

MORGAN STANLEY SOCIAL BOND

DNV GL ELIGIBILITY ASSESSMENT

Scope and Objectives

Morgan Stanley is a global financial services firm that, through its subsidiaries and affiliates, advises, and originates, trades, manages and distributes capital for, governments, institutions and individuals. The firm has significant market positions in three business segments — Institutional Securities, Wealth Management and Investment Management.

Morgan Stanley has a long history of using its platform as a global financial services provider to mobilize and scale capital in ways that deliver sustainable growth and long-term value. A number of notable milestones include:

- 2009: The Global Sustainable Finance group is established to partner with the firm’s core business to lead sustainability integration into product and service offerings.
- 2013: The Institute for Sustainable Investing is launched as an incubator for ideas and innovation that accelerate the adoption of sustainable investing in capital markets and drive strategic sustainability initiatives across Morgan Stanley. Chaired by Morgan Stanley’s CEO, James Gorman, an Advisory Board of prominent leaders from business, academia and leading nongovernmental organizations guides the Institute’s work and strategic priorities.
- 2015: Morgan Stanley issues its first green bond to finance energy efficiency and renewable energy projects.
- 2017: Morgan Stanley commits to achieving carbon neutrality across global operations by 2022.
- 2018: Morgan Stanley commits to mobilizing \$250 billion to support low-carbon solutions by 2030. In the first year, the firm raised nearly \$30 billion towards this goal.
- 2019: Morgan Stanley pledges to help facilitate the prevention, reduction and removal of at least 50 million metric tons of plastic waste entering rivers, oceans, landscapes and landfills through the Morgan Stanley’s Plastic Waste Resolution.
- 2010-2019: The Community Development Finance group (“CDF”) brings together investment and philanthropic capital to support positive changes in communities across the United States. Morgan Stanley has deployed over \$21 billion in capital to fund approximately 116,000 affordable housing units and help create or retain more than 140,000 jobs.

Morgan Stanley also supports the United Nations Sustainable Development Goals (UN SDGs), recognising the key role the private sector needs to play towards their achievement by 2030. New products from across its business divisions support investors who seek to align their portfolios with UN SDG-related interests.

To further catalyse capital to support its social commitments, Morgan Stanley is issuing a Social Bond (henceforth referred to as “Bond”) and has developed a Social Bond Framework (the “MS Framework”)

to outline how it intends to meet the requirements of the International Capital Markets Association (ICMA) Social Bond Principles (SBP) 2020.

DNV GL Business Assurance Services Limited (henceforth referred to as "DNV GL") has been commissioned by Morgan Stanley to provide a Social Bond eligibility assessment on this Bond. Our methodology to achieve this is described under 'Work Undertaken' below.

We were not commissioned to provide independent assurance or other audit activities. No assurance is provided regarding the financial performance of the Bond, the value of any investments in the Bond, or the long-term social benefits of the transaction. Our objective has been to provide an assessment that the Bond has met the Social Bond criteria established on the basis set out below.

Responsibilities of the Management of Morgan Stanley and DNV GL

The management of Morgan Stanley has provided the information and data used by DNV GL during the delivery of this review. Our statement represents an independent opinion and is intended to inform Morgan Stanley management and other interested stakeholders in the Bond as to whether the Bond is aligned with the ICMA SBP 2020. In our work we have relied on the information and the facts presented to us by Morgan Stanley. DNV GL is not responsible for any aspect of the projects or assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV GL shall not be held liable if any of the information or data provided by the Morgan Stanley Management and used as a basis for this assessment were not correct or complete.

Basis of DNV GL's opinion

We have adapted our Social Bond Eligibility Assessment methodology to create Morgan Stanley-specific Social Bond Eligibility Assessment Protocol (henceforth referred to as "Protocol") - see Schedule 2. Our Protocol includes a set of suitable criteria that can be used to underpin DNV GL's opinion.

