, transactions may be escalated for further review to our Regional and Global Franchise Committees in addition to senior management.
Acute physical	Relevant, always included	Morgan Stanley maintains global programs for business continuity management and technology disaster recovery that aim to protect the firm. A business continuity event is an interruption with potential impact to normal business activity of the firm's people, operations, technology, suppliers, and/or facilities. In anticipation of forecasted events, BCM reviews business units' plans to ensure that detailed recovery strategies (e.g., transference or relocation), which identify and detail the options available to recover critical business processes during an event, are documented. In 2019, the firm monitored and reacted to 26 global weather/natural hazard events related to hurricanes, wildfires, blizzards, and earthquakes. As an example of the firm's preparedness capabilities, during Hurricane Florence, client business was rerouted from closed offices to call centers and employees in 17 Wealth Management branches worked remotely. The firm temporarily lost the use of branch properties, but operated in business-as-usual mode throughout the event with all personnel accounted for.
Chronic physical	Relevant, always included	Ensuring business continuity and resiliency is a priority at Morgan Stanley. CS leads a wide range of initiatives to reduce our operational environmental impact and partners with GSF to develop and manage our operational climate goals. For example, we have invested in a number of renewable energy installations that will reduce our carbon footprint. Further, we consider climate change in the design and construction of our offices and data centers, to help ensure they remain functional over the long term.

C-FS2.2b

(C-FS2.2b) Do you assess your portfolio's exposure to climate-related risks and opportunities?

	We assess the portfolio's exposure	Please explain
Bank lending (Bank)	Yes	As a first line of defense, business units assess the relevance of climate change as appropriate for their activities, and evaluate ESG risks through client and investment-related due diligence. As a second line of defense, Firm Risk Management has developed a strategy to integrate climate-related risks into our risk management processes. This includes options for measuring the carbon intensity of our portfolios, the transition preparedness of clients, our vulnerabilities to climate-related events, and consistency with evolving industry and regulatory best practices. These efforts include the development of metrics and targets in line with TCFD recommendations, the inclusion of climate-related considerations into risk appetite decisions.
Investing (Asset manager)	Yes	MSIM's equity and fixed income teams review the carbon footprint of their portfolios and use this information to identify climate-related risks and opportunities in their portfolios. In some cases, this analysis has led to decisions to exclude or size certain investments based on climate-related risks. Beyond carbon footprinting, MSIM's Sustainability team, in partnership with Morgan Stanley's Global Sustainable Finance Group, is developing internal tools and resources to help portfolio managers access additional climate related data sets including those that enable climate scenario analysis. Further, MSIM's Real Assets team has begun to integrate physical climate risks into its investment process and is enhancing that analysis using new datasets.
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	We do not have any other products or services for which we examine climate risks.

C-FS2.2c

(C-FS2.2c) Describe how you assess your portfolio's exposure to climate-related risks and opportunities.

	Portfolio coverage	Assessment type	Description
Bank lending (Bank)	All of the portfolio	Qualitative and quantitative	Firm Risk Management (FRM) is integrating climate-related risks into our risk management processes. This includes calculating the carbon intensity of our portfolios, measuring the transition preparedness of clients, identifying our vulnerabilities to physical climate-related events consistent with evolving industry and regulatory best practices. These efforts include the development of metrics and targets in line with TCFD recommendations. Our efforts to identify and assess climate risks include our entire lending portfolio across both our Institutional Securities Group and Wealth Management businesses, as any company and/or real asset may be exposed to a combination of transition and physical risks. Initially, Morgan Stanley identified potentially significant physical and transitional risks that could affect clients, by industry. To help assess these risks, we have on-boarded new climate and ESG datasets that will help FRM better understand how material various risks may be. To enhance our capacity to identify, assess and respond to climate risk, Global Sustainable Finance and FRM have formed a strategic partnership to educate and engage decision-makers across the firm. One initiative is Climate Change University (CCU). Currently targeted at Morgan Stanley risk professionals, CCU offers an external and internal speaker series, reference library, weekly news digest and access to the latest climate risk-related reports. Morgan Stanley is also part of a group of global financial firms to test the PACTA, developed by the 2 Degrees Investing Initiative. This analytical tool enables financial institutions to understand the alignment of their corporate loan portfolios with the goals of the Paris Agreement. Our Environmental and Social Policy Statement outlines restrictions for several sectors including coal power, coal mining and Arctic oil & gas. The policies also outline qualitative criteria included in enhanced due diligence assessments conducted by the ESRM Group on counterparties in these sectors.
Investing (Asset manager)	Minority of the portfolio	Qualitative and quantitative	Where data is available, MSIM's public investment teams (Equities and Fixed Income) review the carbon footprint of their portfolios. In other asset classes, such as Real Assets, Private Credit and Equity, where carbon emissions data may not be readily available, some investment teams incorporate climate risks and opportunities into the investment process through proprietary research and data collection and/or through alternative data sources such as physical climate risk. In addition to focusing on climate data, our investment teams also develop climate solutions and engage with portfolio companies to assess climate risks within their portfolio. In terms of climate solutions, MSIM's Alternative Investment Partners (AIP) Private Markets team launched a fund focusing on climate solutions that seeks to address global warming and pollution, depleting resources and biodiversity. On the stewardship side, in 2019, MSIM's Global Emerging Markets team conducted an in-depth research project to better understand the investment risks and opportunities related to climate change and the energy transition. Some emerging and frontier countries are more susceptible to physical risks of climate change given higher average temperatures, greater dependence on agriculture, more limited infrastructure, and large populations living near sea levels. In terms of transition risk, the team analyzed how certain countries could face higher transition risk due to high reliance on fossil fuels for gross domestic product (GDP) and power generation. The team discussed and debated topics such as the use of nuclear energy and the investment opportunities that are likely to emerge as economies de-carbonize and transition to renewable energy sources. From a top-down perspective the team reviewed the risks specifically pertinent to countries with high fossil fuels use and high carbon intensity of GDP, such as South Africa where significant privatization will need to take place in order for more renewable sources to play a larger role in the economy. This collaborative research project provided a strong foundation for the team's ongoing efforts to apply a climate lens to its investment process.
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	<Not Applicable>	<Not Applicable>	<Not Applicable>

C-FS2.2d

(C-FS2.2d) Do you assess your portfolio's exposure to water-related risks and opportunities?

	We assess the portfolio's exposure	Portfolio coverage	Please explain
Bank lending (Bank)	Yes	All of the portfolio	Through the process of scenario analysis, we have examined parts of our portfolios that are more likely at risk of exposure to severe storms. We have also examined the water-related impacts of storms and floods on our office buildings to understand potential losses from business interruptions. While water-related risks may only be material for certain sectors and geographies, our process of examining water-related risks applies to our entire portfolio, as we seek to identify relevant risks for each sector and geography. In addition to increasing the frequency and severity of storms, climate change is likely to make drought more severe in certain parts of the world. On behalf of clients, one of our portfolio strategies teams in our investment management business have has made investments in certain technologies and infrastructure that will help address fresh water shortages.
Investing (Asset manager)	Yes	Minority of the portfolio	Where material, MSIM investment teams consider water-related risks and opportunities as part of their ESG integration process. For example, in 2019, the Global Balanced Risk Control team engaged several companies about water risk management across the food and beverage sector and noted that forward-looking companies had moved beyond managing efficiencies in their own operations to thinking about how they can preserve the watersheds in which they operate. Through this engagement series, the team concluded that watershed management will make businesses more sustainable over the long term. As a result, companies in its portfolio that were taking this holistic approach are viewed more favorable.
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	<Not Applicable>	We do not have any other products or services for which we examine water-related risks.

C-FS2.2e

(C-FS2.2e) Do you assess your portfolio's exposure to forests-related risks and opportunities?

	We assess the portfolio's exposure	Portfolio coverage	Please explain
Bank lending (Bank)	Yes	All of the portfolio	We seek to understand how forest-related risks could impact our portfolios, particularly related in areas facing increased risk of forest fires. Mortgages and real assets are examples of investments that may be exposed to these risks. In 2019, we on-boarded new data services that will help the firm better understand our exposure to physical risks such as forest fires, and we track developments in insurance markets to better understand how shifting coverage could pose a risk to the firm over time. For more information on our approach to managing forest-related risks, please see our Environmental & Social Policy Statement available on our website.
Investing (Asset manager)	Yes	Minority of the portfolio	MSIM's investment teams consider forest-related risks and opportunities where deemed material to a given investment. In general, deforestation, the use of certified forest products, supply chain integrity are considered most material to paper products, packaging, and land-based agriculture industries. Some of MSIM's investment teams have also started to consider the value-chain impacts of the shift towards a more circular economy more closely, which also implicates forest-based assets.
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	<Not Applicable>	We do not have any other products or services for which we examine forests-related risks.

C-FS2.2f

(C-FS2.2f) Do you request climate-related information from your clients/investees as part of your due diligence and/or risk assessment practices?

	We request climate-related information	Please explain
Bank lending (Bank)	Yes, for some	When assessing risks in flood prone areas, Firm Risk Management will often require clients to provide proof of flood insurance. In addition, our Environmental and Social Policy Statement includes enhanced due diligence guidelines for sectors exposed to greater environmental risk, including the physical and transition risks from climate change as highlighted by the TCFD. Our due diligence processes include analysis of publicly available information, as well as discussions with clients and stakeholders. Climate-related information assessed can include emissions controls and management, impact on biodiversity, approach to waste, health and safety, as well as compliance with local regulations and international standards. For more information on our approach by sector, see our Environmental and Social Policy Statement.
Investing (Asset manager)	Yes	MSIM investment teams regularly engage with investee companies on climate change risks and opportunities including a company's emissions profile, controls and preparedness to manage climate-related risks. As active owners, MSIM also promotes climate action and transparency at investee companies. In 2019, MSIM supported 90% of shareholder proposals for enhanced climate change reporting from U.S.-based companies and 64% of proposals urging companies to adopt greenhouse gas emission reduction targets. MSIM also actively engages with its clients on the topic of climate risk through thought leadership and strategic partnerships. As an example, in 2020, MSIM joined the One Planet asset manager initiative, which is aimed at supporting the One Planet Sovereign Wealth Fund Framework in accelerating the integration of climate change analysis into the management of large, long-term and diversified asset pools.
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	Not applicable.

C2.3

(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?

No

C2.3b

(C2.3b) Why do you not consider your organization to be exposed to climate-related risks with the potential to have a substantive financial or strategic impact on your business?

	Primary reason	Please explain
Row 1	Risks exist, but none with potential to have a substantive financial or strategic impact on business	Where Morgan Stanley may face potential transition & physical risks from climate change, we seek to deploy expertise and resources from many parts of the business to explore these issues. In the context of our CDP report and as explained in question C2.1b, we haven't identified risks that would cause the firm to alter its process for managing risk or its general strategy at this time. To better understand transition risks, in 2018, we collaborated with peers to explore scenario analyses and stress testing to understand the sensitivities of oil and gas companies' creditworthiness to a carbon tax. The results did not identify climate risks likely to have a substantive financial impact over the time frame tested. The analysis found that larger companies are better able to manage the financial impacts of a carbon tax. Smaller companies would likely be more impacted. A parallel analysis regarding the rapid adoption of electric vehicles did not find a significant impact to our auto exposures. However, the pilot only focused on one segment of the firm and only on transition risks. For our physical risk identification process, where we may have geographic concentrations of exposures, we seek to understand the range of physical risks we may be exposed to. We have assessed the potential impact of flooding, rising sea-levels, hurricanes, and extreme heat. Climate change is affecting the frequency, intensity and nature of these events. We reference the latest science to understand the current probabilities of events occurring. We have begun developing partnerships with leading academic organizations to draw upon their expertise. Building on our pilot scenarios, we continue to conduct focused stress tests on the most at risk concentrated physical and transition risk vulnerabilities, as well as broader scenario analyses. The findings will help our leadership refine our strategy and risk management processes, and determine how to incorporate climate considerations into firm strategy more holistically. In particular, we are evaluating where the firm may be vulnerable to outsized, climate-driven losses. To better understand which risks may have substantive or strategic impact, we are conducting focused stress tests on physical and transition risk vulnerabilities, as well as broader scenario analyses. In 2019, senior Risk Management leadership presented scenarios to the Firm Risk Committee that explored impacts from both physical and transitional climate risk events.

C2.4

(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.4a

(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Opp1

Where in the value chain does the opportunity occur?

Downstream

Opportunity type

Products and services

Primary climate-related opportunity driver

Shift in consumer preferences

Primary potential financial impact

Other, please specify (Better competitive position to reflect shifting consumer preferences, resulting in increased revenues)

Company-specific description

A Morgan Stanley survey which polled 1,000 active individual investors in 2017 to understand perceptions, interest and trends in sustainable investing found that 82% of millennials surveyed expressed interest in climate change-related investments, and 75% agree that their investment decisions can have a positive impact on climate change. We are well-placed to respond to increasing individual investor interest in climate change-focused investments, given Investing with Impact (IIP), a holistic solution from Morgan Stanley Wealth Management, offers clients the means to link their financial, societal and environmental impact goals.

Time horizon

Short-term

Likelihood

Virtually certain

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

4500000000

Potential financial impact figure – maximum (currency)

18000000000

Explanation of financial impact figure

We do not currently disclose activity specific revenue, but we do report on the assets under management on our Investing with Impact (IIP) platform, which illustrates the scale of the opportunity. Our range includes a high estimation and a low estimation based on recent 2019 activity. We increased AUM by approximately $9 billion in 2019. From 2013-2019, IIP client assets reached approximately $34 billion. Over the same time period moving forward, we expect the assets under management to continue to rise as investors increasingly demand sustainable investing products.

