

Morgan Stanley

2020 Sustainability Report

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From Our CEO

2020 was an extraordinary and unusual year. We remain in the midst of a global public health crisis that has caused serious humanitarian and economic issues. There were a number of well-publicized events that led to a heightened and necessary focus on racial and social justice. These crises further emphasize the importance of Morgan Stanley's commitment to bring our resources together to help ensure a sustainable and healthy future.



Morgan Stanley has led on sustainable investing for over a decade, and in 2020, we accelerated our efforts. We became the first major U.S.-headquartered financial services firm to commit to reaching net-zero financed emissions by 2050. We launched the Morgan Stanley Sustainable Solutions Accelerator, which will back breakthrough scalable innovations on global challenges such as climate change and plastic waste. We worked to deliver pandemic relief and support recovery efforts in the hardest-hit communities through both commercial solutions and charitable donations.

2020 served as a stark reminder that systemic issues of racial inequality exist and must be addressed. As a firm, we can and will do more. The new Morgan Stanley Institute for Inclusion aims to create an integrated and transparent diversity, equity and inclusion strategy that will drive meaningful change within Morgan Stanley and in support of underserved communities. It is modeled after our successful Institute for Sustainable Investing, founded in 2013. As a start, we expanded our 30-year collaborations with historically black colleges and universities, providing funding for 60 student scholarships. In addition, we added a fifth core value—"Commit to Diversity and Inclusion" to the four that have provided the foundation of our firm's culture and success: Put Clients First, Do the Right Thing, Lead with Exceptional Ideas, and Give Back. While our shared commitment to diversity has always been understood to be a part of Do the Right Thing, we felt that it was imperative to more explicitly state our responsibility for representation, equitable treatment and justice.

Morgan Stanley delivered record performance in 2020 under unprecedented circumstances, and meaningfully drove our strategic vision forward with our recent acquisitions. In October 2020, we closed our acquisition of E*TRADE, positioning us to serve clients across the full spectrum of wealth; and, in March 2021, we closed our acquisition of Eaton Vance, creating a leading global asset manager of scale. I am confident that the common values and strengths we share with these firms will further accelerate our growth, based on a commitment to excellence, innovation and client service, as well as move forward our sustainable investing capabilities and reach across the firm.

We also continue to devote energy, expertise and resources to sustainable finance and investing. Among many highlights, our businesses launched a \$1 billion social bond to deliver affordable housing in the U.S., and assisted clients in issuing trailblazing health care sustainability bonds. Since 2018, we have financed approximately \$210 billion toward our goal of \$250 billion to support climate-related solutions by 2030.

Our ability to make significant progress on so many fronts in 2020, including sustainability, is a tribute to the commitment of our employees, the strength of our culture and the resilience of our strategy. We went through trying times, and it brought out the best in our people around the world. They acted with great resiliency and professionalism, and made me deeply proud.

Keeping our people safe and well is our top priority, and the majority of our employees continue to work from home. Nevertheless, as 2021 progresses, I am hopeful that we are rounding the corner, and that a period of recovery and progress toward our shared sustainable future lies ahead.

A handwritten signature in black ink that reads "James P. Gorman".

James P. Gorman
Chairman and CEO, Morgan Stanley
April 2021

Introduction

Morgan Stanley is a leading 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.

Our core values—Put Clients First, Do the Right Thing, Lead With Exceptional Ideas, Commit to Diversity and Inclusion, and Give Back—guide everything we do.

Through the talents and effort of our 68,000 employees in 39 countries, we aim to deliver results for our stakeholders today while setting strategic goals for the future.

OUR CORE VALUES

1

PUT CLIENTS FIRST

2

DO THE RIGHT THING

3

LEAD WITH
EXCEPTIONAL IDEAS

4

COMMIT TO DIVERSITY
AND INCLUSION

5

GIVE BACK

OUR THREE BUSINESS SEGMENTS



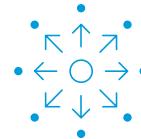
Institutional Securities

Provides investment banking, sales and trading, lending and other services to corporations, governments, financial institutions and high to ultra high net worth clients. Investment banking services consist of capital raising and financial advisory services, including services relating to the underwriting of debt, equity and other securities, as well as advice on mergers and acquisitions, restructurings, real estate and project finance. Sales and trading services include sales, financing, prime brokerage and market-making activities in the equity and fixed income businesses. Lending activities include originating corporate loans and commercial real estate loans, providing secured lending facilities, and extending financing to sales and trading customers.



Wealth Management

Provides a comprehensive array of financial services and solutions to individual investors and small-to-medium-sized businesses and institutions covering: advisor-led brokerage and investment advisory services; self-directed brokerage services, including through the E*TRADE platform; financial and wealth planning services; workplace services including stock plan administration; annuity and insurance products; securities-based lending, residential real estate loans and other lending products; banking; and retirement plan services.

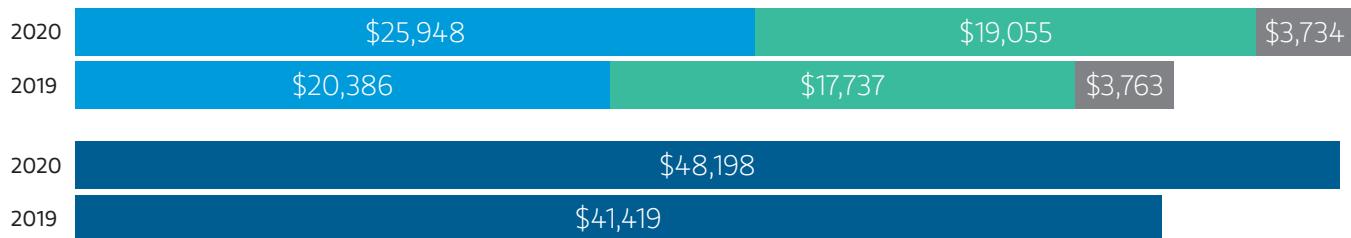


Investment Management

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, offered through a variety of investment vehicles, include equity, fixed income, liquidity and alternative/other products. Institutional clients include defined benefit/defined contribution plans, foundations, endowments, government entities, sovereign wealth funds, insurance companies, third-party fund sponsors and corporations. Individual clients are generally served through intermediaries, including affiliated and non-affiliated distributors.

Financial Performance

(Net Revenue, USD millions)



■ Institutional Securities ■ Wealth Management ■ Investment Management ■ Firm

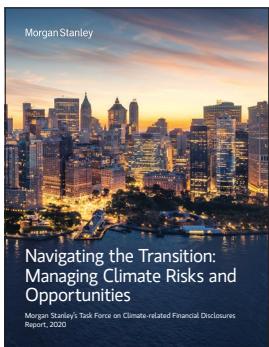
For more information, please see our [Annual Report on Form 10-K](#) for the year ending December 31, 2020 (2020 Form 10-K).

About This Report

Morgan Stanley's annual sustainability report focuses on investor-relevant environmental, social and governance (ESG) topics and goals. The Sustainability Accounting Standards Board (SASB) standards for Investment Banking, Asset Management and Commercial Banking guide the report's data, narrative and content. See page 52 for a detailed SASB index.

Morgan Stanley seeks to bring a comparable level of rigor to the firm's sustainability-related reporting as to other public disclosures. This includes review by a Sustainability Disclosure Committee, which convenes senior leaders from across the firm to provide input on, review and approve corporate sustainability disclosures, as well as internal reconciliation of all facts and figures.

We work to continually improve our reporting and disclosure, and in 2020 published our first stand-alone Diversity and Inclusion Report and first dedicated Task Force on Climate-related Financial Disclosure (TCFD) report.



For full and transparent information across all aspects of our sustainability performance, please see the following complementary disclosures:

- [2021 Proxy Statement](#), pages 28–29
- [2020 Form 10-K](#), for sustainability information relevant to the SASB framework, including with respect to human capital management
- [2020 TCFD Report](#)
- [2020 Diversity and Inclusion Report](#)
- [Sustainability pages of our website](#)
- [2020 CDP climate-change questionnaire response](#)
- [Morgan Stanley Environmental & Social Policy Statement](#)
- [Morgan Stanley Statement on Human Rights](#)
- [Morgan Stanley Modern Slavery and Human Trafficking Statement](#)
- [Supplier Code of Conduct](#)
- [Morgan Stanley Investment Management's \(MSIM\) response to the Principles for Responsible Investment \(PRI\) reporting framework](#)



See page 52 for a detailed SASB index in line with the standards for Investment Banking, Asset Management and Commercial Banking.



Our Pandemic Response

Responding to the COVID-19 pandemic, Morgan Stanley took unprecedented action to keep our people safe and healthy, our business running smoothly, our clients well-served, and our communities supported. Chairman and CEO James Gorman's first response was to pledge to all employees across the world that their jobs were secure for 2020. This commitment extended not only to our own employees, but also to the employees of vendors who provide the firm with essential services, such as security guards and cafeteria workers.

Keeping our People Safe and Healthy

To make work and life as manageable as possible, we provided wide-ranging support for all our people globally, including:

- Free 24/7 telemedicine visits for safe, convenient care from home, including focused second opinion services for individuals who had a procedure canceled or postponed due to COVID-19, 100% coverage for COVID-19-related diagnostic testing and treatment and expanded mental health resources
- Increased flexibility, alternative arrangements and modified schedules to support remote working, including options for COVID-19 leave and vacation carryover
- Enhanced subsidized backup care for children and adult family members
- Discounts on tutors, learning pod instructors and online education programs to support children's learning
- Discounts on PPE supplies, home office and school supplies, and furniture
- For U.S. employees and their families hard-hit financially, the ability to adjust Dependent Day Care Flexible Spending Account paycheck contributions and access to 401(k) funds
- COVID-19 Response Line through our Human Resources department to provide employees with a single point of contact for all COVID-related questions and to coordinate contact tracing, case investigation and case management

We have a return-to-workplace program, which is based on role, location and employee willingness and ability to return and focused on the health and safety of all staff. For those going into the office, we require various measures, depending on location, such as health checks through a phone app, temperature screening and physical distancing for employees coming into the office, and have restricted firm-hosted events, business travel, client and visitor admittance, among other measures. The timeline for returning to the office will vary by country, depending on infection and vaccination rates, and on public health authority recommendations and local jurisdiction mandates. See [pages 44–45](#) for more on our approach.

Supporting our Clients

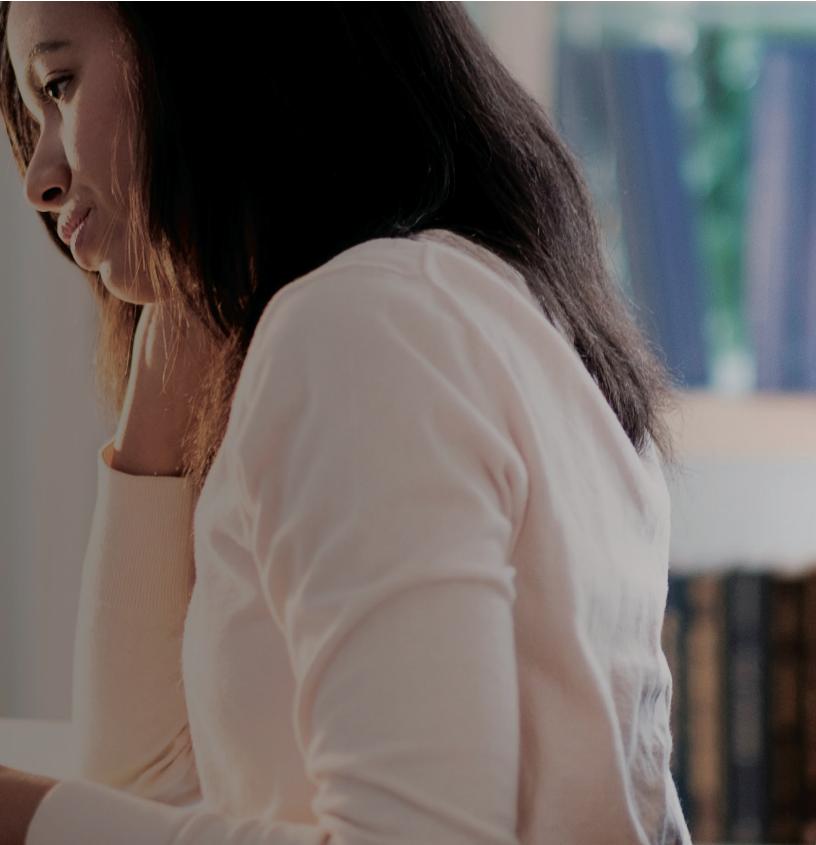
Due to our robust business continuity program, our global operations remained fully effective despite the unprecedented shift to approximately 90% of staff working remotely at different points in time. To help our clients and investors navigate the economic disruption and market volatility, we launched an online [COVID-19 Resource Center](#). This combines information to stay connected with Morgan Stanley from home, with updates on government interventions such as the Coronavirus Aid, Relief, and Economic Security Act and COVID-related market insights for investors.