As per our Protocol, the criteria against which the Bond has been reviewed are grouped under the four Principles:

- **Principle One: Use of Proceeds.** The Use of Proceeds criteria are guided by the requirement that proceeds of a Social bond must be applied to finance or refinance eligible activities. The eligible activities should produce clear social benefits.
- **Principle Two: Process for Project Evaluation and Selection.** The Project Evaluation and Selection criteria are guided by the requirements that an issuer of a Social bond should outline the process it follows when determining eligibility of an investment using Social Bond proceeds and outline any impact objectives it will consider.
- **Principle Three: Management of Proceeds.** The Management of Proceeds criteria are guided by the requirements that a Social bond should be tracked within the issuing organization, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made.
- **Principle Four: Reporting.** The Reporting criteria are guided by the recommendation that at least annual reporting to the bond investors should be made of the use of bond proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.

Work undertaken

Our work constituted a high-level review of the available information, based on the understanding that this information was provided to us by Morgan Stanley in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

- Creation of a Morgan Stanley-specific Protocol, adapted to the purpose of the Bond, as described above and in Schedule 2 to this Assessment;
- Assessment of documentary evidence provided by Morgan Stanley on the Bond and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Discussions with Morgan Stanley management, and review of relevant documentation and evidence related to the criteria of the Protocol;
- Documentation of findings against each element of the criteria. Our opinion as detailed below is a summary of these findings.

Findings and DNV GL's opinion

DNV GL's findings are listed below:

1. Principle One: Use of Proceeds.

Morgan Stanley intends to use the proceeds of the Bond to finance or refinance Eligible Social Projects. The MS Framework defines Eligible Social Projects as projects that fall into the following category, in line with the Social Bond Principles:

- Affordable Housing

These projects will be designed to (i) provide housing at affordable rates to individuals and families identified based on criteria set by the US government as (a) low- or moderate-income (LMI) or (b) living in LMI census tracts, or (ii) revitalise or stabilise geographies identified based on criteria set by the US government as (a) LMI geographies, (b) designated disaster areas or (c) distressed or underserved non-metropolitan middle-income geographies; this is clearly detailed in the MS Framework.

It is DNV GL's opinion that Morgan Stanley's affordable housing projects will deliver benefits to a number of the Target Populations as defined by the ICMA SBP 2020 such as, but not exclusively, people living below the poverty line, people with disabilities, groups made vulnerable as a result of natural disasters or people who are marginalised or underserved.

As described in the MS Framework, Morgan Stanley will be tracking the Eligible Social Projects in a register (the "Eligible Social Projects Report").

DNV GL has reviewed the legal bond documentation, an exhaustive list of projects to be financed or refinanced, as well as case-studies of existing Morgan Stanley affordable housing projects where funding has been successful. The evidence reviewed gives DNV GL the opinion that the Bond will deliver clear social benefits.

Morgan Stanley has confirmed that it will have a dynamic pool of Eligible Social Projects and has described that it intends to allocate funds to finance ongoing and/or future Eligible Social Projects from the date of issuance of the Bond, as well as refinance eligible investments to which disbursements have been made since 2018 and this was evidenced during DNV GL's review.

Additionally, alignment with the UN SDGs has been reviewed by DNV GL. Eligible Social Projects on this issuance are expected to contribute to UN SDG 11 (Sustainable Cities and Communities), as well as indirectly to certain aspects of UN SDG 1 (No Poverty), and UN SDG 10 (Reduced Inequalities).

DNV GL concludes that the description and evidence of the Use of Proceeds from the Bond are consistent with the MS Framework and the requirements outlined in the ICMA SBP 2020.

2. Principle Two: Process for Project Evaluation and Selection.

DNV GL has reviewed the processes that will be followed by Morgan Stanley for project evaluation and selection in advance of the issuance as well as during the life of the Bond.

Morgan Stanley has established a Social Bond Supervisory Committee to supervise the procedures outlined in the Framework.

CDF will be responsible for identifying and proposing Eligible Social Projects.

Ahead of issuance, it will be the Global Sustainable Finance ("GSF") unit's role to review projects independently against the eligibility criteria described in the use of proceeds disclosure and determine whether they qualify as Eligible Social Projects which will then be tracked in the "Eligible Social Projects Report".

Finally, CDF and GSF have committed to evaluating the Eligible Social Projects to be financed or refinanced on at least a semi-annual basis during the life of the Bond and determining whether new projects should be added to the Eligible Social Project Portfolio, existing projects should be excluded from the Eligible Social Project Portfolio or additional disbursements should be made to the Eligible Social Projects, in line with the MS Framework.