Cost to realize opportunity

0

Strategy to realize opportunity and explanation of cost calculation

We offer more than 130 Investing with Impact (IIP) products, tools and analysis for retail investors across thematic issues including climate change. In 2018, an internal survey of our IIP third-party managers found that more than 50 percent of their strategies aligned with at least one Sustainable Development Goal (SDG), and climate action was one of the top three most commonly advanced themes. To address the growing demand for sustainable and impact investments, we are also equipping our Financial

Advisors with tools to help their clients meet specific objectives. For example, in 2019, we updated our Climate Change and Fossil Fuel Aware Investing Tool Kit, which is designed as a road map for Morgan Stanley Financial Advisors to use with individual and institutional clients to develop a tailored investment approach to incorporate climate change and fossil fuel awareness into their portfolios based on their unique objectives In 2019, we also supported Financial Advisor engagement with current and prospective clients by hosting 11 IIP Roadshows. The cost of growing our Investing with Impact client assets is factored into our normal course of business (i.e. staffing and overhead), and we do not foresee any additional costs.

Comment
Growing Investing with Impact client assets and enhancing our product offering is part of our normal course of business.

Identifier
Opp2

Where in the value chain does the opportunity occur?
Downstream

Opportunity type
Products and services

Primary climate-related opportunity driver
Development and/or expansion of low emission goods and services

Primary potential financial impact
Increased revenues resulting from increased demand for products and services

Company-specific description
Recent research from Morgan Stanley finds that sustainable bonds, led by green bonds targeting environmental impact, have more than tripled since 2015. In 2019, alone global green, social and sustainability bond issuance reached approximately $320 billion, up more than 50% compared to 2018, according to Environmental Finance. Reflecting the market's momentum and our commitment to sustainable investing, we developed a Global Sustainability Bond Leadership Council in 2017 to advance green and sustainable bond origination and execution globally, guiding our strategy for client solutions, investor engagement and thought leadership.

Time horizon
Short-term

Likelihood
Virtually certain

Magnitude of impact
Medium

Are you able to provide a potential financial impact figure?
Yes, an estimated range

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure – minimum (currency)
12000000000

Potential financial impact figure – maximum (currency)
48000000000

Explanation of financial impact figure
We do not currently disclose activity-specific revenue, but we do report sustainable finance activity metrics, which illustrate the scale of the opportunity. 2013-2019, we led approximately $83 billion in green, social and sustainable bond transactions, approx. $14 billion annually and $24 billion in 2019 alone. For example, in 2019, Morgan Stanley Served as joint bookrunner on the first SDG-linked bond in the market, issued by Enel in September to support SDG 7 (Affordable and Clean Energy). The $1.5 billion bond links the interest rate to a renewable energy capacity target that triggers an upward adjustment if not met by the company. We expect the issuance volume to rise as investors increasingly demand sustainable investing products, and companies are encouraged to build resilient business strategies and low-carbon solutions. In this context, our strategy is to adopt a holistic approach that focuses on the issuer and how the transaction fits credibly into its broader sustainability objectives.

Cost to realize opportunity
0

Strategy to realize opportunity and explanation of cost calculation
The Global Sustainability Bond Leadership Council includes senior leaders from across the firm and aims to advance green and sustainable bond origination and execution globally. Led by our Vice Chairman, it meets regularly to track progress on Morgan Stanley-led green, social and sustainability deals; discuss structuring trends; and position our franchise in this growing market. The cost of developing green bonds is factored into the normal course of business (i.e. staffing and overhead), and we do not foresee any additional costs.

Comment
Developing green bonds is part of our normal course of business.

Identifier
Opp3

Where in the value chain does the opportunity occur?
Downstream

Opportunity type
Markets

Primary climate-related opportunity driver
Use of public-sector incentives

Primary potential financial impact
Increased revenues through access to new and emerging markets

Company-specific description
Even though the United States withdrew from the Paris Climate Accord, U.S. businesses and municipalities have come together as a driving force for climate action. As

such, there are significant financing opportunities in assisting firms, governments and municipalities in the U.S. to adapt to physical climate changes. Morgan Stanley is well placed to support green infrastructure investments, as in 2019, Morgan Stanley was named Lead Manager of the Year for U.S. Municipal Green Bonds by Environmental Finance. In addition, our Community Development Finance team has been supporting environmentally-friendly affordable housing development for nearly a decade. For example, since 2010, we have committed over $21 billion in community development loans and investments, funding more than 116,000 affordable housing units and helping to create or retain 140,000 jobs.

Time horizon
Short-term

Likelihood
Virtually certain

Magnitude of impact
Low

Are you able to provide a potential financial impact figure?
Yes, an estimated range

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure – minimum (currency)
2200000000

Potential financial impact figure – maximum (currency)
8700000000

Explanation of financial impact figure
We do not currently disclose activity specific revenue, but we do report sustainable finance activity metrics, which illustrate the scale of the opportunity. Our range includes a high and low estimate based on recent Public Finance Activity. In 2019, Morgan Stanley Public Finance led 26 green and sustainability bonds totaling approximately $4.4 billion. The transactions funded infrastructure projects that brought environmental and social benefits to communities around the United States, including mass transit and climate resiliency.

Cost to realize opportunity
0

Strategy to realize opportunity and explanation of cost calculation
In the U.S. municipal bond market, we fund infrastructure projects that aim to bring environmental and social benefits to communities around the country, including mass transit, climate resiliency, affordable water and wastewater infrastructure, education facilities and community development finance projects. This work is often in partnership with Morgan Stanley's Community Development Finance (CDF) Group, which designs and implements our community development program alongside community partners. In order to support and empower our partners to achieve their goals, CDF executes new and innovative transactions not routinely provided by private investors. Our program seeks to transform communities' quality of life through a focus on: 1) Preservation and development of sustainable, multifamily affordable rental housing 2) Healthy communities 3) Equitable transit-oriented development 4) Economic development that supports quality jobs 5) Capital for underserved, small and rural markets 6) Capacity building for nonprofits. The majority of our affordable housing projects help improve building resiliency by using environmentally friendly technologies in construction. For example, in 2019, we helped finance the Utah Equitable Transit Oriented Development Fund, which will develop and acquire multifamily rental units and for-sale housing located within a half mile of transit sites in the fastest growing state in the country.

Comment
Our Public Finance and Community Development Finance activities are part of our normal course of business.

Identifier
Opp4

Where in the value chain does the opportunity occur?
Downstream

Opportunity type
Products and services

Primary climate-related opportunity driver
Development and/or expansion of low emission goods and services

Primary potential financial impact
Increased revenues resulting from increased demand for products and services

Company-specific description
Investor interest in environmental and social solutions continues to rise, enabling our efforts to scale capital for low-carbon ventures. Morgan Stanley's businesses are uniquely positioned to drive the development of low-carbon solutions in partnership with our clients, given our long history of using the scale and speed of capital markets to generate positive environmental and social benefits for innovative companies. Recognizing the need to rapidly scale climate finance, in April 2018, we announced plans to mobilize $250 billion to support low-carbon solutions by 2030.

Time horizon
Short-term

Likelihood
Virtually certain

Magnitude of impact
Medium

Are you able to provide a potential financial impact figure?
Yes, an estimated range

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure – minimum (currency)
25000000000

Potential financial impact figure – maximum (currency)
100000000000

Explanation of financial impact figure
We do not currently disclose activity specific revenue, but we do report sustainable finance activity metrics, which illustrate the scale of the opportunity. Our range includes a high estimation and a low estimation based on recent activity. In 2019, we mobilized over $50 billion to support low-carbon solutions ($80bn raised cumulatively), so we expect this figure to increase as investors increasingly demand sustainable investing products, and companies are incentivized to build resilient strategies.

Cost to realize opportunity
0

Strategy to realize opportunity and explanation of cost calculation
Our low-carbon financing target includes business activities in clean-tech and renewable energy financing, sustainable bonds and other relevant transactions and investments contribute to this commitment. The cost of developing low-carbon solutions is factored into the normal course of business (i.e. staffing and overhead), and we do not foresee any additional costs.

Comment
Our low-carbon financing target falls within the normal scope of business.

C3. Business Strategy

C3.1

(C3.1) Have climate-related risks and opportunities influenced your organization's strategy and/or financial planning?
Yes

C3.1a

(C3.1a) Does your organization use climate-related scenario analysis to inform its strategy?
Yes, qualitative and quantitative

C3.1b

(C3.1b) Provide details of your organization's use of climate-related scenario analysis.

Climate-related scenarios and models applied	Details
Other, please specify (Designed our own in partnership with a consultant)	In 2018, GSF and FRM collaborated with peers to design two custom scenarios to pilot climate-related stress testing, and shed light on the sensitivities of companies' creditworthiness. The group engaged an external consultant to help design the scenarios, including inputs, assumptions and the analytical method. The pilot stress tests examined the impacts of two short-term transition risk pathways: the rapid expansion of electric vehicles in a three-year time horizons and the sudden implementation of a carbon tax. For the EV scenario we assumed that 20% of new vehicle sales were EVs and car ownership of existing vehicles has a fifteen year turnover rate. For the carbon tax scenario, we explored a range of taxes from $25/ton CO2 to $100/ton CO2, which was applied upstream and passed to customers. The short-term nature of the exercise was relevant to our portfolios given the general short to medium term nature of our exposures. The results of the pilot scenarios did not identify climate risks likely to have a substantive financial impact on our business over the time frame tested. The EV scenario had less near-term (less than three years) impact on the financial health of the oil and gas companies we analyzed compared to the carbon tax scenario. The impact on any particular company depends on a number of factors, including its financial situation, carbon intensity, position on the industry cost curve profile, and management's ability to adjust long-term strategy. The purpose of the exercise was to develop a baseline methodology to highlight the potential risks for Morgan Stanley in our oil and gas lending portfolio. The exercise examined a random sampling of companies, but the actual financial impacts to our firm would depend on the size of our exposures as well as a range of other factors. The exercise reinforced the usefulness of scenario analysis and stressing particular companies' balance sheets for potential regulatory changes in our risk management procedures. Morgan Stanley built on this exercise to further analyze our portfolio and assess climate risk across our entire portfolio. As a result, Morgan Stanley is updating its risk management strategy to identify transition-related climate risks across all sectors. FRM and GSF have instituted a process to proactively and systematically track changes to relevant climate-related policies globally that may impact our business. Beyond the oil and gas sector, Morgan Stanley is also exploring scenario analysis across numerous sectors in order to understand strategic opportunities and vulnerabilities related to climate change. The findings will help inform changes to our processes, and determine where we may seek to incorporate climate considerations into firm strategy. As an example, we may consider evaluating where the firm could be vulnerable to outsized, climate-driven losses. To help identify areas potentially exposed to physical climate risks, FRM and GSF mapped our firm exposures by geography, and then cross referenced those geographies to potential hot spots for physical climate impacts.

C3.1d

(C3.1d) Describe where and how climate-related risks and opportunities have influenced your strategy.