Our core focus throughout the year was to ensure we supported our clients as they navigated financial challenges and to be responsive to their needs. Our Institutional Securities business delivered advice and raised over \$50 billion in capital for the industry sectors most affected by the pandemic including air travel, lodging and leisure. Within Wealth Management, our Financial Advisors adapted quickly, leveraging technology to communicate with clients to deliver advice and manage individual investment portfolios amid the extreme volatility. In Investment Management, our portfolio managers delivered strong investment performance for our clients, particularly some of our actively managed equity funds.

Our business activity included a number of transactions that aim to address COVID-19 recovery. For example, we supported a number of sustainability and social bonds including first-of-their-kind issuances by Pfizer to support patient access to medicines and vaccines, especially among underserved populations, and by Cassa depositi e prestiti S.p.A (CDP) to help Italy fight the pandemic (see [page 21](#) for details). We also acted as sole bookrunner pricing a \$1.34Bn equity offering for Moderna. The capital will help Moderna develop mRNA therapeutics and vaccines for a wide range of diseases, including COVID-19.



To help our clients and investors navigate the economic disruption and market volatility, we launched an online COVID-19 Resource Center.



Supporting our Communities

Rising to meet the needs of our communities, Morgan Stanley delivered more than \$90 million in 2020 in response to COVID-19, the related economic fallout and the racial justice movement. This included dedicating a number of grants to organizations fighting hunger, supporting disease control and channeling financial aid to the most vulnerable people, particularly low wage earners. Our employees actively supported our efforts, with more than 10,000 participating in our COVID-19 Hunger Relief and NAACP Legal Defense Fund Social Justice Campaigns.

In New York, where our global headquarters is located, we contributed to the New York Loan Fund that assists small businesses, nonprofits and small landlords that did not receive federal assistance and provided financial assistance to 2,000 street vendors across the city who were suffering business losses.

10,000

employees participated in our COVID-19 Hunger Relief and NAACP Legal Defense Fund Social Justice Campaigns

11,000

employees in 440+ cities walked nearly 240 million steps to raise awareness of hunger globally exacerbated by COVID-19

25M

meals were supported through 24 global hunger relief organizations as part of our Move for Meals campaign

Approach to Sustainability

Morgan Stanley partners with clients and stakeholders to mobilize capital at scale to tackle sustainability challenges such as climate change and inequality. We are committed to delivering ESG innovation alongside long-term value for clients and shareholders.

OUR SUSTAINABILITY MILESTONES

2009	2013	2015	2017	2018	2019	2020
Global Sustainable Finance group (GSF) formed	James Gorman establishes Institute for Sustainable Investing	Morgan Stanley issues inaugural green bond	Morgan Stanley appoints first Chief Sustainability Officer	Morgan Stanley commits to mobilizing \$250Bn toward low-carbon solutions by 2030	Morgan Stanley launches the Plastic Waste Resolution	Morgan Stanley commits to reaching net-zero financed emissions by 2050

Morgan Stanley was an early mover in the mainstream market, having established our dedicated sustainability focus over a decade ago. Our strategy focuses on integrating sustainability into our core businesses and support functions through extensive partnerships between teams across our businesses. We execute innovative solutions for our clients that address complex ESG issues and drive revenue opportunities. We also take a responsible, transparent and proactive approach to sustainability in our operations and disclosure (see [About This Report](#) and [Highlights](#), on pages 12 and 13).

SUSTAINABILITY ACTIVITY AT MORGAN STANLEY IS ORGANIZED ACROSS THREE PILLARS



Solutions and Services

Delivering innovative sustainable finance and investing products and services for clients, and mobilizing capital to drive progress on complex global challenges such as climate change, inclusive growth and the circular economy.



The Institute for Sustainable Investing

Accelerating the adoption of sustainable investing strategies across the capital markets by leveraging the firm's expertise to foster innovation, deliver actionable analysis for investors and develop the next generation of leaders in the field.



Firmwide Sustainability

Integrating ESG into our business practices and operations, such as our climate change strategy, proactive ESG risk management, our culture and people management, diversity and inclusion, and stakeholder engagement.

Effective governance, ethical business conduct and support for our skilled workforce underpin our business success and our approach to sustainable investing and finance. Strong ESG performance helps us reduce risk and enhance value for our stakeholders. Our firm's core values guide our sustainability strategy to deliver results today while doing our part to contribute to a sustainable future.

We also pursue three thematic sustainability priorities across our business activity, thought leadership and operations: climate change, inclusive growth and plastic waste. In 2020, despite the global pandemic, we raised our sustainability ambitions and expanded our global activities and offerings. Highlights of our strategy in action during the year are shown on [pages 12–13](#) and throughout this report.

Sustainability Highlights 2020

FIRMWIDE GOALS

PLASTIC WASTE RESOLUTION

Morgan Stanley

PLASTIC WASTE RESOLUTION

In 2020, we helped facilitate the prevention, reduction and removal of over **5 million metric tons of plastic waste** from entering rivers, oceans, landscapes and landfills, making progress toward our goal of 50MM by 2030.

LOW-CARBON FINANCING GOAL



clean tech financing • renewable energy financing
green bonds • low-carbon investments • other

PRODUCTS & SOLUTIONS

INSTITUTIONAL SECURITIES GROUP

~\$65Bn
green, social and
sustainability bonds in
2020; nearly \$150Bn
since 2013



Hedged ~1,400 MW
for new build renewable
projects through our
commodities desk

INVESTMENT MANAGEMENT

>700
engagements with
companies on
ESG issues

A+/A
across Principles for
Responsible Investment
(PRI) Score Card

WEALTH MANAGEMENT

~\$55Bn
in client assets invested on our Investing with
Impact platform



of our Financial Advisors use
at least one Investing with
Impact investment strategy
with their clients



of our Financial Advisors use five
or more Investing with Impact
investment strategies with
their clients

COMMUNITY DEVELOPMENT FINANCE (2010–2020)

\$24Bn
committed in community development loans
and investments



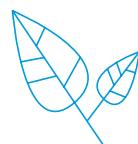
\$373MM committed in
small-business loans



198,000+ jobs created
or retained

SUSTAINABILITY AT WORK

CLIMATE-RELATED TARGET



100%
Carbon Neutral
by year-end 2022

Development of a new wind farm will account for **30%** of Morgan Stanley's global carbon footprint

RESOURCE MANAGEMENT TARGET



100%
Reduction of Single-Use Plastics
by year-end 2024

88% progress achieved

SUPPLY CHAIN TARGET



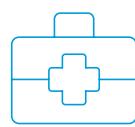
90%
Supplier Agreement
by year-end 2022

76% committed to ESG values outlined in our Supplier Code of Conduct

For more information on our Sustainability at Work Program, visit our [website](#).

FIRMWIDE SUSTAINABILITY

BUSINESS CONTINUITY MANAGEMENT



Reacted to **13** extreme weather and natural hazard events

GENDER REPRESENTATION



4 of 14 of our Board Directors are women



of our officers¹ globally are women



of our global employees are women

¹ "Officer" includes Managing Directors, Executive Directors and Vice President

Our Thematic Focus Areas

Economies around the world are facing pandemic-related challenges, entrenched societal inequities and the urgent need to transition to a low-carbon economy. Leaders in business and finance must work with governments to move in the right direction. For our part, Morgan Stanley is prioritizing activity that tackles climate change, advances inclusive growth and addresses the plastic waste crisis.

Catalyzing the Low-Carbon Transition

Morgan Stanley recognizes the significant potential for climate change to impact our clients, investments, operations, employees and local communities. For over a decade, we have embraced opportunities to support climate change mitigation and adaptation, working alongside these stakeholders and with governments. In September 2020, we became the first major U.S.-headquartered financial services firm to commit to achieving net-zero financed emissions by 2050.

Our climate strategy encompasses our products and solutions, governance and risk management, operations and reporting (see graphic below).

To support the transition to a low-carbon economy, we aim to mobilize \$250 billion toward low-carbon solutions by 2030, and raised \$210 billion 2018–2020. Our sustainable business activity continues to grow. Morgan Stanley Institutional Securities, Wealth Management and Investment Management are driving climate change innovations across financial products and solutions, with examples showcased throughout this report. Our Institute for Sustainable Investing drives thought leadership in the field (see [pages 32–37](#)).

In 2019, we strengthened our firmwide management and oversight of climate risk, and in 2020 published our first report dedicated to the TCFD. Reflecting our commitment to transparency, we also joined the Partnership for Carbon Accounting Financials (PCAF) Steering Committee. For more on our climate risk governance, strategy and metrics, read our [TCFD report](#).

MORGAN STANLEY'S CLIMATE CHANGE STRATEGY

TRANSITION TO A LOW-CARBON ECONOMY	CLIMATE RISK	OPERATIONAL RESILIENCE	TRANSPARENCY
<ul style="list-style-type: none"> First major U.S.-headquartered global financial services firm to commit to achieve net-zero financed emissions by 2050 Commitment to mobilize \$250Bn to support low-carbon solutions by 2030 	<ul style="list-style-type: none"> Climate change considerations integrated into the firm's risk management and governance processes under the Chief Risk Officer Climate risks overseen by the Risk Committee of the firm's Board of Directors 	<ul style="list-style-type: none"> Carbon neutrality across global operations by 2022 Source 100% of global operational electricity needs from renewable sources 	<ul style="list-style-type: none"> Only major U.S.-headquartered global financial services firm on Partnership for Carbon Accounting Financials (PCAF) Steering Committee TCFD report published in 2020 



ENHANCING OPERATIONAL RESILIENCE, SHRINKING OUR CARBON FOOTPRINT

Morgan Stanley manages operational sustainability efforts through our Sustainability at Work program that was launched in 2019. Through this program, the firm seeks to continuously reduce water and paper use, divert landfill, eliminate single use plastics, minimize energy and more across our global footprint in collaboration with our vendor partners and employees.

With offices in 39 countries, our operations and business face potential risks from current and future climate impacts. To strengthen our resilience and shrink our carbon footprint, we aim to achieve carbon neutrality across our global operations and business travel by 2022. To achieve this, we are working to source 100% of our energy needs from renewable sources like wind and solar power.

In September 2020, we announced a commitment to finance the development of a new wind farm in central Illinois. This clean energy plant will bring significant additional renewable energy to the North America electrical grid. The power generated will account for 52% of Morgan Stanley's electricity consumption, and 30% of our carbon footprint globally, helping us work toward 100% renewable electricity by 2022.