Morgan Stanley has also provided details on the processes in place for maintaining internal documentation, communication and reporting about the Bond.

DNV GL concludes that these procedures for the evaluation and selection of activities to be financed or refinanced by the Bond are robust, appropriately described, and aligned with the MS Framework and the ICMA SBP 2020.

3. Principle Three: Management of Proceeds.

DNV GL has reviewed a detailed process, provided by Morgan Stanley, of the internal roles and responsibilities for overseeing the management of proceeds, notably by members of the Treasury team.

Morgan Stanley has committed to establishing a dedicated register for tracking disbursements towards Eligible Social Projects, and intends to use a portfolio approach whereby it will manage a pool of rolling assets falling under the Eligible Social Projects, in line with the MS Framework.

Morgan Stanley will also aim to ensure that amounts represented by the Eligible Social Project Portfolio will exceed, or at least be equal to, the net proceeds from the sale of the Bond. This will be evaluated by the Social Bond Supervisory Committee at issuance of the Bond and on a semi-annual basis during the term of the Bond. Morgan Stanley has also committed to holding the balance of any unallocated amounts in a segregated account established for tracking purposes until the amount can be allocated to the Eligible Social Project Portfolio.

DNV GL has reviewed evidence and can confirm Morgan Stanley has committed to appropriately managing the net proceeds from the sale of the Bond in line with the MS Framework and requirements of the ICMA SBP 2020.

4. Principle Four: Reporting.

Morgan Stanley has committed to providing information to investors on the allocation and impact of the Bond in a public report.

Morgan Stanley has committed to report on the social impact of the Eligible Social Project Portfolio, and to report on anticipated or estimated social impact of the Eligible Social Projects. Impact

reporting will be done through a range of metrics related to Affordable Housing which have been reviewed by DNV GL. The relevant metrics may include:

- Number of housing units created or rehabilitated
- Number of beneficiaries
- Number of projects including projects executed in conjunction with a not-for-profit sponsor
- Geographic breakdown
- Construction jobs created through affordable housing construction projects
- Full-time jobs created
- Number of units set aside for special needs populations which may vary as the Eligible Social Projects Report evolves over time: such as Seniors, Veterans, Disabled individuals, Victims of domestic abuse.

DNV GL concludes that Morgan Stanley has made appropriate plans to produce reporting on the allocation and social impact of the Bond.

On the basis of the information provided by Morgan Stanley and the work undertaken, it is DNV GL's opinion that the Bond meets the criteria established in the Protocol and that it is aligned with the stated definition of Social Bonds within the ICMA SBP 2020.

for DNV GL Business Assurance Services UK Limited

London, 14th October 2020



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About DNV GL

Driven by our purpose of safeguarding life, property and the environment, DNV GL enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight.

With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

SCHEDULE 1: DESCRIPTION OF ACTIVITIES TO BE FINANCED THROUGH THE BOND

Eligible Social Category	Description	Target populations	UN SDG – Core	UN SDG – Indirect
<p>Affordable Housing</p>	<p>Projects aiming to provide housing at affordable rates to low- or moderate-income (“LMI”) individuals and/or families, defined as earning less than 50% and less than 80%, respectively, of the relevant area median income or “AMI”, in line with the definition in the Community Reinvestment Act of 1977.</p>	<p>The Affordable Housing projects are expected to deliver benefits to various example categories of the ICMA SBP 2020’s Target Populations such as, but not exclusively, people living below the poverty line, people with disabilities, designated disaster areas or people who are marginalised or underserved.</p>	<p>11 Sustainable cities and communities</p>	<p>1 No Poverty</p>
	<p>The objective is to have projects aiming to provide housing at affordable rates to LMI individuals and/or families.</p>			<p>10 Reduced Inequalities</p>