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Products and services	Yes	Climate-related opportunities, such as shifts in consumer preferences to sustainable investments, have impacted our products and services across each business segment positively. Examples of climate-related products and services are highlighted below. Firmwide: We announced a goal to mobilize $250 billion to support low-carbon solutions by 2030, and have raised approximately $80 billion to date. This is an example of how the firm is responding to the significant opportunities related to climate change This is our most substantial strategic decision driven by climate change opportunity. Institutional Securities: Since 2013, Morgan Stanley has supported over $83 billion in green bond issuances across corporate, municipal and sovereign clients. In 2019, we helped launch several major bonds that support low-carbon transition, including Enel's $1.5 billion bond that links the interest rate to the company's renewable energy capacity. An upward adjustment is triggered if targets are not met. Wealth Management: In 2019, we updated The Morgan Stanley Climate Change and Fossil Fuel Aware Investing Tool Kit to help Morgan Stanley Financial Advisors support clients develop tailored investment approaches to incorporate climate change and fossil fuel awareness into their portfolios based on their unique objectives. In 2018, Morgan Stanley surveyed our Investing with Impact strategies, and determined that 50% align with at least one SDG, with climate change being one of the top three issues most commonly supported. Investment Management: ESG integration includes consideration of climate-related issues; investment teams that incorporate ESG into their investment process are expected to be aware of climate-related risks and opportunities that could have significant impact on value. To build this awareness, portfolio managers and investment teams may evaluate, as applicable, the carbon footprint and intensity of their investments, as well as climate resiliency and adaptation strategies. Our understanding of climate change risks and opportunities is deepened through our engagement with companies, as we aim to better understand their emissions profiles, controls and preparedness to manage climate-related risks. The overall magnitude of impact of product-related opportunities is high and positive.
Supply chain and/or value chain	Yes	To promote support for Morgan Stanley's environmental objectives including climate change, we aspire to develop effective relationships with contractors and suppliers to encourage their environmental awareness, and to promote support for Morgan Stanley's environmental objectives (e.g., environmental purchasing policies, assessing vendor compliance with accepted environmental standards. minimizing greenhouse gas emissions). In the short-term, we published a Supplier Code of Conduct, which, among other criteria, requires our suppliers to uphold our environmental and social risk management policies, and encourages them to implement their own policies and measures to reduce the environmental impact and greenhouse gas emissions of their operations. In the short-term, this is our most substantive strategic decision driven by climate change opportunity. We have not yet identified substantive ESG risks in our supply chain, but in the medium term we are working to build capacity within our sourcing team to identify and understand ESG risks to support enhancements to our long-term strategy moving forward. For example, in 2019, evaluated over 150 responses to a supplier sustainability questionnaire.
Investment in R&D	Yes	We have two distinct teams within the firm dedicated to research on sustainability topics, which help us monitor and understand existing and emerging climate-related risks. The Morgan Stanley Institute for Sustainable Investing is dedicated to accelerating the adoption of sustainable investing strategies, which seek to deliver both competitive financial returns and positive environmental and social impact. The Institute develops insightful analysis to inform and empower investors. Climate change and related risks and opportunities, is one of two thematic focus areas of the Institute's thought leadership in the short, medium and long-term. Founding the Institute was one of the most substantive strategic decisions made to date by GSF driven by climate change opportunity. Within Equity Research, the Sustainability Research team provides insights into risks and opportunities related to ESG issues that can impact short, medium and long-term investment performance, including those related to climate change. In the long-term, we see the opportunity to leverage thought leadership to drive the market for sustainable finance, including climate-related opportunities, as an opportunity. One opportunity of our thought leadership is to highlight opportunities arising from climate change for investors. In the short-term, in 2019, the team published a blue paper on de-carbonization that analyzed the role of five key technologies in delivering the low-carbon transition—renewables, electric vehicles, carbon capture and storage, biofuels and hydrogen. Our sector analysts also assess climate-related factors, as appropriate for their coverage.
Operations	Yes	Climate-related opportunities such as use of lower-emission sources of energy have impacted our operations. In 2017, Morgan Stanley committed to become carbon neutral by 2022, with an aim to source 100% of our global operational electricity needs from renewable sources and to offset any remaining emissions. This is our most substantial strategic decision driven by climate change opportunity. In addition, we aim to reduce energy usage by 20% by 2022, from a 2012 baseline. One example of our efforts is our on-site solar and fuel cell installations, which generate more than 7.8 million kWh of clean electricity annually. Since 2006, we have reduced our annual office greenhouse gas emissions per square foot by over 45%. The overall magnitude of impact of this opportunity is medium currently, as we are still working to address our carbon neutrality goal. Once we have achieved our goal the impact will be high.

C3.1e

(C3.1e) Describe where and how climate-related risks and opportunities have influenced your financial planning.

	Financial planning elements that have been influenced	Description of influence
Row 1	Revenues Direct costs Capital expenditures Capital allocation Acquisitions and divestments Access to capital Assets Liabilities	We do not currently disclose activity-specific revenue, but we do report sustainable finance activity metrics, which illustrate the scale of the opportunity. For example, we have raised approximately $80 billion toward our low-carbon financing goal from transactions and investments across the firm. We expect this opportunity to grow as investors increasingly demand sustainable investing products, and companies are incentivized to build resilient strategies. As we work to drive demand for climate-related products among our client base and in the market more broadly, we will continue to find revenue-generating opportunities for the firm, while supporting the transition to a low-carbon economy. The overall magnitude of impact of product-related opportunities is high and positive. We expect this opportunity to continue to grow in the coming years given increasing investor and client interest. The time horizon for this opportunity is long-term, as we aim to achieve our goal of mobilizing $250 billion for low-carbon opportunities by 2030. _ Climate-related opportunities related to energy efficiency have affected our direct cost. Morgan Stanley actively pursues projects that will reduce our energy use and associated greenhouse gas emissions. Since 2012, we have reduced our annual global energy expenses by $13.5M USD, a 17% reduction. The overall magnitude of impact of this opportunity is medium currently, as we are still working to address our energy reduction targets announced alongside our carbon neutrality goal. Once achieved, the impact will be high. __ Climate-related opportunities in energy efficiency have affected our capital expenditures. At our own properties, we use data collection and analysis, and measurement against our own goals and standards, to prioritize opportunities related to our facilities. Internal standards for construction and renovation projects require green technologies and equipment, cost evaluation and ability to improve workplaces for employees. External standards used include LEED and BREEAM. A continuous commissioning program monitors numerous data points to optimize energy efficiency and identify opportunities for further improvements in our buildings and data centers. The overall magnitude of impact of this opportunity is medium currently, as we are still working to address our carbon neutrality goal. Once we have achieved our goal, the impact will be high. __ With increasing investor interest in ESG issues, our investment banking teams help to advise clients as well as raise and mobilize capital to support sustainability-focused, clean technology and renewable energy businesses. Our industry, regional and country teams provide specialized expertise to corporations, financial institutions and government clients looking to execute innovative solutions to address sustainability challenges and meet sustainability goals. In 2019, we advised clients on a number of acquisitions related to climate change. For example, Morgan Stanley advised Pivot Power on its sale to Électricité de France via the U.K. subsidiary EDF Energy Renewables. Pivot Power is developing transmission-connected battery storage and private-wire infrastructure for electric vehicle charging and other applications across the U.K. The overall magnitude of impact of advisory-related opportunities is high and positive. We expect this opportunity to continue to grow in the coming years given increasing investor and client interest. __ In 2015, Morgan Stanley issued a $500 million green bond to help fund the development of renewable energy and energy-efficiency projects, which help avoid and reduce greenhouse gas emissions. To provide additional transparency to our process, DNV GL, an independent certification expert, reviewed Morgan Stanley's internal green bond framework and its adherence to the Green Bond Principles. Proceeds from the sale of the notes were deposited into a Morgan Stanley account for tracking disbursements. Morgan Stanley and its consolidated subsidiaries allocated funds in amounts equal to the balance of this account to renewable energy and energy efficiency projects. By December 31, 2015, all of the net proceeds of this issuance were allocated to eligible green projects. When the timing is appropriate and beneficial to our business, we would consider issuing a similar instrument to support further climate-related enhancements at the firm. In addition, investor interest in environmental and social solutions continues to rise, enabling our efforts to scale capital for low-carbon products and solutions. The positive impact of climate-related risks and opportunities on our access to capital is currently medium, but we anticipate further growth in opportunity in the coming years given increasing investor and client interest. __ Climate-related opportunities such as use of lower-emission sources of energy have influenced operational decisions related to our assets. To achieve our carbon neutrality goal, we are considering on-site power generation, power purchase agreements, renewable energy credits and carbon offsets. We recently completed a 1,800 kW solar array at a data center in Somerset, New Jersey. The overall magnitude of impact of this opportunity is medium currently, as we are still working to address our carbon neutrality goal. Once we have achieved our goal the impact will be high. __ We took on debt when we issued our green bond in 2015; if we were to issue another bond in the future to support climate-related activities, we would take on debt again. The impact of green bond issuance on our liabilities is low.

C3.1f

(C3.1f) Provide any additional information on how climate-related risks and opportunities have influenced your strategy and financial planning (optional).

Climate change is an economic reality and a growing risk that businesses and investors are learning to address. At Morgan Stanley, we see tremendous opportunity to be part of the solution, working alongside public policy makers, regulators, civil society and the private sector, and are factoring this opportunity into our business decisions. We seek to support the transition to a low-carbon economy through policies, activities, products and services that support the mitigation of climate risks. We also seek to catalyze market-driven low-carbon opportunities. To reduce our own footprint, we are committed to achieving carbon neutrality for our global operations by 2022.

A significant climate-related business decision in 2018 was our commitment to mobilize $250 billion to support low-carbon solutions by 2030. Our existing business activities in clean-tech and renewable energy financing, sustainable bonds and other relevant transactions and investments contribute to this commitment. Since 2018, we have mobilized approximately $80 billion in capital toward this goal.

Moving forward, we will continue to explore scenario analysis in order to understand strategic opportunities and vulnerabilities across our business. To support this, we have hired new staff with dedicated climate expertise, spent money on consultants to help us integrate climate consideration into our risk management process, and provided budget to onboard new data sets that will help us assess various climate exposures across both transitional and physical risks.

The most substantial climate-related strategy decision for our own operations is our commitment to become carbon neutral for our global operations by 2022. Our goal is to source 100% of global operational electricity needs from renewable sources and to offset any remaining emissions. Our approach includes developing on-site power generation, securing power purchase agreements, buying renewable energy credits and pursuing carbon offsets. In addition, we aim to reduce energy usage by 20 percent by 2022, from a 2012 baseline.

C-FS3.2

(C-FS3.2) Are climate-related issues considered in the policy framework of your organization?

Yes, both of the above

C-FS3.2a

(C-FS3.2a) In which policies are climate-related issues integrated?

	Type of policy	Portfolio coverage of policy	Description
Bank lending (Bank)	Credit policy Risk policy Underwriting policy Policy related to other products and services	All of the portfolio	Morgan Stanley's Environmental and Social Risk Policy outlines our approach to climate-related issues in specific sectors. For example, we recently introduced updated our Environmental and Social Policy Statement and clarified our approach in high – intensity sectors. Specifically we will not provide financing where the specified use of proceeds would be directed towards new thermal coal mine development, and we will decline financing transactions globally that directly support the development of new or physical expansions of coal-fired power generation, unless there is carbon capture and storage or equivalent carbon emissions reduction technology. We will also engage with companies that derive a significant portion of their revenue from thermal coal mining operations in order for us to understand their plans to diversify away from thermal coal mining. We will phase out our financing of those thermal coal mining companies that do not have a diversification strategy within a reasonable timeframe. We will also not directly finance new oil and gas exploration and development in the Arctic, including the Arctic National Wildlife Refuge (ANWR). For other climate-related matters, we conduct enhanced due diligence. Following the review by the ESRM group and the business, transactions that meet designated environmental and social criteria may require approval by our Regional or Global Franchise Committees as well as senior management. We take tailored approaches to certain sectors and activities, detailed in our Environmental and Social Policy Statement, which also covers climate change. Further details on can be found in the Morgan Stanley Environmental and Social Policy Statement. Our policies are publicly available on Morgan Stanley's website. Given that any given company or asset could be exposed to climate-related risk, our policies cover 100% of our bank lending portfolio.
Investing (Asset manager)	Engagement policy Sustainable/Responsible Investment Policy Proxy voting policy	All of the portfolio	Climate change is incorporated into several of MSIM's policy documents, which apply across the investment management business and the entire public markets business. ESG Approach and Principles: MSIM's ESG Approach and Principles apply across the entire business and serve as the shared foundation for investment team and asset class specific sustainable investing strategies. The document states that: "MSIM uses an investor-led investment approach to achieve sustainable, long-term returns on behalf of our clients. Our teams invest with high conviction and for the long term, which allows our investors to develop a deep understanding of their investments and makes them best positioned to evaluate the ESG profile of those investments. MSIM encourages investment teams to adopt ESG approaches that most appropriately integrate with their strategies, but also promotes a set of shared principles to guide our collective ESG efforts. This approach includes climate-related issues. Investment teams that incorporate ESG into their investment process are expected to be aware of climate-related risks and opportunities that could have significant impact on value. To build this awareness, portfolio managers and investment teams may evaluate, as applicable, the carbon footprint and intensity of their investments as well as climate resiliency and adaptation strategies." Engagement and Stewardship Principles: MSIM's Engagement and Stewardship Principles describe our approach to engagement across our entire public markets business (Fixed Income, Equity and Liquidity), which accounts for approximately 75% of our AUM. The document states that: "as long-term investors, and active owners, we believe we have a duty to be good stewards of the capital we manage. We fulfill this duty by engaging with the companies in which we are invested and by exercising our proxy voting rights. These stewardship activities give us the opportunity to guide companies in which we invest toward better governance practices, which we believe produce long-term, sustainable returns. Investment teams engage with companies throughout their investment process on a broad range of issues including a company's strategy, financial and non-financial performance, risk management, corporate governance, sustainability initiatives such as climate change, and capital structure." Proxy Voting Policy: MSIM's Proxy Voting Policy and Procedures also cover the entire public markets business although are most applicable to listed equities, which account for approximately 20% of our total AUM. The policy states that: "as MSIM believes that relevant social and environmental issues can influence risk and return, we consider how to vote on proposals related to social and environmental issues on a case-by-case basis by determining the relevance of social and environmental issues identified in the proposal and their likely impacts on shareholder value. We generally support proposals that if implemented would enhance useful disclosure, such as disclosures aligned with SASB (Sustainability Accounting Standards Board) and the TCFD (Taskforce on Climate-related Financial Disclosures) and proposals that aim to reduce or mitigate a company's impact on the global climate."
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Please select	Please select	

C-FS3.2b

(C-FS3.2b) Describe your exclusion policies related to industries and/or activities exposed or contributing to climate-related risks.