For more details on our operational climate footprint, see our [2020 TCFD Report](#) and [2020 CDP Climate Change Questionnaire Response](#).



Morgan Stanley supports the UN Sustainable Development Goals (SDGs), which increasingly inform our firmwide approach to sustainability. We believe this global blueprint for achieving a sustainable future enables the private sector to better understand key societal challenges and drive solutions. According to the UN Commission on Trade and Development, meeting the SDGs by the 2030 deadline will require up to \$7 trillion in investment each year, creating compelling opportunities for companies and investors.

Our Plastic Waste Resolution aims to catalyze solutions relevant to SDG 6 (Clean Water and Sanitation), 12 (Responsible Consumption and Production) and 14 (Life Below Water). Our climate change goals, including our commitment to achieve net-zero financed emissions by 2030, aim to advance solutions relevant to SDGs 7 (Affordable and Clean Energy) and 13 (Climate Action). The Morgan Stanley Social Bond aims to contribute directly to SDG 11 (Sustainable Cities and Communities) and indirectly to SDG 1 (No Poverty) and SDG 10 (Reduced Inequalities). Other SDG-relevant products and services are featured throughout this report.

In September 2020, we became the first major U.S.-headquartered financial services firm to commit to achieving net-zero financed emissions by 2050.

Fostering Inclusive Growth

Inclusive growth is an imperative for governments and a core focus of Morgan Stanley's sustainability strategy, solutions and services. We define inclusive growth as economic gains that are broad-based, sustainable and provide opportunity across all participants in the economic system. Diversity and Inclusion (D&I) is a key component. We seek to foster inclusive growth both within our firm and by delivering commercial solutions to clients that support pandemic recovery, affordable housing, community development, small business assistance and more.

In 2020, Morgan Stanley issued a \$1Bn social bond—our first—to support affordable housing across the United States. These projects will support individuals and families on low- or moderate incomes, many of whom are struggling to meet housing costs in the pandemic-affected economy. The bond brings to life our new [Social Bond Framework](#), designed to contribute directly to SDG 11 (Sustainable Cities and Communities) and indirectly to SDG 1 (No Poverty) and SDG 10 (Reduced Inequalities).

The Social Bond supports the affordable housing initiatives of Morgan Stanley's Community Development Finance group, which seeks to create lasting positive changes in U.S. communities by executing transactions focused on healthy communities, equitable transit, economic development and more (see [pages 30–31](#)).



COMMERCIAL SOLUTIONS AND OPERATIONS

In 2020, our Global Capital Markets group led several first-of-a-kind social and sustainability bond issuances to address COVID-19 and inequity. These included the following (see more on [pages 20–21](#)):

- Inaugural social bonds from the Ford Foundation, MacArthur Foundation and Doris Duke Charitable Foundation—each extending grants to nonprofits to address recovery and social equity in communities hard-hit by coronavirus
- Alphabet's \$5.75Bn sustainability bond, which channels capital into affordable housing, racial equity measures and small businesses in Black communities

Our Wealth Management business offers implementation resources focused on Diversity, Equity & Inclusion (DEI) for Financial Advisors and their clients. Since 2015, Wealth Management has offered investment products featuring diverse asset management firms (defined as 50% ownership by women or people of color). Further, we survey all asset managers across Morgan Stanley Wealth Management's open architecture platform on a range of DEI questions. In addition, we provide thematic implementation resources, such as our Gender Equality Investing Tool Kit (2016) and our Racial Equity Investing Tool Kit (2020). Today, we have over 70 products across a continuum of investment approaches as part of the Racial Equity Investing Tool Kit's proprietary investing framework. We expect the universe of investable opportunities to continue to grow given client interest and the addition of the new Diversity & Inclusion Investment Office, focused on increasing the pipeline of DEI investment products. Finally, the Morgan Stanley Impact Quotient® application enables our clients to evaluate their investment portfolios along impact considerations and make investment decisions based on their unique impact goals, including diversity in leadership and gender equity (see also [page 25](#)).

At Morgan Stanley Investment Management, teams consider D&I in conducting due diligence across asset classes, and encourage investee companies to support greater diversity and inclusion across their value chains, pay equity and representation (see also [page 28](#)).

We also invest directly in diverse start-ups through the [Morgan Stanley Multi-Cultural Innovation Lab](#) which supports minority and female entrepreneurs with an intensive five-month accelerator program. (For more information, see page 30 of our [2020 Diversity and Inclusion Report](#)).

For information on Morgan Stanley's longstanding [Supplier Diversity Program](#), and how we embed D&I in human capital management, see [page 38](#) and our [2020 Diversity and Inclusion Report](#).



Addressing the Plastic Waste Challenge

Plastic waste is a significant global environmental issue. In 2019, Morgan Stanley announced the [Plastic Waste Resolution](#) to help facilitate the prevention, reduction and removal of 50 million metric tons of discarded plastic from rivers, oceans, landscapes and landfills by 2030. Led by the Institute for Sustainable Investing (the Institute), our efforts include activities by each business and our global operations, as well as partnerships and external capacity-building initiatives. Summarized below, these activities engage employees across the firm, and leverage Morgan Stanley's strengths and activities across the capital markets. Our ultimate goal, working with clients and partners, is to help shift the global economy to one in which the value of plastic is fully captured rather than wasted.

Through 2020, Morgan Stanley supported the prevention, removal or reduction of over 5 million metric tons of plastic waste from entering the environment and landfills. We incorporate relevant transactions and operational activities in calculating our progress. While we believe research, thought leadership and capacity building also contribute to our goal, we do not attempt to estimate their impact in tonnage.



COMMERCIAL SOLUTIONS AND OPERATIONS

Our Global Capital Markets team underwrites green, sustainability and blue bonds, which finance plastics recycling and recovery projects, as well as additional innovative financing structures to deliver impact. In 2020, these efforts with clients included:

- Joint bookrunning Coca-Cola Femsa's \$705MM green bond, the largest ever for a Latin American corporation; the deal will help the company meet its plastics commitments including to use 50% recycled PET in its packaging
- Serving as green structuring agent for VF Corporation's €500MM green bond, which will involve the apparel and footwear company purchasing fabric containing at least 50% recycled-content nylon and polyester, among other projects
- Serving as capital markets advisor to Live Oak Acquisition Corporation in its business combination with Danimer Scientific, a bioplastics firm

In addition to the nine Investing with Impact portfolio solutions which focus on a range of sustainability themes (see [page 25](#) for more details), in 2019 Morgan Stanley Wealth Management introduced a suite of six model portfolios that seek to positively influence SDG 14 on Life Below Water. In 2020, client assets invested in the strategies reached over \$300MM with an average account size of approximately \$130,000.

The circular economy and waste reduction is also a key stewardship theme for Morgan Stanley Investment Management (see [page 26](#) for more details).

Across our global operations, we made significant progress in 2020 toward our target of eliminating single use plastics, which we aim to achieve by 2024. Our offices continued to switch to recyclable metals and paper options.

PARTNERSHIPS AND CAPACITY BUILDING

We work with business coalitions, NGOs and research organizations to combat the plastic waste crisis. In 2020, we partnered with the National Geographic Society to develop educational resources for local communities, and joined global coalitions including the World Economic Forum's Global Plastic Action Partnership and the Ellen MacArthur Foundation network. With the University of Georgia and National Geographic Society, we supported the Marine Debris Tracker mobile app, which harnesses citizen science to gather data on how plastic debris impacts coastlines and waterways.

In addition, we introduced a prize for investment solutions combating plastic waste to our popular annual Sustainable Investing Challenge (see [page 33](#)).



Solutions and Services

Morgan Stanley's three businesses advance our sustainability priorities by driving innovation and transformational progress across global capital markets. Our goal is to be the financial services partner of choice to create sustainable, long-term value for clients. We have a proven track-record of developing innovative financial solutions and advisory services designed to deliver both competitive financial returns and positive impact. In 2020, Euromoney named Morgan Stanley the Best Bank for Sustainable Finance in North America.

Institutional Securities

Institutional Securities uses the scale and speed of capital markets to generate positive environmental and social benefits for innovative companies. Teams across the business—from Global Capital Markets to Public Finance, Investment Banking, Sales & Trading and Research—work with clients to meet these objectives.

IMPACT BY THE NUMBERS

~\$150Bn

green, social, sustainability and sustainability-linked bond transactions supported in 2013–2020, including more than **nearly \$65Bn** in 2020

~1,400 MW

hedged in 2020 for new-build renewable projects and nearly **400MW** for existing renewable projects through our commodities desk

~250

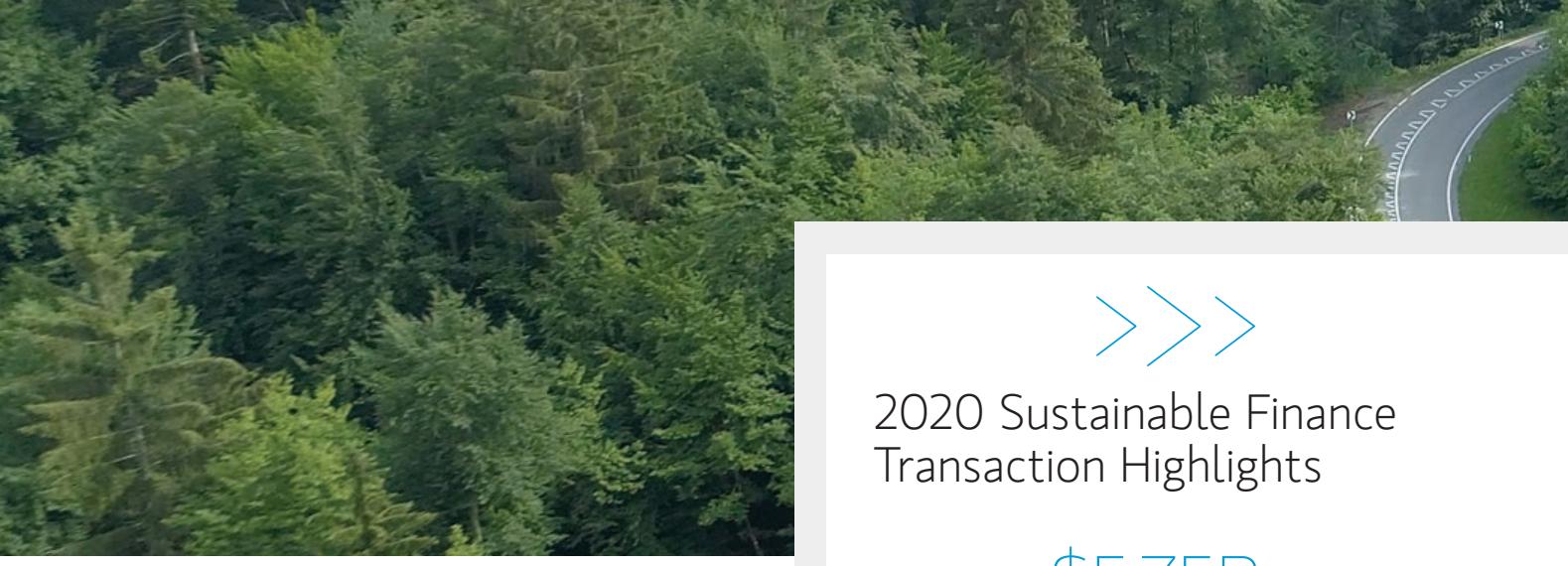
reports, videos and podcasts published by our Global Sustainability Research team in 2020

CASE STUDY

SUPPORTING CONSCIOUS CAPITALISM THROUGH VITAL FARMS

In July 2020, Morgan Stanley priced Vital Farms' IPO, serving as joint lead bookrunner and stabilization agent. The family-founded company is the leading U.S. brand of pasture-raised eggs and butter, and the second largest U.S. egg brand by retail dollar sales. The company's purpose is rooted in a commitment to "Conscious Capitalism," which prioritizes the long-term benefits of all stakeholders including farmers and suppliers, customers and consumers, communities and the environment, crew members and stockholders. It is a certified B Corporation, further highlighting its commitment to positive environmental and social impact.