SCHEDULE 2: MORGAN STANLEY-SPECIFIC SOCIAL BOND ELIGIBILITY ASSESSMENT PROTOCOL

1. Use of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
1a	Type of bond	<p>The bond must fall in one of the following categories:</p> <ul style="list-style-type: none"> • Use of Proceeds Bond • Revenue Bond • Project Bond • Securitized or covered Bond 	<p>Discussions with Morgan Stanley and review of the following documents:</p> <ul style="list-style-type: none"> • Draft Term Sheet • Bond Prospectus • Investor Presentation • Project List - Size Overview 	<p>The type of Bond is described in the draft Term Sheet and falls within the category of a Use of Proceeds Bond.</p>
1b	Social Project Categories	<p>The cornerstone of a Social Bond is the utilization of the proceeds of the bond which should be appropriately described in the legal documentation for the security.</p>	<p>Discussions with Morgan Stanley and review of the following documents:</p> <ul style="list-style-type: none"> • Draft Term Sheet • Bond Prospectus • MS Framework • UN SDG Projections 2020.09.30 • Investor Presentation 	<p>Morgan Stanley will use the proceeds to finance or refinance projects related to Affordable Housing.</p> <p>Those activities form Morgan Stanley’s Eligible Social Project Portfolio. They fall within the eligible categories outlined in the MS Framework and are consistent with the categories and the target populations outlined in the ICMA SBP 2020.</p> <p>It is also DNV GL’s opinion that Morgan Stanley’s Affordable Housing projects will deliver benefits to various categories of the Target Populations as defined in the ICMA SBP 2020.</p> <p>DNV GL concludes that the use of proceeds is appropriately described in the Bond documentation.</p>

<p>1c</p>	<p>Social benefits</p>	<p>All designated Social Project categories should provide clear socially sustainable benefits, which, where feasible, will be quantified or assessed by the issuer.</p>	<p>Discussions with Morgan Stanley and review of the following documents:</p> <ul style="list-style-type: none"> • Draft Term Sheet • Bond Prospectus • MS Framework • UN SDG Projections 2020.09.30 • Investor Presentation 	<p>Morgan Stanley has selected projects for the Bond which exclusively fall under the social category. The Eligible Social Projects aim to provide housing at affordable rates to low and moderate income (LMI) individuals and families, and revitalise or stabilise those areas in need.</p> <p>Morgan Stanley has selected those activities for their contribution to the company’s social commitments, as well as contribution to UN SDG 11, Sustainable Cities and Communities, as well as indirectly to certain aspects of UN SDG 1 - No Poverty, and UN SDG 10 - Reduced Inequalities.</p> <p>In order to make the benefits quantifiable, Morgan Stanley has provided a list of metrics for reporting social impact.</p> <p>Morgan Stanley has presented an exhaustive list of projects to be financed by the Bond, as well as case-studies of selected existing affordable housing projects.</p> <p>Based on the evidence reviewed DNV GL is of the opinion that the Bond will deliver clear social benefits.</p>
<p>1d</p>	<p>Refinancing share</p>	<p>In the event that a proportion of the proceeds may be used for refinancing, it is recommended that issuers provide an estimate of the share of financing vs. re-financing, and where appropriate, also clarify which investments or project portfolios may be refinanced.</p>	<p>Discussions with Morgan Stanley and review of the following documents:</p> <ul style="list-style-type: none"> • Draft Term Sheet • Bond Prospectus • MS Framework • UN SDG Projections 2020.09.30 	<p>Morgan Stanley has provided evidence it will use a portfolio approach whereby it will manage a pool of rolling assets falling under the Eligible Social Projects, in line with the MS Framework.</p> <p>DNV GL is of the opinion that there is a clear process in place for managing the use of proceeds through the approach selected by Morgan Stanley.</p>

2. Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
2a	Investment-decision process	<p>The issuer of a Social Bond should outline the decision-making process it follows to determine the eligibility of projects using Social Bond proceeds. This includes, without limitation:</p> <ul style="list-style-type: none"> • A process to determine how the projects fit within the eligible Social Projects categories identified in the ICMA SBP 2020; • The criteria making the projects eligible for using the Social Bond proceeds. 	<p>Discussions with Morgan Stanley and review of the following documents:</p> <ul style="list-style-type: none"> • Draft Term Sheet • Bond Prospectus • MS Framework • Investor Presentation • Minutes of Social Bond Supervisory Committee Meeting 	<p>Morgan Stanley has established a Social Bond Supervisory Committee composed of representatives from the Group’s finance, sustainability, capital markets and treasury functions, among others, to review and approve the activities included in the Eligible Social Project Portfolio.</p> <p>Morgan Stanley has clearly described in the MS Framework its processes and internal roles and responsibilities for administering the Bond.</p> <p>DNV GL concludes that the activities financed by the Bond will be appropriately evaluated and selected, in line with the MS Framework.</p>
2b	Issuer’s social and governance framework	<p>In addition to information disclosed by an issuer on its Social Bond process, criteria and assurances, Social Bond investors may also take into consideration the quality of the issuer’s overall framework and performance regarding social sustainability.</p>	<p>Discussions with Morgan Stanley and review of the following documents:</p> <ul style="list-style-type: none"> • MS Framework • Investor Presentation • Social and governance documentation: <ul style="list-style-type: none"> - MS_Environmental_and_Social_Policy_State ment updated 2020 - Morgan Stanley Human Rights Statement - Morgan-Stanley_2019-Sustainability-Report - OCC-evaluation_24908 	<p>Morgan Stanley has made available to DNV GL its social policies, sustainability reports and public evaluations related to social projects.</p> <p>These documents describe Morgan Stanley’s mechanisms for monitoring the effectiveness of its social and governance commitments, results and plans for the future.</p> <p>Morgan Stanley has outlined within its Environmental and Social Policy Statement its firm-wide guidelines to environmental and social risk management processes how this is incorporated into their due diligence process, engagement with companies, supplier expectations and operations.</p> <p>In 2020 Morgan Stanley has become the first US-based global bank to commit to measuring and disclosing the environmental impact of</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
			- OCC-evaluation_24981	<p>its investment portfolio and loan offerings and has also committed to reach net-zero financed emissions by 2050. Morgan Stanley is also a signatory to organisations such as the United Nations Principles for Responsible Investing (UN PRI) and also leads internal initiatives such as the Institute for Sustainable Investing.</p> <p>DNV GL concludes that, from the information provided, the Bond is in line with Morgan Stanley’s firm-wide approach to managing social activities.</p>

3. Management of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
3a	Tracking procedure	The net proceeds of Social Bonds should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner and attested to by a formal internal process that will be linked to the issuer’s lending and investment operations for Social Projects.	<p>Discussions with Morgan Stanley and review of the following documents:</p> <ul style="list-style-type: none"> • Draft Term Sheet • Bond Prospectus • MS Framework • UN SDG Projections 2020.09.30 • Project List - Size Overview 	<p>All funding will be tracked through a dedicated register, and Morgan Stanley’s Treasury team will make sure that the amounts represented by the Eligible Social Project Portfolio will exceed or at least be equal to the net proceeds raised from the sale of the Bond.</p> <p>DNV GL finds that the tracking will be done in an appropriate manner and attested to by a formal internal process.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
3b	Tracking procedure	So long as the Social Bonds are outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible Social investments or loan disbursements made during that period.	Discussions with Morgan Stanley and review of the following documents: <ul style="list-style-type: none"> • MS Framework 	DNV GL concludes that there is a clear process in place for the tracking of the balance taking into account disbursements.
3c	Temporary holdings	Pending such investments or disbursements to eligible Social Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	Discussions with Morgan Stanley and review of the following documents: <ul style="list-style-type: none"> • MS Framework 	Proceeds will be held in a segregated account in cash, cash equivalents, U.S. or other government securities, U.S. agency securities or U.S. agency mortgage-backed securities.

4. Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
4a	Periodical reporting	In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which Social Bond proceeds have been allocated including - when possible with regards to confidentiality and/or competitive considerations - a brief description of the projects and the amounts disbursed, as well as the expected socially sustainable impact.	Discussions with Morgan Stanley and review of the following documents: <ul style="list-style-type: none"> • MS Framework • Investor Presentation 	<p>Morgan Stanley has committed to providing information to investors on the allocation and impact of the Bond in a public report.</p> <p>Impact metrics may include:</p> <ul style="list-style-type: none"> • Number of housing units created or rehabilitated • Number of beneficiaries • Number of projects including projects executed in conjunction with a not-for-profit sponsor • Geographic breakdown • Construction jobs created through affordable housing construction loan projects • Full-time jobs created • Number of units set aside for other special needs populations which may vary as the Eligible Social Projects Report evolves over time: such as Seniors, Veterans, Disabled individuals, Victims of domestic abuse. <p>DNV GL concludes that Morgan Stanley has made appropriate plans to produce reporting on the allocation and social impacts of the Bond.</p>