Type of exclusion policy	Portfolio	Application	Description
Coal	Bank lending	New business/investment for new projects	Our Environmental and Social Policy Statement outlines our approach to thermal coal mining and coal fired power generation and applies to lending (corporate and project), debt and equity underwriting, private placements, private equity investing, investment banking and capital markets advisory assignments, and other transactions or activities as applicable and appropriate. We have committed to decline transactions that: ● Directly support the development of new or physical expansions of coal-fired power generation, unless there is carbon capture and storage or equivalent carbon emissions reduction technology. ● Specify that the use of proceeds are for mountaintop removal (MTR) mining. ● Specify that the use of proceeds are for new thermal coal mine development. We will also engage with companies that derive a significant portion of their revenue from thermal coal mining operations in order for us to understand their plans to diversify away from thermal coal mining. We will phase out our financing of those thermal coal mining companies that do not have a diversification strategy within a reasonable timeframe.
Coal	Bank lending	New business/investment for existing projects	Our Environmental and Social Policy Statement outlines our approach to thermal coal mining and coal fired power generation and applies to lending (corporate and project), debt and equity underwriting, private placements, private equity investing, investment banking and capital markets advisory assignments, and other transactions or activities as applicable and appropriate. We have committed to decline transactions that: ● Directly support the development of new or physical expansions of coal-fired power generation, unless there is carbon capture and storage or equivalent carbon emissions reduction technology. ● Specify that the use of proceeds are for mountaintop removal (MTR) mining. ● Specify that the use of proceeds are for new thermal coal mine development. We will also engage with companies that derive a significant portion of their revenue from thermal coal mining operations in order for us to understand their plans to diversify away from thermal coal mining. We will phase out our financing of those thermal coal mining companies that do not have a diversification strategy within a reasonable timeframe.
Coal	Bank lending	Existing business/investment for existing projects	Our Environmental and Social Policy Statement outlines our approach to thermal coal mining and coal fired power generation and applies to lending (corporate and project), debt and equity underwriting, private placements, private equity investing, investment banking and capital markets advisory assignments, and other transactions or activities as applicable and appropriate. We have committed to decline transactions that: ● Directly support the development of new or physical expansions of coal-fired power generation, unless there is carbon capture and storage or equivalent carbon emissions reduction technology. ● Specify that the use of proceeds are for mountaintop removal (MTR) mining. ● Specify that the use of proceeds are for new thermal coal mine development. We will also engage with companies that derive a significant portion of their revenue from thermal coal mining operations in order for us to understand their plans to diversify away from thermal coal mining. We will phase out our financing of those thermal coal mining companies that do not have a diversification strategy within a reasonable timeframe.
Oil & gas	Bank lending Investing (Asset manager)	New business/investment for new projects	Our Environmental and Social Policy Statement outlines our approach for oil & gas subsectors and applies to lending (corporate and project), debt and equity underwriting, private placements, private equity investing, investment banking and capital markets advisory assignments, and other transactions or activities as applicable and appropriate. We have committed to decline transactions that directly finance new oil and gas exploration and development in the Arctic, including the Arctic National Wildlife Refuge (ANWR).

C-FS3.3

(C-FS3.3) Are climate-related issues factored into your external asset manager selection process?

Yes, for some assets managed externally

C-FS3.3a

(C-FS3.3a) How are climate-related issues factored into your external asset manager selection process?

	Process for factoring climate-related issues into external asset management selection	Comment
Row 1	Review asset manager's climate-related policies Preference for asset managers with an offering of low-carbon products Preference for asset managers with an offering of climate-resilient products Assessment of asset manager's climate-related performance (e.g. active ownership, proxy voting records, under-weighting in high impact activities) Use of external data on asset managers regarding climate-related risk management	All third-party asset managers on the Morgan Stanley platform are asked if they consider environmental, social or governance factors in the investment process. Those that do are considered for the Investing with Impact Platform (IIP) and only those that meet a high bar for sustainable investing practices are added to the IIP. While 43% of asset managers on our platform report they have one or more funds that have a documented ESG investment process, only 8% are included in the IIP. For consideration for inclusion on the IIP, we consider how the asset manager integrates ESG factors into the investment process and how well the investment decision makers understand the risks and opportunities associated with ESG factors. We also look at what data is leveraged, if there are restrictions, how the asset manager engages on issues, including climate change, and how they measure and report on impact. Given climate change is one of the most popular impact themes amongst our clients, this is an area we have focused on, and provide a toolkit for Financial Advisors to help them engage with clients on this theme. One element of the toolkit is a list of products that have a climate change focus and includes a description of how the asset manager considers the environment during the investment process. In 2019, we launched Morgan Stanley Impact Quotient®, a portfolio level impact reporting applications for clients which leverages data from MSCI, ISS and manager-reported data to show alignment to various impact themes. The data focuses on underlying ESG factors at companies as well as revenue exposure. We also leverage this data to better understand how asset managers perform on environmental, social and governance factors.

C4. Targets and performance

C4.1

(C4.1) Did you have an emissions target that was active in the reporting year?

Absolute target

C4.1a

(C4.1a) Provide details of your absolute emissions target(s) and progress made against those targets.

Target reference number

Abs 1

Year target was set

2017

Target coverage

Company-wide

Scope(s) (or Scope 3 category)
Other, please specify (S1+2 (market-based)+3 (Business Travel))

Base year
2012

Covered emissions in base year (metric tons CO2e)
465350

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)
100

Target year
2022

Targeted reduction from base year (%)
100

Covered emissions in target year (metric tons CO2e) [auto-calculated]
0

Covered emissions in reporting year (metric tons CO2e)
304200

% of target achieved [auto-calculated]
34.6298485011282

Target status in reporting year
Underway

Is this a science-based target?
No, but we are reporting another target that is science-based

Please explain (including target coverage)
In September 2017, Morgan Stanley announced a new goal of carbon neutrality for global operations by 2022. The goal (Abs1) covers 100 percent of global Scope 1, Scope 2 market-based, and Scope 3 business travel emissions. Morgan Stanley recognizes this target is not eligible for CDP consideration because it will involve the purchase of carbon offsets, but we are reporting it here to communicate the goal publicly and to our investors. Our additional absolute targets (Abs2 and Abs3) reported below do not involve carbon offsets and will help us achieve our broader goal of carbon neutrality.

Target reference number
Abs 2

Year target was set
2017

Target coverage
Company-wide

Scope(s) (or Scope 3 category)
Scope 1+2 (market-based)

Base year
2012

Covered emissions in base year (metric tons CO2e)
357990

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)
100

Target year
2022

Targeted reduction from base year (%)
90

Covered emissions in target year (metric tons CO2e) [auto-calculated]
35799

Covered emissions in reporting year (metric tons CO2e)
204500

% of target achieved [auto-calculated]
47.6394436840259

Target status in reporting year
Underway

Is this a science-based target?
Yes, we consider this a science-based target, but this target has not been approved as science-based by the Science-Based Targets initiative

Please explain (including target coverage)
Abs2 results from two public targets associated with our commitment to achieve carbon neutrality for global operations by 2022. These public targets are (1) our commitment to source 100 percent of global electricity needs from renewable electricity by 2022 (See "Renewable Energy Consumption" in C4.2) and (2) our aim to achieve 20 percent reduction in energy usage by 2022 from a 2012 baseline, on an absolute basis (See "Energy Usage" in C4.2). Translated into carbon terms, these commitments cover 100 percent of our Scope 1 + 2 (market-based) emissions, and they will result in an absolute reduction of more than 90% from our base year 2012 emissions. We consider this a science-based target because it exceeds the 2.1% year-on-year emissions reductions required by CDP as well as the high-end projection of 72% absolute emissions reduction by 2050 from 2010 levels required to stay under 2 degrees Celsius outlined in IPCC Fifth Assessment Report RCP2.6.

Target reference number

Abs 3

Year target was set
2017

Target coverage
Company-wide

Scope(s) (or Scope 3 category)
Scope 1+2 (market-based)

Base year
2012

Covered emissions in base year (metric tons CO2e)
357990

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)
100

Target year
2033

Targeted reduction from base year (%)
90

Covered emissions in target year (metric tons CO2e) [auto-calculated]
35799

Covered emissions in reporting year (metric tons CO2e)
204500

% of target achieved [auto-calculated]
47.6394436840259

Target status in reporting year
Underway

Is this a science-based target?
Yes, we consider this a science-based target, but this target has not been approved as science-based by the Science-Based Targets initiative

Please explain (including target coverage)
Abs3 results from two public targets associated with our commitment to achieve carbon neutrality for global operations by 2022. These public targets are (1) our commitment to source 100 percent of global electricity needs from renewable electricity by 2022 (See "Renewable Energy Consumption" in C4.2) and (2) our aim to achieve 20 percent reduction in energy usage by 2022 from a 2012 baseline, on an absolute basis (See "Energy Usage" in C4.2). Translated into carbon terms, these commitments cover 100 percent of our Scope 1 + 2 (market-based) emissions, and they will result in an absolute reduction of more than 90% from our base year 2012 emissions. We consider this a science-based target because it exceeds the 2.1% year-on-year emissions reductions required by CDP as well as the high-end projection of 72% absolute emissions reduction by 2050 from 2010 levels required to stay under 2 degrees Celsius outlined in IPCC Fifth Assessment Report RCP2.6. We are committed to this target over the medium-term (Abs2) and long-term (Abs3).

C4.2

(C4.2) Did you have any other climate-related targets that were active in the reporting year?
Target(s) to increase low-carbon energy consumption or production
Other climate-related target(s)

C4.2a

(C4.2a) Provide details of your target(s) to increase low-carbon energy consumption or production.

Target reference number
Low 1

Year target was set
2017

Target coverage
Company-wide

Target type: absolute or intensity
Absolute

Target type: energy carrier
Electricity

Target type: activity
Consumption

Target type: energy source
Renewable energy source(s) only

Metric (target numerator if reporting an intensity target)
Please select

Target denominator (intensity targets only)
<Not Applicable>

Base year
2012

Figure or percentage in base year
0

Target year
2022

Figure or percentage in target year
100

Figure or percentage in reporting year
18

% of target achieved [auto-calculated]
18

Target status in reporting year
Underway

Is this target part of an emissions target?
Abs2, Abs3

Is this target part of an overarching initiative?
RE100

Please explain (including target coverage)
In September 2017, Morgan Stanley announced a new goal of carbon neutrality for global operations by 2022. As part of this goal, Morgan Stanley will source 100 percent of its global electricity needs from renewable energy. With the Firm's commitment to procure 100 percent renewable electricity, Morgan Stanley is joining RE100, an initiative led by the Climate Group and CDP uniting more than 100 companies committed to working to increase demand for – and delivery of – renewable energy. This target covers 100% of global operations and is the primary mechanism behind our absolute carbon goals (Abs2 and Abs3).

C4.2b

(C4.2b) Provide details of any other climate-related targets, including methane reduction targets.

Target reference number
Oth 1

Year target was set
2017

Target coverage
Company-wide

Target type: absolute or intensity
Absolute

Target type: category & Metric (target numerator if reporting an intensity target)
Please select

Target denominator (intensity targets only)
<Not Applicable>

Base year
2012

Figure or percentage in base year
873570

Target year
2022

Figure or percentage in target year
698860

Figure or percentage in reporting year
685720

% of target achieved [auto-calculated]
107.521034857764

Target status in reporting year
Achieved

Is this target part of an emissions target?
Abs2, Abs3

Is this target part of an overarching initiative?
No, it's not part of an overarching initiative

Please explain (including target coverage)
In September 2017, Morgan Stanley announced a new goal of carbon neutrality for global operations by 2022. As part of this announcement, the Firm has updated its energy reduction targets and will continue to report on them annually. Morgan Stanley aims to achieve a 20 percent reduction in energy usage by 2022 from a 2012 baseline, on an absolute basis. This target covers 100% of global operations and will help us to achieve our absolute carbon goals (Abs2 and Abs3).

C4.3

(C4.3) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.
Yes

C4.3a

(C4.3a) Identify the total number of initiatives at each stage of development, and for those in the implementation stages, the estimated CO2e savings.

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation	16	714
To be implemented*	1	64
Implementation commenced*	11	8
Implemented*	38	2716
Not to be implemented	1	11

C4.3b

(C4.3b) Provide details on the initiatives implemented in the reporting year in the table below.

Initiative category & Initiative type

Energy efficiency in buildings	Building Energy Management Systems (BEMS)

Estimated annual CO2e savings (metric tonnes CO2e)
479

Scope(s)
Scope 2 (location-based)
Scope 2 (market-based)

Voluntary/Mandatory
Voluntary

Annual monetary savings (unit currency – as specified in C0.4)
117197

Investment required (unit currency – as specified in C0.4)
12559

Payback period
<1 year

Estimated lifetime of the initiative
6-10 years

Comment

Initiative category & Initiative type

Energy efficiency in buildings	Heating, Ventilation and Air Conditioning (HVAC)

Estimated annual CO2e savings (metric tonnes CO2e)
102

Scope(s)
Scope 1

Voluntary/Mandatory
Voluntary

Annual monetary savings (unit currency – as specified in C0.4)
126533

Investment required (unit currency – as specified in C0.4)
221448

Payback period
1-3 years

Estimated lifetime of the initiative
6-10 years

Comment

Initiative category & Initiative type

Energy efficiency in buildings	Lighting

Estimated annual CO2e savings (metric tonnes CO2e)
1344

Scope(s)
Scope 2 (location-based)
Scope 2 (market-based)

Voluntary/Mandatory
Voluntary

Annual monetary savings (unit currency – as specified in C0.4)
450594

Investment required (unit currency – as specified in C0.4)
3104446

Payback period
4-10 years

Estimated lifetime of the initiative
6-10 years

Comment

Initiative category & Initiative type

Low-carbon energy consumption	Wind

Estimated annual CO2e savings (metric tonnes CO2e)

790

Scope(s)
Scope 2 (market-based)

Voluntary/Mandatory
Voluntary

Annual monetary savings (unit currency – as specified in C0.4)
0

Investment required (unit currency – as specified in C0.4)
3860

Payback period
No payback

Estimated lifetime of the initiative
<1 year

Comment

C4.3c

(C4.3c) What methods do you use to drive investment in emissions reduction activities?