2020 Sustainable Finance Transaction Highlights

\$5.75Bn

Supported the largest-ever corporate sustainability bond for Alphabet with proceeds allocated to environmental projects focused on climate mitigation and social projects focused on affordable housing, racial equity and support for small businesses in Black communities.

\$10.7MM

Senior managed the City of Hampton's \$10.7MM Environmental Impact Bond, which will fund green infrastructure projects that aim to provide flood mitigation to low-to-moderate income and minority census tracts, by increasing the available stormwater storage capacity in those communities. Eligible projects must align with one of the following SDGs: **SDG 1, SDG 11, SDG 13 and SDG 14**.



\$1Bn

Joint-led the issuance of a \$1Bn social bond for the Ford Foundation to stabilize and strengthen nonprofit organizations, and provide aid to vulnerable communities hard hit by the pandemic and economic fallout. The bond is the first offering by a U.S. nonprofit foundation in the taxable corporate bond market.



Supported Pfizer's \$1.25Bn sustainability bond, the first-ever issued by a health care company, the proceeds of which will help manage the company's increased patient access to medicines and vaccines, especially among underserved populations.

€1Bn

Led the issuance of Cassa depositi e prestiti S.p.A's (CDP) bond, which reopened the market in Italy following its **COVID-19 outbreak**. Proceeds will help mobilize capital to support small businesses and local authorities contributing to the country's recovery, as well as health care facilities, medical equipment and public health technologies.

\$125MM

Served as sole manager for the John D. and Catherine T. MacArthur Foundation's first social bond, which focuses on addressing racial inequity and a range of COVID-19 impacts. The transaction aims to impact the following SDGs: **SDG 1, SDG 8, SDG 10** and **SDG 16**.



€500MM

Led the issuance of a sustainability bond in line with Mitsubishi UFJ Financial Group's updated green, social and sustainability bond framework. The first in Japan to channel funds specifically into combating COVID-19, it includes financing for medical care facilities and equipment as well as pharmaceutical companies focused on preventing the spread of infectious diseases.

£4.2Bn

Advised Pennon Group in the sale of Viridor, a leading UK recycling and residual waste business that transforms waste into energy, high-quality recyclables and raw materials, to KKR for an enterprise value of £4.2Bn.

€2.4Bn

Supported a green convertible bond issued by Électricité de France (EDF), a leading French multinational utility and renewables business, with proceeds from the financing to support green energy projects, including the development of renewable energy.



Served as sole bookrunner on concurrent ~\$375MM green bond and ~\$144MM green convertible bond offerings for Hannon Armstrong, a leading provider of capital to companies operating in energy efficiency, renewable energy and sustainable infrastructure markets.

\$3.2Bn

Supported Vivint Solar, a full-service residential solar provider, in its sale to Sunrun, the leading provider of residential solar, battery storage and energy services.

\$75MM

Led the issuance of BlueHub Capital's social bond financing high-impact projects in low-income U.S. communities, demonstrating Morgan Stanley's continued leadership in the CDFI bond market.



Served as senior manager for the City of Phoenix's \$228MM sustainability bond, which will help finance the Colorado River Resiliency project to improve the resiliency of the city's water system, and protect against future droughts. It maps to the following SDGs: **SDG 6, SDG 11** and **SDG 13**.



LEADING ON SUSTAINABLE BOND INNOVATION

2013	2015	2017	2018	2019	2020
Supported first corporate green bond	Issued our first green bond to finance energy efficiency and renewables	Priced the first public market bond for a U.S. community development financial institution	Underwrote one of the first blue bonds, focused on ocean conservation	Supported the first sustainability-linked bond, which targets SDG 7 (Affordable and Clean Energy)	<ul style="list-style-type: none"> • Issued our first social bond to support affordable U.S. housing • Served as bookrunner for the first U.S. green convertible bond

Debt Capital Markets

Morgan Stanley has a long track record (see timeline above) of issuing and supporting first-of-their-kind bonds that raise capital for positive environmental and societal impact. In 2020, we continued to collaborate with corporates, financial institutions, supranationals, sovereigns, agencies, municipalities and nonprofits to structure innovative financing solutions for complex sustainability challenges.

Our broader goal is to help the growing sustainable finance market become more inclusive while preserving its transparency and integrity. We help steer the market's development as a member of the advisory council for the Green Bond Principles and Social Bond Principles.

In the past year, we doubled down on our efforts to address pressing social issues (see table). We worked with clients to drive capital to initiatives that aim to democratize access to health care and support hard-hit and vulnerable communities in response to the pandemic and the movement for social justice. Financing for low-carbon solutions that advance SDG 7 and SDG 13 also remains a global priority. All green bonds we led in 2020 used their proceeds in part for decarbonization and/or clean energy.

Equity Capital Markets

In 2020, our Equity Capital Markets group delivered innovative financing solutions for multiple clean energy and technology issuers. We acted as a capital markets advisor in several special purpose acquisition company mergers that brought early-stage clean energy and clean technology firms to the public markets. This included transactions with Stem, a leader in AI-driven clean energy storage systems, and Danimer Scientific, a developer and producer of fully biodegradable and compostable bioplastics.

Public Finance

In the U.S. municipal and not-for-profit bond market, Morgan Stanley continues to lead the market with more senior managed green, social and sustainability bonds than any other underwriter. In 2020, we continued to fund infrastructure projects and not-for-profit organizations that will bring environmental and social benefits to communities around the United States. Sectors included mass transportation, climate resiliency, sustainable water and wastewater, green buildings, cultural institutions, education facilities and community development finance projects.



Morgan Stanley was named **Manager of the Year, U.S. Municipal Sustainability Bonds and U.S. Municipal Social Bonds** by Environmental Finance.

In 2020, social issues came to the forefront of market activity for Morgan Stanley's Public Finance group. For example, we structured inaugural social bonds for the Ford Foundation, MacArthur Foundation and Doris Duke Charitable Foundation—each focused on expanding grant making to address COVID-19 impacts and social equity in communities hard hit by coronavirus (see transaction table on [page 21](#)). We also built on our leadership in facilitating investment-grade bond offerings for Community Development Finance Institutions (CDFIs) by underwriting BlueHub Capital's \$75 million inaugural public bond offering. As social bonds surged, we supported inaugural issuances for single-family affordable homeownership programs in Florida, Rhode Island and New York.

The Public Finance group also led a number of landmark green and sustainability bond transactions. The group's \$950 million Brightline Florida bond offering funds America's first privately funded, high speed, inter-city rail service. Transactions for the City of Phoenix, Arizona and the City of Hampton, Virginia each addressed resiliency issues related to their particular communities and incorporated enhanced outcome reporting (see transaction table for details).

Sales and Trading

Our Sales and Trading franchise integrates ESG insights, data and analytics to deliver products, solutions and services to institutional clients. In 2020, our Institutional Equities Division partnered with Global Sustainable Finance to establish thematic sustainability baskets for clients using a range of ESG information. These baskets identify companies with revenues derived from products and services that advance sustainability topics. They also take into account companies' exposure to specific issues or business practices, their environmental intensity (such as for carbon or water) and their performance on key thematic metrics. Sustainability themes are customizable based on client preferences, and can be used to implement a trading strategy or hedge a portfolio across asset classes.

COMMODITIES

Morgan Stanley Capital Group Inc. (MSCGI) supports renewable energy deployment across the United States. The team provides offtake agreements and hedging products for wind farms and solar installations, providing stable cash flows for developers to complete financing and construction. In 2020, MSCGI provided long-term hedging transactions across Texas, California and the Midwest totaling nearly 1,400 MW of nameplate capacity for new build renewable projects and nearly 400 MW for existing renewable projects. For example, MSCGI executed two virtual power purchase agreements to finance construction of two wind farms that will support Morgan Stanley's carbon neutrality goal (see also [page 15](#)).

Financing and Advisory Services

Our Investment Banking Division (IBD) teams increasingly advise clients and mobilize capital to support sustainability-focused businesses. Our industry, regional and country teams support corporations, financial institutions and government clients looking to execute innovative solutions that address sustainability challenges and help them meet sustainability goals. See the Vital Farms case study for our strategy in action.

Sustainability Research

When investors take sustainability considerations into account in their financial decision-making, the cumulative effect can make a difference across the global economy. To support ESG integration, Morgan Stanley analysts use a sustainability lens to conduct investment research across equities and fixed income. Our Global Sustainability Research team leads this work.

To provide actionable information to clients, Sustainability Research:

- Analyzes stock-specific material ESG factors. In 2020, we launched Morgan Stanley's ESG Indicator of Change to provide a simple snapshot of whether a company's ESG data is improving or declining year-on-year. Together with our sector analysts, the Sustainability Research team also identified specific stocks where ESG factors drive the investment case.
- Collaborates with fixed income sector strategists to report on development of ESG investing in relevant markets including ESG-labeled debt, securitized debt and emerging market sovereign credit.
- Publishes timely analysis on market-relevant ESG themes, risks and opportunities. 2020 highlights included research on decarbonization, sustainable consumption, the circular economy and inclusion. *The Future of Food: Complexities and Compromises* identified 10 key sectors within the agri-food industry that can support sufficient, low-carbon, healthy and sustainable food supply. Another report shed light on racial disparities in U.S. homeownership and assessed implications for the economy and public policy.
- Leverages our expertise and regional coverage to analyze the implications, risks and opportunities from regulatory changes. In 2020, our research included the EU Green Deal, China's net-zero target and the U.S. election.

Wealth Management

Individuals, families and institutions are seeking to make a positive difference in the world with their capital. Since 2012, Morgan Stanley Wealth Management Investing with Impact has delivered a range of investment products, portfolio solutions, tools and analysis for clients who seek to generate both market-rate financial returns and measurable, positive environmental and social impact.

IMPACT BY THE NUMBERS

~\$55Bn

in client assets invested on the Investing with Impact (IIP) platform, up ~62% from 2019



of Financial Advisors use at least one Investing with Impact investment strategy with clients



of Financial Advisors use five or more Investing with Impact investment strategies with clients

\$30+ Bn

in client assets with a Morgan Stanley IQ profile



CASE STUDY

ADDRESSING CLIENT DEMAND FOR RACIAL EQUITY INVESTING

In December 2020, the Investing with Impact team launched a Racial Equity Investing Tool Kit. The Tool Kit provides our Financial Advisors with educational materials and investment resources to implement clients' unique impact goals—from minimizing investment risks to advancing racial equity—across asset classes.

This timely Tool Kit builds on Investing with Impact's suite of thematic offerings supporting Diversity, Equity and Inclusion (DEI), such as a Gender Equality Investing Tool Kit launched in 2016, and a matrix of investment products from diverse-owned asset management firms established in 2015. In 2020, Wealth Management established a Diversity & Inclusion Investment Office focused on expanding access to diverse asset managers in addition to enhancing DEI metrics used to evaluate asset managers on our platform.

Investing with Impact

Through the Investing with Impact platform, clients have access to 15 Morgan Stanley Portfolio Solutions (MSPS) Impact Models, and more than 150 investment strategies plus additional customizable opportunities including restriction overlay screening. Investors can also opt to advance broad sustainability solutions or focus on particular issues such as mitigating climate change, supporting diversity and inclusion, or community economic development.