Method	Comment
Compliance with regulatory requirements/standards	
Financial optimization calculations	
Internal incentives/recognition programs	

C4.5

(C4.5) Do you classify any of your existing goods and/or services as low-carbon products or do they enable a third party to avoid GHG emissions?
Yes

C4.5a

(C4.5a) Provide details of your products and/or services that you classify as low-carbon products or that enable a third party to avoid GHG emissions.

Level of aggregation
Group of products

Description of product/Group of products
Green bonds are fixed income securities for which the proceeds will be used for projects with clearly mandated environmental benefits. The projects typically involve renewable energy, energy efficiency, sustainable land use and clean water.

Are these low-carbon product(s) or do they enable avoided emissions?
Low-carbon product

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions
Other, please specify (Green Bond Principles)

% revenue from low carbon product(s) in the reporting year

% of total portfolio value

Asset classes/ product types

Investing	Fixed Income

Comment
We do not currently disclose activity specific revenue, but we do report sustainable finance activity metrics, which illustrate the scale of the opportunity. Between 2013 and 2019, we have led approximately $83 billion in green, social and sustainable bond transactions, representing an annual average of around $14 billion.

Level of aggregation
Group of products

Description of product/Group of products
Morgan Stanley Capital Group Inc. (MSCGI) helps advance wind farms and solar installations across the U.S. by providing offtake agreements and hedging products to projects. This provides stable cash flows for developers, allowing them to complete the financing and construction process.

Are these low-carbon product(s) or do they enable avoided emissions?
Low-carbon product

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

Other, please specify (Internal due diligence)

% revenue from low carbon product(s) in the reporting year

% of total portfolio value

Asset classes/ product types

Investing	Commodities

Comment
We do not currently disclose activity specific revenue, but we do report sustainable finance activity metrics, which illustrate the scale of the opportunity. In 2019, MSCGI hedged 726MW for new build renewable projects.

Level of aggregation
Group of products

Description of product/Group of products
Recognizing the need to rapidly scale climate finance, in April 2018, we announced plans to mobilize $250 billion to support low-carbon solutions by 2030. Our business activities in clean-tech and renewable energy financing, sustainable bonds and other relevant transactions and investments contribute to this commitment.

Are these low-carbon product(s) or do they enable avoided emissions?
Low-carbon product

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions
Other, please specify (Internal due diligence)

% revenue from low carbon product(s) in the reporting year

% of total portfolio value

Asset classes/ product types

Investing	Listed Equity

Comment
We do not currently disclose activity specific revenue, but we do report sustainable finance activity metrics, which illustrate the scale of the opportunity. Since 2018, we have mobilized approximately $80 billion in capital toward this goal.

Level of aggregation
Group of products

Description of product/Group of products
Investing with Impact (IIP), a holistic solution from Morgan Stanley Wealth Management, offers clients the means to link their financial, societal and environmental impact goals. Leveraging capabilities and expertise from across the firm, IIP seeks to generate market-rate financial returns, alongside positive environmental and social impact. IIP investment strategies and solutions are available across all asset classes, including public equity, fixed income (including green bonds) and alternatives.

Are these low-carbon product(s) or do they enable avoided emissions?
Low-carbon product

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions
Other, please specify (Internal due diligence)

% revenue from low carbon product(s) in the reporting year

% of total portfolio value

Asset classes/ product types

Investing	Listed Equity

Comment
We do not currently disclose activity specific revenue, but we do report sustainable finance activity metrics, which illustrate the scale of the opportunity. As of year-end, IIP client assets totaled approximately $34 billion.

C5. Emissions methodology

C5.1

(C5.1) Provide your base year and base year emissions (Scopes 1 and 2).

Scope 1

Base year start
January 1 2012

Base year end
December 31 2012

Base year emissions (metric tons CO2e)
30990

Comment

Scope 2 (location-based)

Base year start
January 1 2012

Base year end
December 31 2012

Base year emissions (metric tons CO2e)
317530

Comment

Scope 2 (market-based)

Base year start
January 1 2012

Base year end
December 31 2012

Base year emissions (metric tons CO2e)
327000

Comment

C5.2

(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.
The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

C6. Emissions data

C6.1

(C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO2e?

Reporting year

Gross global Scope 1 emissions (metric tons CO2e)
28300

Start date
<Not Applicable>

End date
<Not Applicable>

Comment

C6.2

(C6.2) Describe your organization's approach to reporting Scope 2 emissions.

Row 1

Scope 2, location-based
We are reporting a Scope 2, location-based figure

Scope 2, market-based
We are reporting a Scope 2, market-based figure

Comment

C6.3

(C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO2e?

Reporting year

Scope 2, location-based
199800

Scope 2, market-based (if applicable)
176200

Start date
<Not Applicable>

End date
<Not Applicable>

Comment

C6.4

(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?
No

C6.5

(C6.5) Account for your organization's gross global Scope 3 emissions, disclosing and explaining any exclusions.

Purchased goods and services

Evaluation status
Relevant, calculated

Metric tonnes CO2e
911000

Emissions calculation methodology
Morgan Stanley global spend data obtained from finance and organized by account codes for all sources was categorized by SIC sector. Emission sources already accounted for in other categories were excluded from calculation (e.g.: utilities, air travel, waste disposal). Emission factors from indirect emissions from the supply chain in Table 13 of DEFRA's "UK's Carbon Footprint 1997-2016" were individually applied to product categories. Global warming potentials come from the IPCC Fourth Assessment Report, 100 year averages.

Percentage of emissions calculated using data obtained from suppliers or value chain partners
0

Please explain

Capital goods

Evaluation status
Relevant, calculated

Metric tonnes CO2e
192000

Emissions calculation methodology
Morgan Stanley global spend data obtained from finance and organized by account codes for all sources was categorized by SIC sector. Members of the finance team flagged appropriate account codes as representing spend on capital goods. Emission sources already accounted for in other categories were excluded from calculation (e.g.: utilities, air travel, waste disposal). Emission factors from indirect emissions from the supply chain in Table 13 of DEFRA's "UK's Carbon Footprint 1997-2016" were individually applied to product categories. Global warming potentials come from the IPCC Fourth Assessment Report, 100 year averages.

Percentage of emissions calculated using data obtained from suppliers or value chain partners
0

Please explain

Fuel-and-energy-related activities (not included in Scope 1 or 2)

Evaluation status
Relevant, calculated

Metric tonnes CO2e
46600

Emissions calculation methodology
Activity data for this category is fuel and energy purchases assembled during compilations of the Scope 1 & 2 inventories. Upstream emissions from fuel purchases are calculated using cradle to gate emission factors from life cycle assessment software. Within the US, upstream emissions from purchased electricity are calculated emission factors calculated using lifecycle analysis software, and T&D losses are calculated using % loss information from EPA's Year 2016 eGRID emission factors, Feb. 2018. Outside of the US, upstream emissions from purchased electricity and emissions from T&D losses are both calculated using emission factors from Defra's 2015 Guidelines. Steam boilers are assumed to operate on natural gas. Water chillers are assumed to operate on electricity from the local grid. Global warming potentials come from the IPCC's Fourth Assessment Report, 100 year averages.

Percentage of emissions calculated using data obtained from suppliers or value chain partners
90

Please explain

Upstream transportation and distribution

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
The minimal activity data for this category is already included in Category 1.

Waste generated in operations

Evaluation status
Relevant, calculated

Metric tonnes CO2e
6490

Emissions calculation methodology
Approximately 26% of total waste generation is tracked at the site level. Using data collected from Morgan Stanley sites in NYC and London, waste and recycling production factors per square foot of office space are estimated for US and International sites. Using these factors, waste and recycling production is extrapolated for all sites in Morgan Stanley's inventory that do not collect primary data. Measured and estimated waste are categorized by type of material and diversion method, including recycling, composting, incineration, and landfilling. Factors based on the US EPA's WARM model are used to assign emission factors per ton of generated waste. Factors are from the EPA, Office of Resource Conservation and Recovery (February 2016) Documentation for Greenhouse Gas Emission and Energy Factors used in the Waste Reduction Model (WARM Version 14) with additional data provided from EPA, WARM-15 Background Data. Waste emissions factors are consistent with the GHG Protocol Scope 3 guidance, and include the voluntary transportation emissions, with an assumed average distance traveled to the processing facility. International waste is assumed to have the same emission factors as US waste. Offsets from recycling, waste to energy, and composting are excluded from reported emissions. Global warming potentials come from the IPCC's Fourth Assessment Report, 100 year average, and are used to convert all waste emission factors into CO2e.

Percentage of emissions calculated using data obtained from suppliers or value chain partners
26

Please explain

Business travel

Evaluation status
Relevant, calculated

Metric tonnes CO2e
99700

Emissions calculation methodology
Included in this category are air travel, rail travel, chartered flights, car rentals, car services, and reimbursed mileage for Morgan Stanley's global operations. Activity data is tracked using a third party travel agency. For flights, the activity data includes cabin class and trip duration, which is disaggregated into flight distance thresholds (short haul, medium haul, long haul). Emission factors for flights, by cabin class and distance threshold, are from UK Defra's 2016 Guidelines. For rail travel, emissions are calculated using a standard emission factor from the EPA's Emissions Factors Hub applied to distance traveled. For ground transportation, actual volumes of fuel were converted to emissions using factors from the EPA's Emission Factors hub. Where fuel volumes were unavailable, fuel consumed was estimated using average vehicle gas mileage. Global warming potentials come from the IPCC's Fourth Assessment Report, 100 year averages.

Percentage of emissions calculated using data obtained from suppliers or value chain partners
100

Please explain

Employee commuting

Evaluation status
Relevant, calculated

Metric tonnes CO2e
112550

Emissions calculation methodology
For each business region, FTEs are allocated to three commuting mode types – car, public transport, and walking. For each region, average commute duration and average speed of commute are estimated using data collected from the literature. Average emission factors from the EPA's Emission Factors Hub for car and public transport are applied to the total miles traveled for employees in each region. Global warming potentials come from the IPCC's Fourth Assessment Report, 100 year averages.

Percentage of emissions calculated using data obtained from suppliers or value chain partners
0

Please explain

Upstream leased assets

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
All GHGs from leases have already been included within Scopes 1 & 2.

Downstream transportation and distribution

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
Our Scope 3 screening assessment established that downstream transportation and distribution is not relevant to our business. The screening assessment did identify that client travel to/from our facilities could be classified under the Scope 3 category however it was determined to be insignificant in scale.

Processing of sold products

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
Our Scope 3 screening assessment established that we do not have intermediate products that require further processing, transformation, or inclusion in another product before use. Therefore the processing of sold products category is not relevant as there are no emissions resulting from processing our products/services subsequent to sale to our clients and before use by the end consumer.

Use of sold products

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
Our Scope 3 screening assessment established that we do not have "direct" use-phase emissions from any of our products/services. "Indirect" use-phase emissions were identified for the electricity consumed by our customers to power technology to access our online services. These emissions were concluded to be insignificant in scale

End of life treatment of sold products

Evaluation status
Not relevant, calculated

Metric tonnes CO2e
6000

Emissions calculation methodology
Activity data for this category is the total global weight of paper-distributed to clients in the form of brochures, statements, envelopes, and stationary, assembled by the paper procurement team in each region. It is assumed that all paper is distributed to clients, and all products find their way to landfills. The US EPA's WARM model (2012) is used to assign end of life emission factors per ton of paper thrown away. International waste paper is assumed to have the same emission factors as US waste paper. Global warming potentials come from the IPCC's Second Assessment Report, 100 year averages.

Percentage of emissions calculated using data obtained from suppliers or value chain partners
100

Please explain
After calculating the emissions in this category based on the total global weight of paper-distributed to clients in the form of brochures, statements, envelopes, and stationary in 2013, we determined that the resultant emissions (6,000 tCO2e) are not relevant given the scale of the rest of our Scope 1, 2 & 3 inventory.

Downstream leased assets

Evaluation status
Relevant, calculated

Metric tonnes CO2e
200

Emissions calculation methodology
Included in this category are the emissions from electricity use and natural gas consumption in spaces that Morgan Stanley leases to a third party at our Westchester site. Activity data comes from electricity and natural gas invoices paid by Morgan Stanley. Emissions from electricity are calculated using region-specific emission factors from the US EPA's 2016 eGrid. Natural gas emissions are calculated using the emission factor from the US EPA's Emission Factors Hub. Global warming potentials come from the IPCC's Fourth Assessment Report, 100 year averages.

Percentage of emissions calculated using data obtained from suppliers or value chain partners
100

Please explain

Franchises

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
We do not operate Franchises and therefore this Scope 3 category is not relevant to our business.

Other (upstream)

Evaluation status

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain

Other (downstream)

Evaluation status

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain

C6.10

(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO2e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.

Intensity figure
0.00000494

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)
204500

Metric denominator
unit total revenue

Metric denominator: Unit total
41419000000

Scope 2 figure used
Market-based

% change from previous year
7.34

Direction of change
Decreased

Reason for change
The decrease in emissions per unit total revenue is driven by emission reduction activities (see C4.3b for a full list) that decreased total S1 and S2 (market-based) emissions by 4.3% while revenue increased by 3.3% between 2018 and 2019.