In addition to portfolio analysis, Investing with Impact provides clients with sustainability insights and cutting-edge tools. The MSPS Impact Models capture the firm's best thinking on asset allocation, manager selection, portfolio construction and risk management in a single unified managed account. Following a difficult first quarter, total client assets across the MSPS Impact Models reached over \$800MM in 2020, up 75% compared to 2019.

Morgan Stanley IQ

Morgan Stanley Impact Quotient® (Morgan Stanley IQ) is an award-winning¹ application that, together with traditional financial reporting, provides clients with the ability to track their progress against both financial and impact goals. It prioritizes our clients' impact preferences, enabling our Financial Advisors to analyze investment portfolios across multiple dimensions of impact covering over 100 social and environmental topics. Clients can evaluate their exposure to sectors, issues or business practices they may seek to avoid while also aligning with positive social and environmental goals. As a result, clients can gain deeper clarity into their investment portfolio and work with their Financial Advisor to develop a data-driven approach to further aligning their investments and values over time.

In 2020, we partnered with new data providers to enhance Morgan Stanley IQ capabilities to address growing client interest in gender equality, conservation and the circular economy. For example, clients can now learn how their portfolio aligns with corporate practices such as parental leave, flexible work options and achieving gender diversity in the workforce. They can also discover how their portfolio aligns with companies whose products and services support marine or land conservation, sustainable consumer products and access to clean water.

Equipping Financial Advisors

Investing with Impact trains the firm's Financial Advisors, Private Wealth Advisors, International Client Advisors and Institutional Consultants with tools and resources to better serve clients seeking to meet their financial and impact goals. Our educational ecosystem includes, but is not limited to, two-hour online curriculum, thematic implementation guides, publications covering the latest sustainable investing, seminars and year-round events. For example, in 2020, the Investing with Impact team engaged Financial Advisors through a number of virtual educational events on key sustainability topics.

To encourage excellence and leadership among our Financial Advisors, we introduced the Investing with Impact Director designation in 2018 for the firm's impact-focused practitioners. In order to achieve the designation, Financial Advisors must meet a rigorous set of requirements including continuing education requirements, an exam and a demonstrated track-record in implementing Investing with Impact products and solutions on behalf of clients. In 2020, we hosted our 6th Annual Investing with Impact Directors Gathering. Topics presented by internal and external experts included market trends, opportunities across asset classes, highlights on key sustainability themes such as climate change and DEI, and enhancements to Morgan Stanley IQ. We ended the year with 70 Investing with Impact Directors across all geographic regions.

¹ <https://www.businesswire.com/news/home/20191023005166/en/Morgan-Stanley-Wins-Three-Industry-Awards-from-Money-Management-Institute-and-Barron's-for-Innovation-in-Investment-Advisory-Solutions>

Investment Management

Morgan Stanley Investment Management (MSIM) is committed to ESG-informed investment decision-making across all asset classes to support the interests of our clients and their portfolios. We believe that ESG factors drive new investment opportunities and are a material contributor toward both risk mitigation and long-term investment returns. In addition, we leverage our influence as an investor to drive better investment performance alongside improved corporate sustainability practices and outcomes.

In March 2021, Morgan Stanley completed its previously announced acquisition of Eaton Vance Corp. and its subsidiaries, which include Calvert Research Management, widely recognized as an industry leader in responsible investing, and Parametric, a leading provider of customized, ESG and tax-managed solutions. The combination of MSIM and Eaton Vance offers high quality investment capabilities, delivered with an unwavering commitment to client service while complementing the sustainable investing capabilities developed across MSIM in recent years.

IMPACT BY THE NUMBERS

700+

engagements with companies in 2020 on sustainability issues ranging from decarbonization and climate risk to diverse and inclusive business practices

A/A+

ratings achieved throughout our Principles for Responsible Investment (PRI) scorecard



CASE STUDY

PRIVATE MARKETS CLIMATE STRATEGY SEEKS IMPACT

In 2020, our Alternative Investment Partners team launched a strategy to address critical climate-related issues including global warming and pollution, depleting natural resources and ecological diversity.

The \$110M globally diversified private markets offering represented a first-of-its-kind collaboration with one of the fund's strategic anchor investors, the Dominican Sisters, a group of affiliated women religious congregations. The fund will pursue investment solutions that include aid to marginalized communities disproportionately impacted by climate change.

The Global Climate Impact Fund will seek to deliver commercial, high impact solutions to our clients. It will target investments that result in measurable sustainability outcomes ranging from tons of GHG emissions offset and liters of water saved to reduction in air pollution levels.





MSIM Sustainability Governance

MSIM defines sustainable investing as a spectrum of practices that uses ESG information and criteria to deliver returns for clients and shape dedicated investment solutions.

Our portfolio managers and investment teams take the lead in implementing sustainability for their investment portfolios, supported by the Investment Management Sustainability team, the Investment Management Sustainability Council, and Morgan Stanley's world-class resources, including the Institute for Sustainable Investing. The Sustainability Council is composed of senior, cross-functional business and investment leaders who oversee and guide Investment Management's support for the sustainable investment strategies of each business.

In 2020, we appointed a Global Head of Sustainability for Investment Management to lead a centralized Sustainability team that implements our sustainability business efforts and governance processes, and supports and partners with MSIM investment teams on enhancements to their ESG investment integration standards. The Sustainability team also helps launch thematic sustainable funds, advises clients and produces sustainability data, tools and research to support our investment teams. In addition, the team partners with the Sustainable Investing leads for each of our investment platforms to coordinate global sustainable investing initiatives, enhance ESG integration practices and deliver best-in-class sustainability products and solutions. Our Sustainability team includes the Global Stewardship function, which supports and, where relevant, coordinates our stewardship and investee engagement activity.

During 2020, Investment Management also appointed Heads of Sustainable Investing for our Real Assets and Fixed Income platforms.

Driving Sustainability through Engagement

Active ownership is the hallmark of our approach to investing. As active managers and long-term investors, 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.

Our investment teams typically take a bottom-up approach to selecting engagement topics, focusing on those most material to a particular holding. We recognize that some environmental and social issues can cause systemic risk to the economy and capital markets, and can even pose an existential threat. In 2020, we prioritized the four strategic focus areas shown below for our thematic research, company engagement and asset stewardship. These themes touch all our investment teams to some degree, depending on asset class, geography and investment style and strategy.

In 2020, we voted at over 6,000 meetings and on more than 65,000 proposals. MSIM supported 40% of all shareholder proposals globally with the highest rates of support for shareholder proposals related to political lobbying and spending, climate change and board and employee diversity.

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

Advocating for Diversity and Inclusion as Shareholders

Diversity and inclusion is a priority for engaging our portfolio companies. For the software and technology sector, in particular, studies show it can impact productivity, innovation and employee satisfaction. Over the past two years, as part of our regular engagement with a large U.S.-based software company, the Global Stewardship team probed the portfolio company's evolving diversity and inclusion strategy and supporting disclosures. The Global Stewardship team chose to focus on this topic, not only because of its materiality to the sector, but also because it had identified opportunities for improvement in the company's diversity and inclusion disclosures, and the company faced two consecutive shareholder proposals requesting improved disclosures.

In 2019, the portfolio company described initiatives it was undertaking to improve workforce diversity and inclusion, but without the data-driven disclosures that enable investors and other stakeholders to track their effectiveness. After the portfolio company remained reluctant to issue further disclosures, we supported two consecutive shareholder proposals requesting additional data to track projects by efficacy and progress. We will continue to advocate as shareholders until the company further improves its D&I disclosures.



OUR FOUR STRATEGIC FOCUS AREAS

DECARBONIZATION & CLIMATE RISK

Supporting the transition to a low-carbon economy and net-zero alignment

CIRCULAR ECONOMY & WASTE REDUCTION

Supporting business models that reduce impact on natural resources and that reduce waste generation

DIVERSE & INCLUSIVE BUSINESS

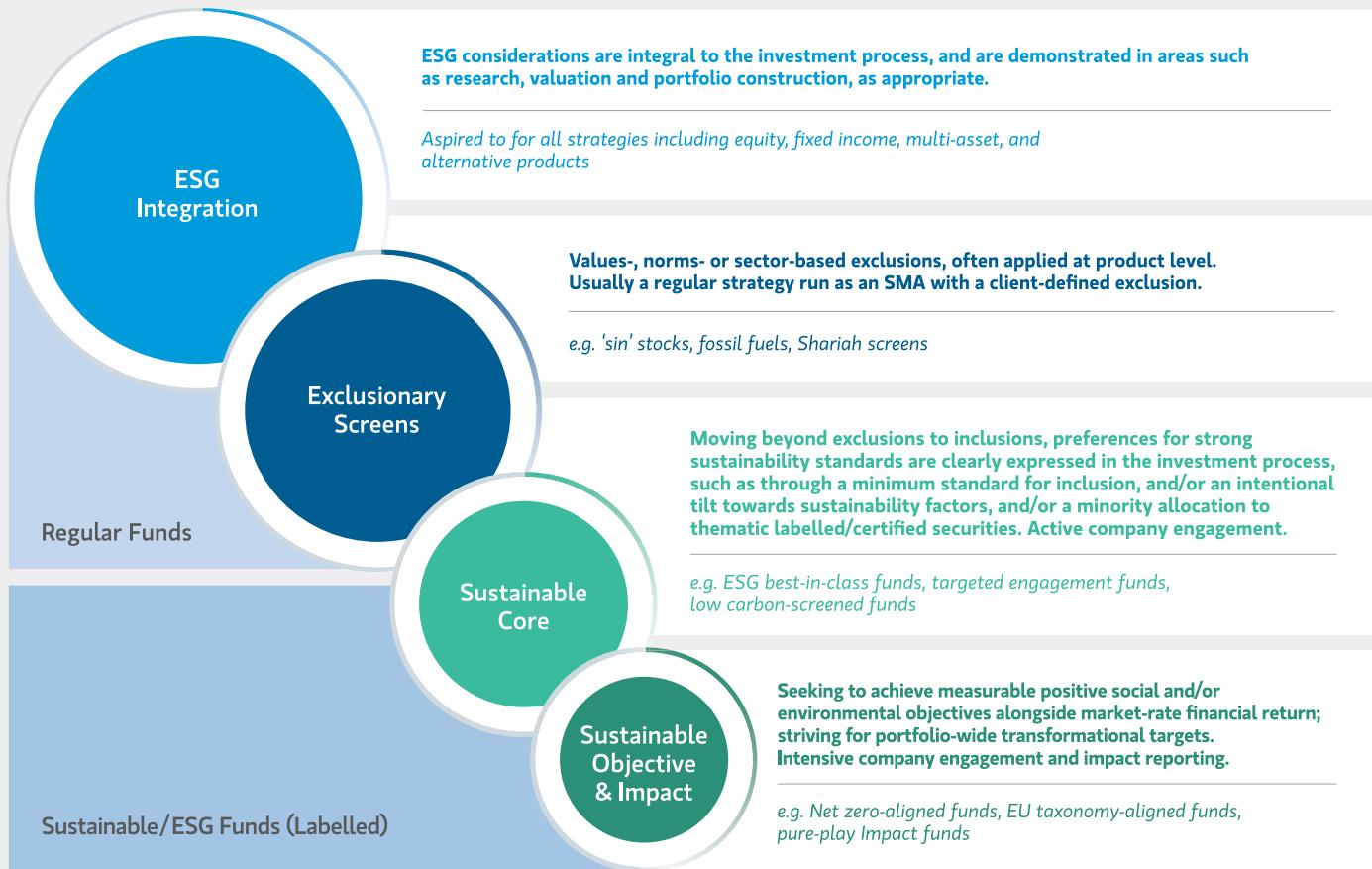
Supporting businesses and business practices that create a more just, equitable and inclusive society

DECENT WORK & RESILIENT JOBS

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

MSIM's Sustainable Investing Spectrum

INCORPORATING SUSTAINABILITY ACROSS ALL INVESTMENTS AND ASSET CLASSES



ENGAGEMENT, VOTING AND STAKEHOLDER MANAGEMENT ARE EMBEDDED IN ALL THAT WE DO

Building ESG into Client Portfolios

Each of our investment platforms integrate materially relevant sustainability risks and opportunities into their investment decision-making process. This includes due diligence and research, valuation, asset selection, portfolio construction and ongoing investment monitoring.