Intensity figure
3.38402476

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)
204500

Metric denominator
full time equivalent (FTE) employee

Metric denominator: Unit total
60431

Scope 2 figure used
Market-based

% change from previous year
4.44

Direction of change
Decreased

Reason for change
The decrease in emissions per full time equivalent (FTE) employee is driven by emission reduction activities (see C4.3b for a full list) reduced total S1 and S2 (market-based) emissions by 4.3%, while FTEs increased by 0.14% between 2018 and 2019.

C7. Emissions breakdowns

C7.9

(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?
Decreased

C7.9a

(C7.9a) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined), and for each of them specify how your emissions compare to the previous year.

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption	790	Decreased	0.4	This year, several subsidiaries in Europe - in the UK, Sweden, and Germany - increased the amount of electricity secured from suppliers via contracts for 100% renewable electricity backed by Guarantees of Origin. This reduced our total S1+S2 (market-based) emissions by 0.4%. In total 790 tCO2e were avoided by these renewable energy purchases and our total S1 and S2 (market-based) emissions in the previous year were 213,700 tCO2e, therefore we arrived at 0.4% through (790/213,700)*100% = 0.4%.
Other emissions reduction activities	1926	Decreased	0.9	This year, we have implemented various projects at sites around the globe to reduce our S1+S2 energy use in office space (aligned with our emission reduction target) by 0.9%. In total 1,926 tCO2e were reduced by our emissions reduction projects, and our total S1 and S2 (market-based) emissions in the previous year were 213,700 tCO2e, therefore we arrived at 0.9% through (1,926/213,700)*100% = 0.9%.
Divestment		<Not Applicable>		
Acquisitions		<Not Applicable>		
Mergers		<Not Applicable>		
Change in output		<Not Applicable>		
Change in methodology		<Not Applicable>		
Change in boundary		<Not Applicable>		
Change in physical operating conditions		<Not Applicable>		
Unidentified	6480	Decreased	3	This unidentified emissions increase is the result of a combination of change in output and business requirements balanced against uncalculated emissions reductions activities due to the ongoing implementation of our energy management programs. We are not including these in the 'change in output' category because we are unable to designate these changes as output increases rather than changes in business requirements or changes resulting from other factors. We had 6,480 tCO2e unaccounted for emission increases from 2018-2019, and our total S1 and S2 (market-based) emissions in the previous year was 213,700 tCO2e, therefore we arrived at 3.0% through (6,480/213,700)*100% = 3.0%.
Other		<Not Applicable>		

C7.9b

(C7.9b) Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?

Market-based

C8. Energy

C8.1

(C8.1) What percentage of your total operational spend in the reporting year was on energy?

More than 0% but less than or equal to 5%

C8.2

(C8.2) Select which energy-related activities your organization has undertaken.

	Indicate whether your organization undertook this energy-related activity in the reporting year
Consumption of fuel (excluding feedstocks)	Yes
Consumption of purchased or acquired electricity	Yes
Consumption of purchased or acquired heat	No
Consumption of purchased or acquired steam	Yes
Consumption of purchased or acquired cooling	Yes
Generation of electricity, heat, steam, or cooling	Yes

C8.2a

(C8.2a) Report your organization's energy consumption totals (excluding feedstocks) in MWh.

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total (renewable and non-renewable) MWh
Consumption of fuel (excluding feedstock)	HHV (higher heating value)	0	128950	128950
Consumption of purchased or acquired electricity	<Not Applicable>	93040	437570	530610
Consumption of purchased or acquired heat	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired steam	<Not Applicable>	0	2030	2030
Consumption of purchased or acquired cooling	<Not Applicable>	0	23060	23060
Consumption of self-generated non-fuel renewable energy	<Not Applicable>	1070	<Not Applicable>	1070
Total energy consumption	<Not Applicable>	94110	591610	685720

C9. Additional metrics

C9.1

(C9.1) Provide any additional climate-related metrics relevant to your business.

C10. Verification

C10.1

(C10.1) Indicate the verification/assurance status that applies to your reported emissions.

	Verification/assurance status
Scope 1	Third-party verification or assurance process in place
Scope 2 (location-based or market-based)	Third-party verification or assurance process in place
Scope 3	Third-party verification or assurance process in place

C10.1a

(C10.1a) Provide further details of the verification/assurance undertaken for your Scope 1 emissions, and attach the relevant statements.

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Limited assurance

Attach the statement
Morgan Stanley 2019-GHG Verification Statement Limited.pdf

Page/ section reference
1

Relevant standard
ISO14064-3

Proportion of reported emissions verified (%)
100

C10.1b

(C10.1b) Provide further details of the verification/assurance undertaken for your Scope 2 emissions and attach the relevant statements.

Scope 2 approach
Scope 2 location-based

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Limited assurance

Attach the statement
Morgan Stanley 2019-GHG Verification Statement Limited.pdf

Page/ section reference
1

Relevant standard
ISO14064-3

Proportion of reported emissions verified (%)
100

Scope 2 approach
Scope 2 market-based

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Limited assurance

Attach the statement
Morgan Stanley 2019-GHG Verification Statement Limited.pdf

Page/ section reference
1

Relevant standard
ISO14064-3

Proportion of reported emissions verified (%)
100

C10.1c

(C10.1c) Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.

Scope 3 category
Scope 3: Business travel

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Limited assurance

Attach the statement
Morgan Stanley 2019-GHG Verification Statement Limited.pdf

Page/section reference
1

Relevant standard
ISO14064-3

Proportion of reported emissions verified (%)
100

Scope 3 category
Scope 3: Downstream leased assets

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Limited assurance

Attach the statement
Morgan Stanley 2019-GHG Verification Statement Limited.pdf

Page/section reference
1

Relevant standard
ISO14064-3

Proportion of reported emissions verified (%)
100

C10.2

(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?
No, but we are actively considering verifying within the next two years

C11. Carbon pricing

C11.2

(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?
No

C11.3

(C11.3) Does your organization use an internal price on carbon?
No, but we anticipate doing so in the next two years

C12. Engagement

C12.1

(C12.1) Do you engage with your value chain on climate-related issues?

Yes, our suppliers
Yes, our customers
Yes, our investee companies
Yes, other partners in the value chain

C12.1a

(C12.1a) Provide details of your climate-related supplier engagement strategy.

Type of engagement
Compliance & onboarding

Details of engagement
Code of conduct featuring climate change KPIs

% of suppliers by number
100

% total procurement spend (direct and indirect)
100

% of supplier-related Scope 3 emissions as reported in C6.5

Rationale for the coverage of your engagement
In 2018, we published a Supplier Code of Conduct which requires our suppliers to follow our environmental policies and encourages them to reduce the environmental impact of their operations. The Code applies to all of our vendors to ensure a standard level of practice throughout our supply chain.

Impact of engagement, including measures of success
As the Code was just launched in 2018, we have not yet measured its impact across our supply chain. Complying with the code of conduct and implementing voluntary measures' will be our measures of success. In the future, we hope that all of our vendors comply with the code and seek to implement some of the voluntary measures, such as developing their own environmental policies.

Comment

Type of engagement
Information collection (understanding supplier behavior)

Details of engagement
Other, please specify (Collect climate change and carbon information)

% of suppliers by number

% total procurement spend (direct and indirect)
25

% of supplier-related Scope 3 emissions as reported in C6.5

Rationale for the coverage of your engagement
In 2019, we received responses from a sustainability survey, that was sent to approximately 150 global suppliers, which we prioritized based on spend and service type. The survey was designed to be representative of our core population of suppliers.

Impact of engagement, including measures of success
We are currently reviewing the survey results. This engagement has not yet produced observable impacts, but one significant internal impact thus far is that it has allowed us to better understand our suppliers' approach to sustainability and identify alignment and synergy opportunities with our own climate-related initiatives. For example, the survey requested supplier information about emission reduction goals. As a result, we are developing a better understanding of where these issues align with our own and if there are any misalignments. If an issue is identified with a vendor, we will engage with them directly to address the problem. For areas of alignment, we are considering ways to expand and capitalize on these through our regular engagement with these suppliers.

Comment

C12.1b

(C12.1b) Give details of your climate-related engagement strategy with your customers.

Type of engagement
Collaboration & innovation

Details of engagement
Run a campaign to encourage innovation to reduce climate change impacts

% of customers by number
100

% of customer - related Scope 3 emissions as reported in C6.5

Portfolio coverage (total or outstanding)
All of the portfolio

Please explain the rationale for selecting this group of customers and scope of engagement
In 2018, we committed to mobilizing $250 billion to support low-carbon solutions by 2030. Prior to launching the commitment, GSF met with each key business unit to socialize the target and continues to support the campaign around low-carbon financing with external clients in partnership with teams across the firm. Our rationale for this level of coverage, 100% of our portfolio, is that given the significant scale of the opportunity, it is important to explore opportunities across our entire client base and portfolio, as appropriate.

Impact of engagement, including measures of success
Success in engaging our clients can be measured by the growth of our sustainable investing products in services. In 2019, we mobilized, advised and catalyzed $50 billion towards our low-carbon financing goal. As a result, our clients were able to further invest in and deploy low-carbon technology solutions like solar and wind energy and thus help to reduce climate change impacts. For example, Morgan Stanley Capital Group Inc. (MSCGI) supports renewable energy deployment across the United States by providing offtake agreements and hedging products for new and operating wind farms and solar installations. These transactions ensure stable cash flows for developers to complete financing and construction. In 2019, MSCGI provided long-term hedging transactions across Texas and the Midwest totaling 726 MW for new build renewable projects and nearly 676 MW for existing renewable projects. Also, Morgan Stanley served as joint bookrunner on the first SDG-linked bond in the market, issued by Enel in September to support SDG 7. The $1.5 billion bond links the interest rate to a renewable energy capacity target that triggers an upward adjustment if not met by the company. The funding will help Enel increase its renewable energy capacity to 55% or more of total energy capacity by 2021.

C-FS12.1c

(C-FS12.1c) Give details of your climate-related engagement strategy with your investee companies.

Type of engagement
Engagement & incentivization (changing investee behavior)

Details of engagement
Exercise active ownership

% of investees by number
20

% Scope 3 emissions as reported in C-FS14.1a/C-FS14.1b

Portfolio coverage
All of the portfolio

Rationale for the coverage of your engagement
Our rationale for this portfolio coverage is that we are active owners and take an active ownership approach across all our investments. As long-term investors and active managers, we believe we have both a duty and an opportunity to act as stewards of the capital we manage. Our investment teams embrace this opportunity by engaging directly and often with their portfolio companies on sustainability topics and by exercising proxy voting rights. Our understanding of climate change risks and opportunities is deepened by active engagement with portfolio companies on their emissions profiles, controls and preparedness to manage climate-related risks. In terms of % of investees engaged, in 2019, MSIM investment teams and the Global Stewardship team had more than 600 engagements on ESG issues, addressing ~43% of listed equity AUM. Of those engagements, at least half included a discussion of climate related issues therefore approximately 20% of our listed equity AUM was engaged by MSIM on climate related topics.

Impact of engagement, including measures of success
We measure the success of our active ownership approach based on the extent to which we believe our engagements have helped influence company behavior or enhance our own investment process. We consider an engagement successful when a company is receptive to our viewpoints and suggestions and takes concrete steps to implement them. We also consider an engagement successful when we believe we have contributed to an issuer's prioritization of material issues, such as climate change. For example in 2019, In MSIM's Credit Research and Global Stewardship teams collaborated on a thematic engagement series about climate risk in property & casualty (P&C) insurance and re-insurance sectors. The objective of the engagement was to encourage greater transparency among insurers on how they are integrating climate risk into their insurance models. The teams engaged with seven different global insurance companies, three U.S.-based and four European-based. The team believes the most important environmental concern when investing in the P&C (re)insurance sector centers around natural catastrophe risk. Among engaged insurers, there is agreement that current science supports the thesis that climate change will lead to rising sea levels, which will lead to increased severity of natural wind disasters. There is less consensus around the future frequency of these disasters. Despite the sector's agreement on this problem, there was significant variation in how insurers model natural catastrophe risk, calibrate their models, and most importantly, disclose their modeled results with investors. We noted that reinsurers place a high degree of comfort in the fact that they can reprice business each year, which does bring us some comfort as investors, too. However, we favor insurers that publicly disclose metrics such as the probable maximum loss, even with its limitations, as it provides an enhanced level of transparency into natural catastrophe risk. We signaled this preference to engaged insurers and will continue to engage on the topic moving forward.

Type of engagement
Engagement & incentivization (changing investee behavior)

Details of engagement
Support climate-related shareholder resolutions

% of investees by number
40

% Scope 3 emissions as reported in C-FS14.1a/C-FS14.1b

Portfolio coverage
All of the portfolio

Rationale for the coverage of your engagement
In 2019, MSIM supported 40% of all shareholder proposals related to climate, but 90% of climate-related shareholder proposals at U.S.-based companies, and 64% support for proposals requesting that companies adopt greenhouse gas emission reduction targets. Our rationale for portfolio coverage is that our proxy voting policy and procedures apply globally, even though they are most relevant to listed equities. As long-term investors and active managers, we believe we have both a duty and an opportunity to act as stewards of the capital we manage. Our investment teams embrace this opportunity by engaging directly and often with their portfolio companies on sustainability topics and by exercising proxy voting rights.

Impact of engagement, including measures of success
One measure of success is the % of shareholder proposals supported that we consider material. In 2019 we supported 90% of shareholder proposals for enhanced climate change reporting from U.S.-based companies and 64% of proposals urging companies to adopt greenhouse gas emission reduction targets. An example of a positive outcome achieved in 2019, MSIM supported a resolution at a Canadian upstream oil exploration and production company to set and publish GHG reduction targets and in January 2020 the company published its first GHG emissions reduction targets.

Type of engagement
Engagement & incentivization (changing investee behavior)

Details of engagement
Support climate-related issues in proxy voting

% of investees by number
40

% Scope 3 emissions as reported in C-FS14.1a/C-FS14.1b

Portfolio coverage
All of the portfolio

Rationale for the coverage of your engagement
In 2019, MSIM supported 40% of all shareholder proposals related to climate, but 90% of climate-related shareholder proposals at U.S.-based companies, and 64% support for proposals requesting that companies adopt greenhouse gas emission reduction targets. Our rationale for portfolio coverage is that our proxy voting policy and procedures apply globally, even though they are most relevant to listed equities. MSIM's proxy voting policy addresses climate related issues in proxy voting by stating that: We generally support proposals that if implemented would enhance useful disclosure, such as disclosures aligned with SASB (Sustainability Accounting Standards Board) and the TCFD (Taskforce on Climate-related Financial Disclosures) and proposals that aim to reduce or mitigate a company's impact on the global climate.

Impact of engagement, including measures of success
One measure of success in this area is the % of shareholder proposals supported on issues we consider material. In 2019 we supported 90% of shareholder proposals for enhanced climate change reporting from U.S.-based companies and 64% of proposals urging companies to adopt greenhouse gas emission reduction targets. For example, in 2019 MSIM supported a resolution at a Canadian upstream oil exploration and production company to set and publish GHG reduction targets and in January 2020 the company published its first GHG emissions reduction targets.

C12.1d

(C12.1d) Give details of your climate-related engagement strategy with other partners in the value chain.

Other partners in the value chain we frequently engage with on climate-related issues include NGOs. Engagement with NGOs on climate-related topics may include:
- Direct engagement through one-on-one or small group dialogues on specific sustainability topics, risks or emerging issues
- Involvement in collaborative initiatives and membership organizations
- Participation in third-party events and networks.
- This feedback informs our ongoing environmental and social risk management enhancements.

In June 2019, we participated in a full day workshop with an NGO partner and a number of peer banks to learn about their work on fossil fuel financing. This collaborative workshop informed our understandings of the variety of climate and environmental justice issues related to the fossil fuel industry. The workshop also helped to inform some of our assessments about risks and opportunities related to certain segments of the fossil fuel industry. Additionally, we met with another NGO that was focused on indigenous rights issues in the Arctic, in reference to business activity in the Arctic National Wildlife Refuge (ANWR). We learned about community impacts in the region from various types of economic activity. We value dialogue on these important topics with the NGO community as means of staying up to date on important topics that can impact our business.

C12.3

(C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?
Direct engagement with policy makers
Trade associations

C12.3a

(C12.3a) On what issues have you been engaging directly with policy makers?

Focus of legislation	Corporate position	Details of engagement	Proposed legislative solution
Climate finance	Support	During 2017, Morgan Stanley supported two joint corporate statements urging the United States to stay in the Paris Agreement, coordinated by the Center for Climate and Energy Solutions and the B Team global business leaders group. Morgan Stanley has previously publicly supported climate finance through public policy engagement. For example, in advance of the 2015 UNFCCC COP 21, Morgan Stanley and six other major U.S. banks issued a joint statement calling for cooperation among governments in reaching a global climate agreement. The statement called for clear, stable policy frameworks that are needed to accelerate and further scale investments in climate solutions.	The statements signed in 2017 support the U.S. staying in the Paris Agreement.
Climate finance	Support	In 2017, our CEO, James Gorman, joined around 100 global business leaders in signing a statement of support for the TCFD.	No proposed legislation, but the TCFD was convened by the FSB.
Climate finance	Support	In November 2018, Morgan Stanley participated in a roundtable hosted by the Prudential Regulatory Authority to discuss their draft supervisory statement addressing banks' approach to managing the financial risks from climate change.	The PRA has issued a supervisory statement requiring banks and insurers to embed the consideration of the financial risks from climate change into governance, risk management, strategy and disclosure.
Climate finance	Support	In 2019, the Commodities Futures Trading Commission (CFTC) established the Climate-related Market Risk Subcommittee in order to identify and examine climate change-related financial and market risks. The committee consists of 35 climate and finance experts from a range of backgrounds, including financial services, non-governmental organizations, think tanks and commodities firms. Morgan Stanley's climate change lead in FRM served as a member of the committee.	No specific proposed legislation. The CFTC released a report in mid-2020 with a broad set of recommendations for the CFTC commission to consider across a range of topics from climate scenario analysis to disclosure. We are pleased to be engaged in the CFTC subcommittee on climate change and to help advance the work of U.S. regulators to manage climate risk. We look forward to seeing how further study and examination contributes to evolving regulatory initiatives on this topic.
Other, please specify (Emissions)	Support	In 2019, Morgan Stanley joined the Center for Climate and Energy Solutions' (C2ES) Business Environmental Leadership Council, a group of 35 Fortune 500 companies that promote business engagement to develop efficient and durable solutions to the climate challenge.	No specific proposed legislation but C2ES helps companies understand and engage on a broad range of climate-related issues with policymakers.

C12.3b

(C12.3b) Are you on the board of any trade associations or do you provide funding beyond membership?

Yes

C12.3c

(C12.3c) Enter the details of those trade associations that are likely to take a position on climate change legislation.

Trade association
International Emissions Trading Association (IETA)

Is your position on climate change consistent with theirs?
Consistent

Please explain the trade association's position
International Emissions Trading Association (IETA) is a nonprofit business organization created to establish a functional international framework for trading in GHG emission reductions. Membership includes international companies from across the carbon trading cycle. Members seek to develop an emissions trading regime that results in real and verifiable GHG emission reductions, while balancing economic efficiency with environmental integrity and social equity.

How have you influenced, or are you attempting to influence their position?
Morgan Stanley participates on IETA's various U.S. and Canadian working groups. Morgan Stanley's engagement focuses on implementation and details of how these mechanisms are implemented (i.e., detail of implementation and scheme design). The Firm supports proposals that increase efficiency, transparency, stability and effectiveness of the mechanisms.

Trade association
Australian Financial Markets Association (AFMA)

Is your position on climate change consistent with theirs?
Consistent

Please explain the trade association's position
The Australian Financial Markets Association (AFMA) is the peak industry association for Australia's wholesale banking and financial markets. These markets play a pivotal role in the Australian economy by making it possible for Australian financial institutions and companies to conduct business with each other and with their counterparts overseas. AFMA represents over 130 industry participants in the wholesale banking and financial markets, including Australian and foreign banks, securities companies, state government treasury corporations, fund managers, traders in electricity and other specialized markets and industry service providers.

How have you influenced, or are you attempting to influence their position?
Morgan Stanley participates on AFMA's environmental markets working group to engage on topics of the emissions trading scheme that is legislated in Australia and the Mandatory Renewable Energy Target legislation. The Firm's engagement focuses on implementation and details of how these mechanisms are implemented (i.e., detail of implementation and scheme design). Morgan Stanley supports proposals that increase efficiency, transparency, stability and effectiveness of the mechanisms.

Trade association
The Electric Power Research Institute, Inc. (EPRI)

Is your position on climate change consistent with theirs?
Mixed

Please explain the trade association's position
The Electric Power Research Institute, Inc. (EPRI) conducts research, development and demonstration relating to the generation, delivery and use of electricity for the benefit of the public. As an independent, nonprofit organization, EPRI brings together scientists, engineers and experts from academia and the industry to help address challenges in electricity, including generation, delivery and use, management and environmental responsibility.

How have you influenced, or are you attempting to influence their position?
Morgan Stanley engages through shared leadership in the form of a senior Morgan Stanley executive on the board and executive committee of EPRI. In addition, a Morgan Stanley executive sits on the EPRI Advisory Council.

Trade association
The U.S. Partnership for Renewable Energy Finance (US PREF)

Is your position on climate change consistent with theirs?
Consistent

Please explain the trade association's position
The U.S. Partnership for Renewable Energy Finance (US PREF) is a coalition of senior-level financiers who invest in all sectors of the energy industry, including renewable energy. PREF members meet with policymakers to provide their perspectives on how renewable energy finance policies affect the market, and how proposed policies could affect the market. US PREF is not a lobbying organization or an advisory committee to government, rather, it is an educational program that provides expert input on how the renewable energy finance market works.

How have you influenced, or are you attempting to influence their position?
Morgan Stanley is an active member of US PREF.

Trade association
American Council on Renewable Energy

Is your position on climate change consistent with theirs?
Consistent

Please explain the trade association's position
The American Council on Renewable Energy (ACORE) is a 501(c)(3) national nonprofit organization that unites finance, policy and technology to accelerate the transition to a renewable energy economy.

How have you influenced, or are you attempting to influence their position?
Morgan Stanley is a member of the American Council on Renewable Energy and engages through shared leadership in the form of a Morgan Stanley Managing Director on the board and executive committee.

C12.3f

(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?

The advisory board of the Morgan Stanley Institute for Sustainable Investing is chaired by our Chairman and CEO, and helps to ensure that our sustainability strategy, including as it relates to climate change, is comprehensive, rigorous and innovative. Several members of the advisory board have extensive public policy experience, and help guide the firm on public policy activities as they relate to climate change. Since GSF was founded over a decade ago, we have worked with our Global Regulatory Relations and Government Relations teams on policies related to climate change. To ensure coordination, GSF convenes or participates in all of the sustainability-related councils across the firm, and engages regularly with colleagues in other regions to understand and contribute to relevant climate policy activity. For example, GSF has been coordinating with the Regulatory Relations and Firm Risk Management teams in the U.K. to engage and respond to the Prudential Regulatory Authority draft supervisory statement addressing banks' approach to managing the financial risks from climate change. GSF partnered with the Risk Management Division in London to develop both short- and long-term scenarios in the United Kingdom to help test resilience to potential material financial risks. Likewise Morgan Stanley is a member of the CEO Business Roundtable and was a contributor to the working group that helped develop their climate policy position paper.

C12.4

(C12.4) Have you published information about your organization's response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Publication
In mainstream reports

Status
Complete

Attach the document
2019_Proxy_Statement.pdf

Page/Section reference
26

Content elements
Governance
Strategy
Risks & opportunities
Emission targets

Comment
This content is currently available online at: https://www.morganstanley.com/about-us-2020ams/pdf/2020_Proxy_Statement.pdf

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Publication
In voluntary sustainability report

Status
Complete

Attach the document
Morgan-Stanley_2019-Sustainability-Report_Final.pdf

Page/Section reference
Climate change is referenced throughout the document, particularly pages 11 and 12.

Content elements
Governance
Strategy
Risks & opportunities
Emission targets
Other metrics

Comment
This content is currently available online at: https://www.morganstanley.com/pub/content/dam/msdotcom/sustainability/Morgan-Stanley_2019-Sustainability-Report_Final.pdf

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Publication
In mainstream reports, incorporating the TCFD recommendations

Status
Underway – this is our first year

Attach the document

Page/Section reference
Morgan Stanley plans to publish our first TCFD report in 2H 2020. Our 2019 Sustainability Report, mentioned in the line above, incorporates many of the elements recommended by TCFD.

Content elements
Please select

Comment
Morgan Stanley plans to publish our first TCFD report in 2H 2020. Our 2019 Sustainability Report, mentioned in the line above, incorporates many of the elements recommended by TCFD.

C-FS12.5

(C-FS12.5) Are you a signatory of any climate-related collaborative industry frameworks, initiatives and/or commitments?

	Industry collaboration	Comment
Reporting framework	Principles for Responsible Investment (PRI) Task Force on Climate-related Financial Disclosures (TCFD) Other, please specify (Sustainability Accounting Standards Board (SASB))	Morgan Stanley Investment Management joined PRI in 2013 and complies with the mandatory reporting requirements. Morgan Stanley's Chairman and CEO, James Gorman, signed the TCFD Statement of Support in 2017. We have been working on implementing the recommendations in ways that benefit our firm and our stakeholders and will publish our first TCFD report in 2020. Morgan Stanley's Chief Sustainability Officer is a board member of the SASB Foundation, helping ensure that emerging sustainability metrics are relevant to investors. Morgan Stanley's annual sustainability report incorporates elements of SASB's reporting guidance for the Investment Banking, Commercial Banking and Asset Management industries. In addition, MSIM participates in SASB's Investor Advisory Group (IAG), an asset owner and manager initiative to promote the SASB disclosure framework with corporate issuers, and climate-related disclosures, aligned with TCFD are a focus area of the group.
Industry initiative	Principles for Responsible Investment (PRI) Ceres Science-Based Targets Initiative for Financial Institutions (SBTi-FI) Other, please specify (Center for Climate and Energy Solutions (C2ES) and 2 Degrees, Green Bond Principles)	Morgan Stanley is a member of the Ceres Investor Network on Climate Risk and Sustainability, and the CEO of Ceres is a member of the Morgan Stanley Institute for Sustainable Investing Advisory Board. In 2019, Morgan Stanley joined the Center for Climate and Energy Solutions' (C2ES) Business Environmental Leadership Council, a group of 35 Fortune 500 companies that promote business engagement to develop efficient and durable solutions to the climate challenge. SBTi have been in the process of developing a methodology for financial institutions to develop science-based targets. We have been part of a group testing the various methodologies and providing feedback. We participated in an all day workshop with SBTI during Climate Week in NYC, have joined numerous webinars and responded to a handful of surveys so far. The 2 Degrees Initiative ran a pilot program in 2019 to testing their PACTA tool. The software program helps banks understand how certain sector portfolios are aligned with the goals of the Paris Agreement. We have provided formal feedback to 2 Degrees on the tool and plan to continue using future versions of it. The Green Bond Principles are a voluntary set of guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bond market. Morgan Stanley was a founding signatory of the Green Bond Principles. In 2019, we were chosen to join the newly established Green Bond Principles (GBP) and Social Bond Principles (SBP) Advisory Council. In addition, we joined three working groups to help advance practice in specific thematic areas: Green Projects Eligibility, Social Bonds, Impact Reporting and the Climate Transition Finance.
Commitment	Other, please specify (Paris Agreement)	Morgan Stanley is also part of a group of global financial firms to test the PACTA tool, developed by the 2 Degrees Investing Initiative. The analytical tool enables financial institutions to understand the alignment of their corporate loan portfolios with the goals of the Paris Agreement.