We offer clients options ranging from funds that integrate ESG factors throughout the investment process to MSIM-labeled Sustainable Funds that seek to achieve attractive financial returns alongside positive environmental and/or social impact (see graphic). In 2020, we expanded our MSIM-labeled Sustainable Fund suite, adding new strategies across our Fixed Income, Multi-Asset, Private Equity and Active Fundamental Equities platforms.

These included our new Private Markets climate strategy (see case study on [page 26](#)) and our Multi-Asset Net-Zero Aligned Strategy. The latter, launched by our Global Balanced Risk Control team, seeks to maximize returns across asset classes with an equity exposure geared toward holdings that support the transition to a net-zero carbon economy, in line with the Paris Agreement.

For more information on our client-driven approach to Sustainable Investing, download the [Investment Management Sustainable Investing Policy](#).

Community Development Finance

Morgan Stanley creates investment opportunities that attract both philanthropic and private capital to create lasting positive changes in communities across the United States. Our U.S. banks have consistently received "Outstanding" ratings from the Office of the Comptroller of the Currency (OCC), including most recently in 2020, for their track records in meeting community needs.

Our Community Development Finance (CDF) group provides innovative financing that seeks to improve people's quality of life across the United States. Designed and implemented with community and nonprofit partners, our program executes innovative transactions not routinely performed by private investors in the following areas:

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

The recent \$1Bn Morgan Stanley Social Bond aims to advance this work by directing capital to affordable housing projects. A summary of our nationwide impact through 2020 is on the right, as well as highlights of the year's most innovative and impactful transactions.

IMPACT BY THE NUMBERS: 2010–2020

\$24Bn

committed in loans and investments



145,000+ affordable housing units funded



\$373MM in small business loans,
including \$54MM in 2020



198,000+ jobs created or retained



2020 COMMUNITY DEVELOPMENT FINANCE HIGHLIGHTS



Catalyzing Community Development Finance: We continued to drive change in the financing market for Community Development Finance Institutions and affordable housing developers by pioneering investment grade bond offerings to help advance economic opportunity in underserved neighborhoods. In 2020, Morgan Stanley successfully brought to market the first-ever public markets debt issuance for a large non-profit affordable housing developer, BRIDGE Housing. We also supported BlueHub Capital's \$75MM social bond to finance high-impact projects in low-income U.S. communities (see [page 21](#) for details).



Keeping Housing Affordable: We partner with mission-oriented affordable housing partners to acquire multifamily rental properties at risk of converting to market rate and to ensure their long-term affordability. Since 2014, Morgan Stanley has committed to invest \$1.38Bn in private equity funds designed to achieve this goal, including more than \$425MM in 2020.



Connecting Affordable Housing to Transit: We support the development of affordable housing in close proximity to high-quality public transit, which lowers the transportation cost burden for low-income people, increases public-transit ridership and in turn reduces dependence on cars. In 2020, Morgan Stanley financed Canyon Walk Apartments, 70 new units of affordable housing in Los Alamos, New Mexico, with public transit on the doorstep. Residents can walk to the Atomic Trolley line, which provides free service, and the Blue Line bus route to Santa Fe.



Lafayette Square Holding Company: In 2020, Morgan Stanley closed a \$100MM loan to fund working capital and growth capital for the creation of a minority-owned and managed investment advisory company, Lafayette Square. Lafayette Square is an impact-driven investment platform with a mission to confront critical societal challenges with capital and services in three core areas: housing, jobs and financial inclusion. Lafayette Square will also support and finance other diverse asset managers that specialize in impact investing. It differentiates itself from its peers with investment strategies that emphasize opportunity creation for low- and moderate-income and diverse communities.

Institute for Sustainable Investing

The Morgan Stanley Institute for Sustainable Investing plays a unique role in our firm and sector. Since 2013, it has worked to accelerate the adoption of sustainable investing in capital markets by fostering innovation, empowering investors through actionable analysis and developing the next generation of leaders in the field. It also drives strategic sustainability initiatives across Morgan Stanley.

The Institute is chaired by the firm's CEO and Chairman, James Gorman, and guided by an advisory board of prominent leaders from business, academia and leading nongovernmental organizations (see page 37 for a full list of members).

1

Fostering innovation by leveraging the firm's experience and market perspective to advance the field of sustainable investing.

2

Delivering actionable analysis and thought leadership to inform and empower investors.

3

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

IMPACT BY THE NUMBERS

308

students from 74 schools in 56 countries formed 95 teams to enter our annual Sustainable Investing Challenge

180+

students applied for our sustainable investing fellowships in New York and London

~800

sustainable finance thinkers and practitioners joined our second annual Sustainable Investing Summit



CASE STUDY

WINNING INVESTMENTS IN OUR 10TH ANNIVERSARY CHALLENGE SUPPORT REFUGEES, BIOPOLYMERS

This year, the Morgan Stanley Institute for Sustainable Investing held its 10th annual Sustainable Investing Challenge with students competing virtually from around the world (see Impact By the Numbers).

In collaboration with our longtime partner, Northwestern University's Kellogg School of Management, we launched a new plastic waste category. The goal was to tap the next generation of innovators and sustainable finance professionals in support of our firmwide efforts to combat this global environmental threat. A team of graduate students from the Columbia University Graduate School of Arts and Sciences and the Erasmus Mundus Joint Master Degree Program won for their idea to help reduce plastic waste by investing in a seaweed-based bioplastics value chain.

The overall Challenge-winning proposal supports the economic integration of refugees. A team from New York University's Stern School of Business and Wagner School of Public Service proposed a novel exchange-traded fund based on an investable global index of listed companies. The fund would screen for, and include, firms that support refugees through hiring and supply chain policies, support for entrepreneurs, and education and skills development practices.



The 2020 Sustainable Investing overall Challenge-winning team, Refugee ETF.

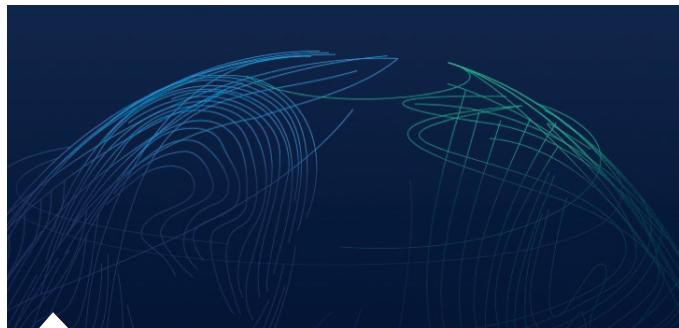
Fostering Innovation

The Institute leverages Morgan Stanley's experience and market perspective as a leading global financial services firm to advance the field of sustainable investing.

As part of Global Sustainable Finance (GSF), the Institute partners both across the firm, and with outside stakeholders, to pioneer scalable solutions and build new sustainable investing tools and capabilities. Examples of how the Institute supports the firm's three businesses to incubate innovative and impactful products for clients are included throughout the [Solutions and Services](#) section.

Through the Institute, GSF also collaborates with industry, academic and nonprofit stakeholders to advance sustainability and influence investors. In 2020, the team contributed to industry events hosted by the following organizations and initiatives:

- Ceres Investor Network on Climate Risk and Sustainability
- Global Impact Investing Network (GIIN) Investors' Council
- Ellen MacArthur Foundation Network
- Impact Capital Managers
- Intentional Endowments Network
- BSR
- CECP
- U.S. Impact Investing Alliance
- Confluence Philanthropy



Morgan Stanley Sustainable Investing Summit

In October 2020, the Institute organized the first all-virtual Morgan Stanley Sustainable Investing Summit. Hosted by our Chairman and CEO James Gorman, the event convened nearly 800 leading sustainable finance thinkers and practitioners across the value chain. Institutional investors, asset owners, corporate financial leaders and high net worth individual investors discussed the innovation and ideas reshaping capital markets. Speakers were drawn from the Institute's advisory board, Morgan Stanley's Operating Committee, and financial and business leaders across public and private markets.



Delivering Actionable Analysis

The Institute delivers insightful analysis to inform and empower the growing number of investors looking to make a positive ESG impact. This thought leadership focuses on trends driving sustainable investing and critical thematic issues such as climate change and inclusive economic growth. Highlights that made a strong impact on investors and other stakeholders in 2020 included the following:



Climate Impact: Understanding Vulnerability as the Missing Piece in the Climate Risk Puzzle provided investors with a three-dimensional assessment framework for climate change risk that incorporates consideration of climate vulnerabilities throughout the investment process.



Climate Transition in a Portfolio Context: What Matters and What to Measure highlighted useful climate metrics that can support investors' efforts to decarbonize their portfolios and mitigate exposure to climate transition risk.



Crafting a Dynamic Sustainable Investing Strategy: Four Building Blocks for Asset Owners laid out a roadmap for asset owners to implement and maintain sustainable investing strategies, highlighting common pitfalls and emerging best practices.



Sustainable Signals: Asset Owners See Sustainability as Core to the Future of Investing found that 95% of institutional asset owners already integrate sustainable investing in all or part of their portfolios or plan to do so. Six in ten (57%) envision a time when they will only allocate to managers with a formal ESG approach.



Sustainable Reality: 2020 Update built on the findings from our 2019 Sustainable Reality report, showing that sustainable equity and taxable bond funds outperformed traditional peers in 2019 and the first half of 2020.



Sustainable Value: How Emerging Public Companies Can Deliver on ESG Expectations outlines how to articulate corporate purpose, identify potential ESG-related risks, and communicate authentic approaches to ESG risks and business opportunities.

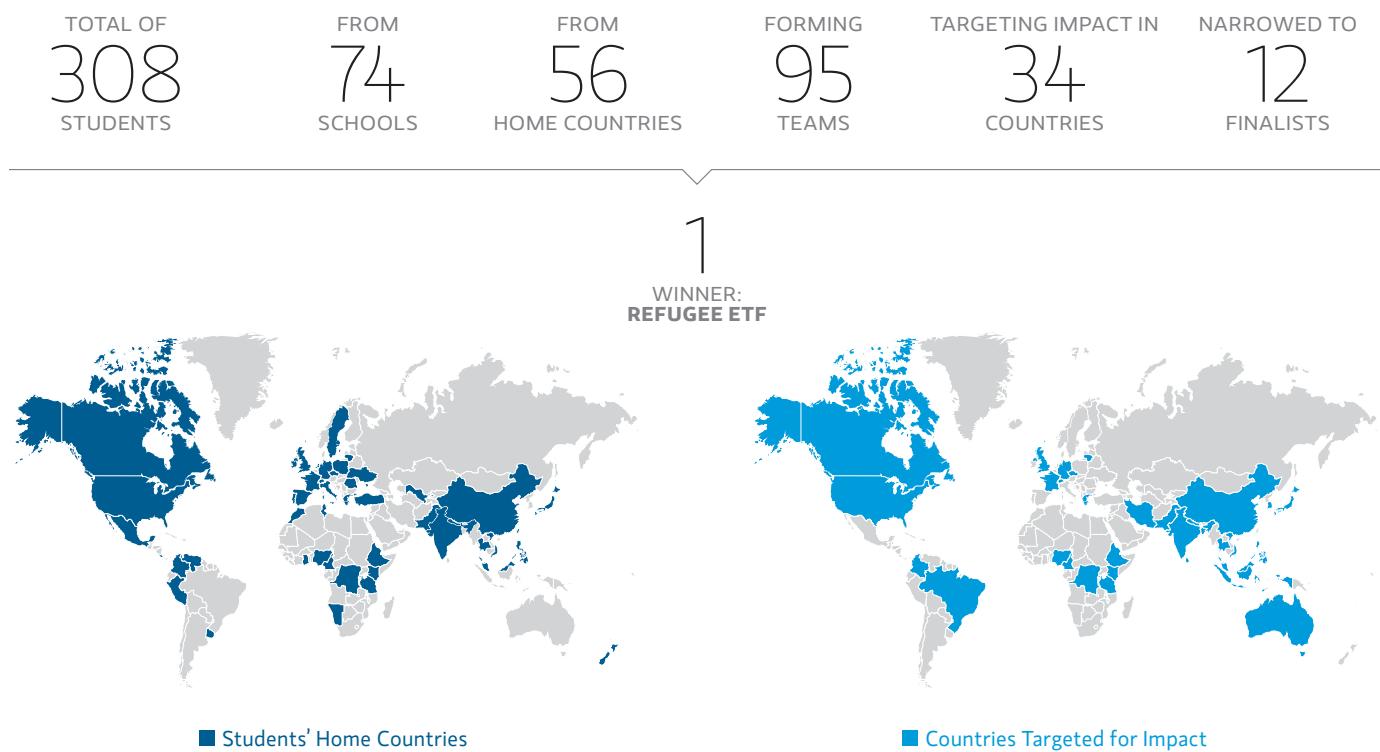
Developing Future Sustainable Investing Leaders

The Institute helps develop the next generation of sustainable investing leaders through fellowships and strategic partnerships.