C14. Portfolio Impact

C-FS14.1

(C-FS14.1) Do you conduct analysis to understand how your portfolio impacts the climate? (Scope 3 portfolio impact)

	We conduct analysis on our portfolio's impact on the climate	Disclosure metric	Comment
Bank lending (Bank)	No, but we plan to do so in the next two years	<Not Applicable>	There is no widely utilized, comparable and accurate method to measure scope three emissions and concepts like Paris Alignment. However, as banks work to understand how their portfolio decisions may impact climate change may, new tools, datasets, consulting practices and frameworks are emerging. Morgan Stanley is exploring which resources may be helpful to us, and we are providing feedback on their development, as appropriate. For example, we are part of a group of global financial firms testing the Paris Agreement Capital Transition Assessment (PACTA), developed by the 2 Degrees Investing Initiative. The software tool enables financial institutions to understand the alignment of their corporate loan portfolios with the goals of the Paris Agreement. The tool compares the energy technology mix of our loan book and the projected pathways for the corporate economy in its current state, as well as the IEA Sustainable Development (SDS) scenarios to determine climate risk exposure. These IEA scenarios illustrate a technology mix pathway that would keep the planet from warming below 2° threshold. The tool focuses on technological pathways for emissions, and covers a number of the most climate-relevant sectors like power, energy, cement and steel. We participated in the pilot with 17 other global banks. We are also monitoring, and providing feedback on, the Science-based Target Initiative's (SBTI) development of a methodology for the financial sector. SBTI's goal is to create sector-specific emissions reduction targets that are informed by the latest climate science, and will achieve the emissions reductions necessary to limit global warming to 2 degrees C. Morgan Stanley has also been engaging with the Partnership for Carbon Accounting Financials (PCAF), a bank-led initiative to design an accounting methodology for financial firms to measure and disclose their scope 3 financed emissions. The initiative is working to fill an important gap in that there is currently no widely recognized or utilized methodology to account for scope 3 emissions in a manner that would be comparable across financial institutions. In July 2020, Morgan Stanley officially joined the PCAF initiative as a member of its Steering Committee.
Investing (Asset manager)	No, but we plan to do so in the next two years	<Not Applicable>	As described in FS 2.2b, some of MSIM's equity and fixed income teams review the carbon footprint of their portfolios and use this information to assess their portfolio's impact on the climate. In some cases, this analysis has led to decisions to exclude or size certain investments based on climate-related risks. Within the next two years, MSIM will endeavor to roll out this analysis across its entire portfolio in order to enable a portfolio level view with sector and country level analysis. Beyond carbon footprinting, MSIM's Sustainability team, in partnership with Morgan Stanley's Global Sustainable Finance Group, is developing internal tools and resources to help portfolio managers access additional climate related data sets including those that enable climate scenario analysis.
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	<Not Applicable>	We do not have any other products or services for which we examine climate risks

C-FS14.1c

(C-FS14.1c) Why do you not conduct analysis to understand how your portfolio impacts the climate? (Scope 3 Category 15 “Investments” emissions or alternative carbon footprinting and/or exposure metrics)

There is no widely utilized, comparable and accurate method to measure scope three portfolio emissions and concepts like Paris Alignment for the finance sector, which is the primary reason we have not yet done this analysis. We expect an initial methodology designed by financial institutions to likely be available for certain asset classes within the next year. Once these methodologies are available and refined, we will explore their usefulness in understanding our scope 3 emissions.

However, in the meantime, as banks work to understand how their portfolio decisions may impact climate change, new tools, datasets, consulting practices and frameworks are emerging. Morgan Stanley is exploring which resources may be helpful to our efforts, and providing feedback on their development, as appropriate. . For example, we are part of a group of global financial firms to test the Paris Agreement Capital Transition Assessment (PACTA), developed by the 2 Degrees Investing Initiative. The software tool enables financial institutions to understand the alignment of their corporate loan portfolios with the goals of the Paris Agreement. The climate risk exposure of our loan book is analyzed by comparing its energy technology mix to the energy technology mix of the projected pathways for the corporate economy in its current state, as well as and the IEA Sustainable Development (SDS) scenarios to determine climate risk exposure. These IEA scenarios illustrate a technology mix pathway that would keep the planet from warming below 2° threshold. The tool focuses on technological pathways for emissions, and covers a number of the most climate-relevant sectors like power, energy, cement and steel. We participated in the pilot with 17 other global banks. As of early 2020, the tool is still being used for this pilot. We have found it useful to understand a number of important metrics, like exposure to high-risk sectors and companies, counter-party transition preparedness and transition risks by relevant sectors. We plan to continue using future versions of the tool to help us understand how our relevant portfolios align with IEA scenarios over time. Given the tool only covers certain sectors in our corporate loan book, it will be used in conjunction with other frameworks to gain a more complete picture of our exposures to climate risks.

Building on our work to pilot the PACTA tool, we recently joined a virtual working group with the 2 Degrees Investing Initiative. The working group includes 30 or so members comprising academic representatives, research organizations, and financial institutions, with 2Dii serving as the Secretariat. The output will be online software designed to help financial institutions simulate and design climate strategies and actions, a document aimed at harmonizing the tracking of climate actions, and other efforts to facilitate the scientific analysis of these actions. The goal is to help financial institutions to better understand the efficacy and impact of different climate actions and strategies.

We are also monitoring, and providing feedback on, the Science-based Target Initiative’s (SBTI) development of a methodology for the financial sector. SBTI’s goal is to create sector-specific emissions reduction targets that are informed by the latest climate science, and will achieve the emissions reductions necessary to limit global warming to 2 degrees celsius.

Morgan Stanley has also been engaging with the Partnership for Carbon Accounting Financials (PCAF), a bank-led initiative to design an accounting methodology for financial firms to measure and disclose scope 3 financed emissions. The initiative is working to fill an important gap as there is currently no widely recognized or utilized methodology to account for scope 3 emissions in a manner that would be comparable across financial institutions. We have engaged with the consulting firm providing technical support to the member banks to provide feedback on the methodologies as they are being developed and are exploring whether formally joining would make sense for the firm. In July 2020, Morgan Stanley officially joined PCAF as a member of its Steering Committee.

These methodologies are in early development, and we are monitoring their progress to see how similar approaches might inform future climate strategies for the firm. In terms of taking part in these assessments, our aim will be to disclose the greenhouse gas (GHG) footprint of relevant portfolios when we believe the appropriate methodologies accurately reflect our risk.

C-FS14.3

(C-FS14.3) Are you taking actions to align your portfolio to a well below 2-degree world?

	We are taking actions to align our portfolio to a well below 2-degree world	Please explain
Bank lending (Bank)	No	Morgan Stanley acknowledges the importance of keeping global temperature rise to well-below two degrees and is a supporter of the Paris Agreement. We are taking steps to explore and inform emerging tools and methodologies to help develop appropriate analytical tools to best determine our approach to Paris Alignment. Currently there are significant data and methodological challenges to setting credible and defensible emissions pathway goals to well-below 2 degrees for a global financial institution. We expect this challenge will likely be addressed in the next few years. In the meantime, we are proactively engaging with a number of initiatives working on a range of related issues such as scope 3accounting and development of tools to measure alignment. For example, we are part of a group of global financial firms to test the Paris Agreement Capital Transition Assessment (PACTA), developed by the 2 Degrees Investing Initiative. The software tool enables financial institutions to understand the alignment of their corporate loan portfolios with the goals of the Paris Agreement. In 2019, we participated in the pilot with 17 other global banks. Building on our work to pilot the PACTA tool, we recently agreed to join a virtual working group with the 2 Degrees Investing Initiative. The working group includes 30 or so members made up of academic representatives, research organizations, and financial institutions, with 2Dii serving as the Secretariat. We are also monitoring, and providing feedback on, the Science-based Target Initiative's (SBTI) development of a methodology for the financial sector. Morgan Stanley has also been engaging with the Partnership for Carbon Accounting Financials (PCAF), a bank-led initiative to design an accounting methodology for financial firms to measure and disclose their scope 3 financed emissions. The initiative is working to fill an important gap in that there is currently no widely recognized or utilized methodology to account for scope 3 emissions in a manner that would be comparable across financial institutions. In July 2020, Morgan Stanley officially joined PCAF as a member of its Steering Committee.
Investing (Asset manager)	Yes	Wealth Management's longstanding Investing with Impact (IIP) platform offers retail investors more than 130 products and strategies across thematic issues including climate change. In 2018, an internal survey of third-party managers on the platform found that more than 50% of IIP strategies aligned with at least one SDG, with climate action among the three most common themes. To address the growing demand for sustainable and impact investments, we also equip our Financial Advisors with tools to help their clients meet specific objectives. For example, they use our Climate Change and Fossil Fuel Aware Investing Tool Kits to help clients develop a tailored investment approach that incorporates climate change and fossil fuel awareness into their portfolios. In 2019, we launched Morgan Stanley Impact Quotient ® (Morgan Stanley IQ) which provides clients with a comprehensive framework to identify and prioritize more than 100 social and environmental impact preferences, including climate change. The tool leverages third-party ESG data and proprietary analytics to assess the alignment of a client's investments with their stated preferences, and guides the Financial Advisor on appropriate solutions. Within Investment Management, we use our shareholder voice to promote the transition to a low carbon economy. In 2019, we supported 90% of shareholder proposals for enhanced climate change reporting from U.S.-based companies and 64% of proposals urging companies to adopt greenhouse gas emission reduction targets. Climate risks and opportunities are also a common element of our sustainability-focused engagements with investee companies. In addition, Investment Management is building investment products that promote climate solutions. For example, in 2020, our AIP (Alternative Investment Partners) Private Markets team launched a fund that targets investments designed to help address global warming and pollution, depleting resources and eco-diversity.
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	We do not have any other products or services for which we examine climate risks

C-FS14.3a

(C-FS14.3a) Do you assess if your clients/investees' business strategies are aligned to a well below 2-degree world?

	We assess alignment	Please explain
Bank lending (Bank)	<Not Applicable>	<Not Applicable>
Investing (Asset manager)	Yes, for some	Yes, as mentioned above, portfolio managers and investment teams evaluate, as applicable, the carbon footprint and intensity of their investments, as well as climate resiliency and adaptation strategies. This includes an analysis of how a company's current carbon emissions profile and business model are aligned with a transition to a low carbon economy. Currently investment teams mostly use carbon footprint analysis to asses a company's alignment with a 2 degree world, but MSIM is actively exploring and onboarding different climate related datasets that would enable a more in-depth analysis of investee companies' alignment with a well-below 2 degree world. In the meantime, portfolio company engagement serves as a tool to asses company's transition toward a low carbon economy. For example, in 2019 one of our investment teams spoke to several European electric utilities about their transition to a low carbon economy. The team was pleased to hear that many companies had comprehensive plans for expanding their solar and wind operations. The team also spoke to a major U.S. oil producer and encouraged it to set a CO2 intensity target and to consider linking executive compensation to CO2 reduction targets as other oil companies have begun to do. The company shared that it will set further CO2 reduction targets in late 2020 following a gap analysis on carbon for its newly acquired assets.
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	<Not Applicable>	<Not Applicable>

C-FS14.3b

(C-FS14.3b) Do you encourage your clients/investees to set a science-based target?

	We encourage clients/investees to set a science-based target	Please explain
Bank lending (Bank)	<Not Applicable>	<Not Applicable>
Investing (Asset manager)	Yes, for some	MSIM encourages companies to increase climate disclosure and set GHG reduction targets aligned with the Paris Agreement and Science Based Target initiative. For example, in 2019 our Global Listed Real Assets and Global Stewardship teams engaged with a European real estate investment trust (REIT) that owns and operates malls and shopping centers. The mall operating company shared that it was in the process of working towards developing a science based GHG reduction target. MSIM encouraged this effort because we believe it will be attractive to tenants, reduce operating costs for the company overtime and reduce the company's exposure to operational and financial risks as climate-related regulations in Europe intensify.
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	<Not Applicable>	<Not Applicable>

C15. Signoff

C-FI

(C-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

C15.1

(C15.1) Provide details for the person that has signed off (approved) your CDP climate change response.

	Job title	Corresponding job category
Row 1	Chief Sustainability Officer	Chief Sustainability Officer (CSO)