Our two hallmark programs for graduate students expose tomorrow's financial services executives to the power of capital market solutions to address sustainability challenges. The Sustainable Investing Fellowship places successful candidates in sustainability functions at our New York City headquarters and London office. In 2020, 180 students applied for five positions. The selected candidates were placed in GSF, Global Capital Markets, Wealth Management and Investment Management.

For 10 years, the Kellogg-Morgan Stanley Sustainable Investing Challenge has served as an incubator for cutting-edge ideas. This highly competitive event (see Impact By the Numbers and case study, [page 33](#)) invites graduate students worldwide to apply their talents to developing financial solutions to social and environmental challenges that can also achieve market-rate financial returns.

2020 KELLOGG-MORGAN STANLEY SUSTAINABLE INVESTING CHALLENGE COMPETITION SNAPSHOT



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Darren Walker
President,
Ford Foundation

Firmwide Sustainability

Morgan Stanley's commitment to championing sustainable business, climate action and inclusive growth extends to how we run our own company. With leadership from the top and in partnership with our people, we integrate ESG considerations across our business practices, operations and culture. Priorities include building a diverse and inclusive workforce, improving business resilience and maintaining strong governance practices and prudent risk management.

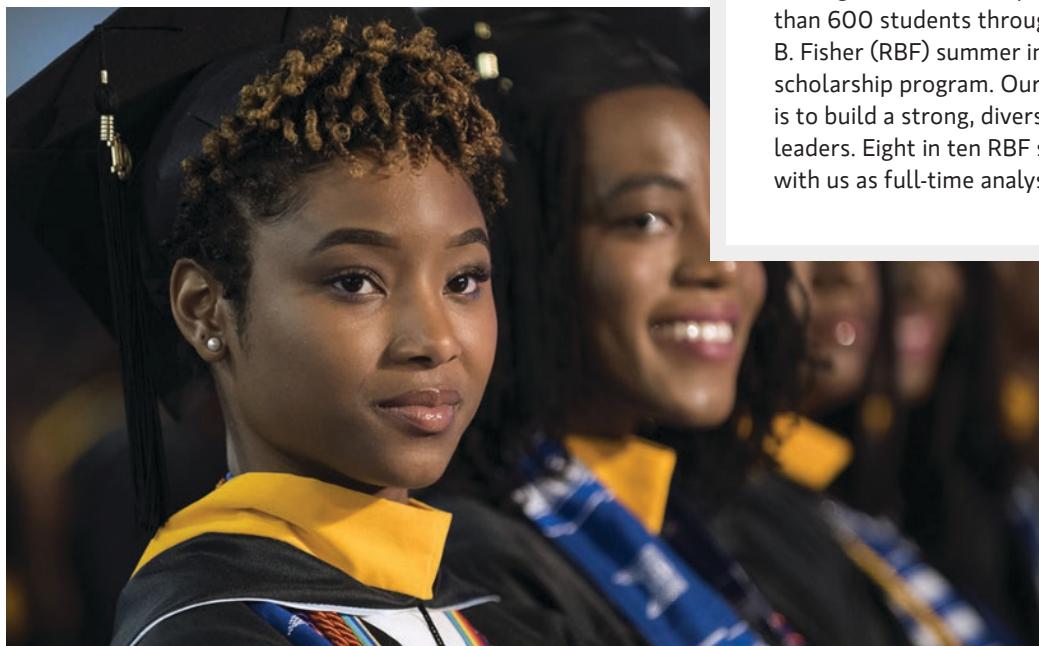
In 2020, we affirmed our commitment to firmwide sustainability by launching a net-zero financed emissions target (see page 14) and an Institute for Inclusion.

DIVERSITY BY THE NUMBERS

Global Gender Representation



U.S. Ethnic Diversity Representation



CASE STUDY

STEPPING UP DIVERSE RECRUITMENT EFFORTS

Morgan Stanley seeks out underrepresented talent from colleges and universities around the world. From 2015 to 2019, we increased campus hires of women globally, and of Black and Hispanic students in the United States, by 9% each—to 44% and 25% of all recruits, respectively.

In 2020, we deepened our commitment with the launch of our HBCU Scholars Program in the United States. The program will award full needs-based scholarships to talented students who face financial barriers to college, as well as provide recipients with career and personal support. Morgan Stanley has partnered with HBCUs for 30 years, supporting their mission to drive educational attainment for Black students. Our partners in this latest endeavor are Howard University and Morehouse and Spelman colleges.

Through 2019, we also provided scholarships to more than 600 students through our longstanding Richard B. Fisher (RBF) summer internship and college scholarship program. Our goal with these initiatives is to build a strong, diverse talent pipeline of future leaders. Eight in ten RBF scholars have taken jobs with us as full-time analysts after graduation.

¹ "Officer" includes Managing Directors, Executive Directors and Vice Presidents, and the equivalent positions for legacy E*TRADE employees.

² U.S. ethnically diverse designations align with the Equal Employment Opportunity Commission's ethnicity and race categories and include American Indian or Native Alaskan, Asian, Black or African American, Hispanic or Latino, Native Hawaiian or Pacific Islander, and two or more races.

Our People

Morgan Stanley's 68,000 talented employees around the world bring diverse experiences and perspectives that enrich our culture, inform our work and drive our business. We embrace a values-based culture of inclusion where dedicated professionals collaborate to produce our best work. We provide development opportunities and health and wellness resources to help our employees reach their potential and balance work and home life. During the COVID-19 pandemic, we are making every effort to help keep our people safe (see page 42).

Our Board of Directors and its Compensation, Management, Development and Succession (CMDS) Committee actively oversee our human capital and culture strategy. Priorities include the firm's human capital initiatives as well as reviewing management succession planning including for our Chairman and CEO. We continually refine our human capital approach based on business drivers, employee surveys and the overall environment for talent.

Diversity and Inclusion

Morgan Stanley's comprehensive diversity and inclusion strategy is designed to drive meaningful change. It supports our ambition of building a truly diverse and inclusive workforce, and informs the way we engage with and support our people. It also influences how we serve our clients and investors, and the diverse countries and communities in which we operate and live. Four pillars drive our strategy, shown below.

- **Accountability:** We drive ownership and accountability of diversity and inclusion progress across all levels of the organization. Our senior leadership teams are responsible for embedding the strategy and for taking actions that will improve diversity representation and drive a culture of inclusion and belonging.
- **Representation:** We believe a diverse workforce brings diversity of thought and deepens our ability to serve our clients, investors and shareholders. We are committed to improving representation through targeted recruitment, development and retention of our employees at all levels and in all divisions across the firm.
- **Advancement:** Investing in the development and advancement of employees from underrepresented groups is a key part of our strategy. From onboarding through promotions to senior levels, we support diverse employees along their career journeys through individualized support and programmatic offerings.
- **Culture:** At the core of who we are is our belief in fostering a culture of inclusion and belonging for all employees. We celebrate the different cultures, perspectives and backgrounds reflected in our workforce.



Creating opportunities for all our colleagues to thrive, while serving our clients and communities, is good for everyone and supports our business success. In 2020, we launched the [Morgan Stanley Institute for Inclusion](#). Led by our Chairman and CEO, the Institute's mandate includes investing to advance economic outcomes in underserved communities, strengthening these communities through philanthropy and advising on our internal D&I efforts. An external [advisory board](#) provides expert perspective and constructive feedback and includes leaders from education, business and nonprofit organizations as well as three Morgan Stanley directors.

For more information about our D&I policies, programs and progress; the Morgan Stanley Institute for Inclusion; and our global diversity representation data, download our [2020 Diversity and Inclusion Report](#).

Culture

Morgan Stanley's culture draws people to our firm and sets us apart from our competitors. Our people take to heart our core values—Put Clients First, Do the Right Thing, Lead with Exceptional Ideas, Commit to Diversity and Inclusion, and Give Back—which underpin our strong workplace culture and our success. Our Culture, Values and Conduct Committee of senior managers develops firmwide standards, training and initiatives to reinforce our values, with oversight from the board of directors.

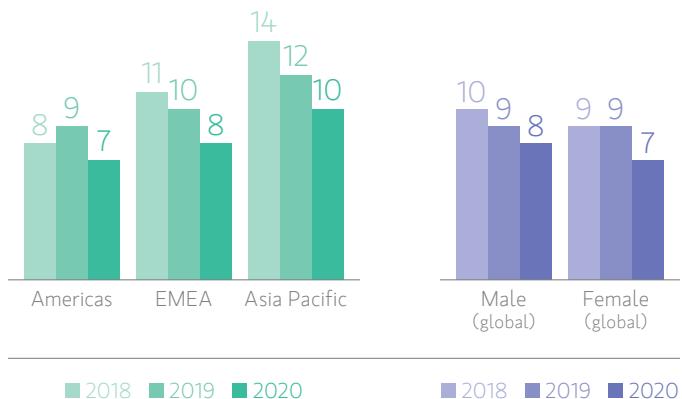
Our culture of belonging supports a professional work environment where equal opportunity, dignity and respect flourish. We expect every manager and employee to recognize diverse points of view, make decisions based on merit and lead with integrity. Employees must follow the letter and spirit of our Code of Conduct and their region's nondiscrimination and anti-harassment policy. All U.S. employees also complete a mandatory annual course on maintaining a culture of respect. We strongly encourage our employees to report any workplace concerns using the channels described on [page 51](#).

One measure of a successful business culture is retaining talented and skilled employees. In 2020, our voluntary turnover rates decreased across regions, as expected.

During the year, Morgan Stanley acquired E*TRADE, which closed on October 2, 2020, and Eaton Vance, which closed on March 1, 2021. We view culture as a key aspect of successful integration and continue to work with our counterparts at E*TRADE and Eaton Vance to share education on each firm's history and culture, and have senior leaders welcome our new colleagues.

BY THE NUMBERS

Voluntary Turnover Rates by Region and Gender



For more information on our approach to Human Capital Management, see page 31 of our [2021 Proxy Statement](#).



Adapting to Remote Working

In 2020, our employees faced tremendous stress and uncertainty as they coped with the pandemic, including transitioning from working predominantly in the office to working remotely. Maintaining a strong culture despite the physical distance was paramount. We took swift and effective actions to help our culture transcend distance and allow our employees to persevere. For example, we held Managing Director-led development sessions by division on how to lead, manage and work remotely, and a virtual conference for new Managing Directors. Onboarding new hires presented unique challenges that we addressed by converting to virtual formats, including a bimonthly New Hire Culture Panel hosted by our chief human resources officer.

Supporting Wellness

KEEPING OUR PEOPLE SAFE DURING COVID-19

Morgan Stanley takes great pride in the depth and breadth of our comprehensive benefits program when it's business as usual—and even more so in extraordinary circumstances such as the global COVID-19 health crisis. In response to the pandemic, the firm introduced country-specific programs to support and protect employees. These range from free telemedicine and COVID-19 testing to subsidized backup family care, educational discounts and increased flexibility for alternative work arrangements. For more, see Our Pandemic Response, [page 8](#).

Our initial focus was on educating employees and their families about COVID-19 and creating an open dialogue to keep everyone healthy and protected. Throughout the year, our chief medical officer and various taskforces updated employees regularly on topics ranging from testing to mental health and returning to work safely.

PROMOTING HEALTH AND WELL-BEING

Morgan Stanley offers comprehensive and convenient benefits for our employees and their families, both preventive programs and when serious health issues arise. These include medical, dental and vision coverage; tax-advantaged flexible spending and health savings accounts; and critical illness, accident, disability and life insurances. We also have generous policies and practices for family and medical leave, short- and long-term disability, and sick days.

To support employee health and well-being, we provide benefits and programs in areas including health education, stress management, preventive care and chronic condition support. Additionally, best-in-class onsite health and wellness facilities are available in key locations across the world. Dedicated teams deliver services such as health care, physical therapy, fitness activities, health coaching, ergonomic assessments and more. Most onsite offerings have remained available during the pandemic and many now include virtual components. To counter a potential "twindemic" this year, we provided free flu vaccines to all staff members, even those who do not participate in the firm's medical plan.

In 2020, we launched a mental health benefit for U.S. employees and their dependents, offering free and confidential individual and family therapy by licensed therapists and mental health coaches. We celebrated World Mental Health Day by hosting virtual global events to engage employees, raise awareness and reduce stigma. In February 2021, we concluded the global rollout of Headspace, a leading mindfulness and meditation application.



Performance Management

To become the world's financial services provider of choice, we strive to recruit and retain the brightest and best. We design our performance, pay, promotion and succession processes to both engage and reward talented and committed individuals and reinforce our culture and values. Annual employee evaluations include feedback from managers and colleagues on performance, conduct, risk behavior and contributions to our culture, all of which factor into compensation and promotion decisions. In 2020, we added two additional performance evaluation questions to assess and hold managers accountable for their commitment to diversity and inclusion.

RESPONSIBLE COMPENSATION

Morgan Stanley is committed to responsible compensation programs that support the firm's strategy, culture and values over the long term. We pay incentive compensation based on performance against financial and nonfinancial goals set by the Board of Directors. Each year, the board and executive management team evaluate our strategy and refine performance goals and priorities to help ensure long-term management alignment with goals.

Our compensation programs seek to deliver pay for sustainable performance, attract and retain top talent, align with shareholder interests, and mitigate excessive risk-taking. Senior management together with the board's CMDS Committee oversee:

- Policies and procedures for funding and allocating incentive compensation, and the use of discretion in such awards to individuals
- Processes for identifying "material risk-taker" employees
- Controls to mitigate the risk of rewarding inappropriate conduct and unsatisfactory performance
- Processes for incentive compensation clawback and cancellation features

In 2020, on average, 67% of total remuneration was variable for material risk-takers, of which 42% was subject to malus or clawback provisions. Where we uncover conduct contrary to our policies, disciplinary action may include cancellation and clawback of compensation, changes to promotion decisions, reduction of cash bonuses or termination of employment.

The CMDS Committee sets executive compensation at year-end. In 2020, 75% of our CEO's incentive compensation was deferred over three years and subject to clawback, 100% of deferred incentive compensation was delivered in equity awards and 50% of incentive compensation was delivered through future performance-vested equity awards.

Executives with responsibility for sustainability, including but not limited to the vice chairman, chief sustainability officer and the global head of corporate services, are evaluated against sustainability performance, goals and targets.

Shareholder feedback has informed our approach to corporate governance, disclosure and compensation in recent years. For more information, including on our 2020 executive compensation awards, see page 10 of our [2021 Proxy Statement](#).

ADVANCING PAY EQUITY

Attracting, retaining and advancing diverse talent is a priority for Morgan Stanley, and our policies and practices, including those on pay, reflect and promote that commitment. Our compensation programs are competitive within our industry and help ensure equitable rewards for all employees. For more information, see the Compensation Philosophy and Commitment to Equitable Pay Practices section of our [2020 Diversity and Inclusion Report](#).

Risk Management

Risk is integral to our business as a leading financial services institution. To protect our business, clients, shareholders and other stakeholders, we employ rigorous and comprehensive risk management policies, controls and training. In 2020, we closely monitored events related to the COVID-19 pandemic, responding swiftly and effectively to risks to our people, operations and business.

Morgan Stanley pursues risk-adjusted returns in our business dealings through prudent risk-taking that protects our capital base and franchise. Five key principles underlie this philosophy: integrity, comprehensiveness, independence, accountability and transparency. These principles are implemented firmwide through our Enterprise Risk Management (ERM) framework and govern all risk management actions by employees.

Morgan Stanley's leadership prioritizes management of all risks to the business, worldwide, mandating thorough and frequent communication, the appropriate escalation of risk issues, and ongoing improvements to our policies and processes. Our Board of Directors has ultimate oversight of strategic risk to the firm as well as risks related to culture, values, conduct and reputation, and the ERM framework.

Our approach to business continuity management, environmental and social risk management (ESRM), and human rights, and developments in 2020, are summarized on [page 46](#). For more information on Risk Management, including governance priorities, see our [2020 Form 10-K](#) and our [2021 Proxy Statement](#).

Business Continuity Management

Unpredictable disruption to business operations is a growing threat in a globalized and networked world. To prepare for such eventualities, Morgan Stanley maintains a global Business Resilience program to protect the firm and its clients, emanating from our Fusion Resilience Center. Our expert team coordinates measures across business units and functions to maintain key services during events that impact our business operations and activity. These efforts prioritize the physical safety of our staff and include controls to protect and maintain our real estate and technology.

Specialist teams support the Global Business Continuity Management program and standards, including Technology, Risk Management, Information Security and Corporate Services. Dedicated governance and risk committees, the board's Operations and Technology Committee, and senior management all help oversee the program.

The Fusion Resilience Center provides 24/7 global coverage to monitor and manage disruptive incidents, and our three businesses and infrastructure have continuity plans in place for critical business processes and essential personnel.

Morgan Stanley also plans and practices for extraordinary events at a sector level and shares threat information as appropriate with peers, vendors and relevant government agencies. These can include extreme weather and natural hazard events including hurricanes, wildfires, blizzards and earthquakes. In 2020, the firm monitored and reacted to 13 such natural disasters.

For example, in late July our Crisis Management Operations (CMO) team monitored the formation of Hurricane Isaias in the Caribbean, forewarned potentially vulnerable business units via their Fusion Planning Officers and tracked the storm's progress from south Florida along the U.S. east coast. Though a number of our employees in affected areas lost power while working from home, there was minimal impact to our business operations.

NAVIGATING COVID-19 RISKS AND RETURN TO WORK

Due in large part to the success of our business continuity and resiliency program, our operations remained effective despite the unprecedented disruption caused by COVID-19. Given the pandemic's uncertain trajectory, the majority of our employees remained working productively from home through the end of the year.

To inform our decisions, we closely monitored developments related to COVID-19 and guidance from the U.S. Centers for Disease Control and Prevention (CDC), the World Health Organization (WHO), and national and local governments.

Our Return to Workplace Task Force developed a phased strategy, guided by the following principles:

- **Health and Safety of Employees:** This remains our first priority and guides all decisions.
- **Sensitivity to Individual Needs and Concerns:** Individuals will return to the office when they are comfortable doing so, with particular sensitivity shown to those at increased risk, who live with someone at increased risk, or who have child care or elder care issues.
- **Medical and Public Health Guidance:** Decisions about timing and creating safe conditions for return will be based on medical and public health evidence, data and guidelines. This includes meeting requirements such as distancing, office set-up and provision of personal protective equipment.
- **Local Offices/Business Units:** Our offices around the world face different local issues and conditions on the ground, and each of our business units has different needs and requirements. Return-to-work decisions will take these factors into account within overall firmwide guidelines.
- **Transparency and Flexibility:** We are committed to full transparency and frequent communication to keep our people fully informed about and ready for returning to work. We will adapt to the highly fluid conditions on the ground by revising phased returns to the office if and where needed.

Environmental and Social Risk Management

Morgan Stanley has a commitment to stakeholders, communities and the environment to identify and manage environmental and social risks. Our Environmental and Social Risk Management (ESRM) Group oversees ESRM-related policies, conducts diligence on relevant transactions, monitors emerging risks and helps train employees.

We regularly engage external and internal stakeholders on environmental and social topics and review our policies annually to reflect our strategy and any key developments related to environmental and social issues. ESRM's 2020 review of the [Environmental and Social Policy Statement](#), conducted with senior business unit representatives, internal control groups and GSF, resulted in amendments to the statement including:

- Clarifying our approach to thermal coal mining, coal-fired power generation and Arctic oil and gas activity
- Enhancing sector-specific diligence guidelines for oil and gas, forestry, and palm oil
- Broadening cross-sector diligence guidelines for critical habitats, human rights and indigenous peoples.

REVIEWING TRANSACTIONS

ESRM and our businesses review financial transactions that could result in environmental and social risks. When a potentially material environmental or social issue is identified, enhanced due diligence is conducted, including on issues such as human rights, adverse impacts on indigenous peoples, as well as greenhouse gas and climate risk management. Transactions with potential franchise risks associated with environmental and social issues may also be escalated to senior management and/or the Global and Regional Franchise Committees that oversee franchise risk to the firm.

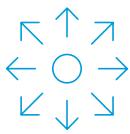
For example, the ESRM Group worked with the business to assess a potential transaction involving the subsidiary of a company with operations in the energy, mining and construction sectors. The due diligence considered a number of environmental and social impacts and risks associated with the proposed transaction, including biodiversity and protected-area impacts, greenhouse gas emissions, and local community and stakeholder engagement. After considering these risks and other factors, a decision was made not to proceed with the opportunity.

BY THE NUMBERS

2020 Transactions by Industry Reviewed by Environmental and Social Risk Management

INDUSTRY	2020
Basic Materials	42
Energy	59
Financial Institutions	8
Health care	9
Industrials	31
Pharmaceuticals	4
Power and Utilities	70
Real Estate	7
Retail	25
Services	42
Transportation	4
TOTAL	301

SUMMARY OF MORGAN STANLEY'S 2020 ENVIRONMENTAL AND SOCIAL POLICY STATEMENT



SCOPE



GOVERNANCE



SECTOR APPROACHES



CROSS-SECTOR APPROACHES

<p>The Policy is applied globally across the following types of transactions:</p> <ul style="list-style-type: none"> • Lending • Debt and equity underwriting • Private placements • Investments in private equity, real assets and private credit by our Investment Management business • Investment banking and capital markets advisory • Other transactions or activities as applicable and appropriate 	<p>The Policy Statement is reviewed annually. The results of the review are presented to the Global Franchise Committee, and material amendments are presented to the Nominating and Governance Committee of the Board of Directors for its consideration.</p>	<p>Morgan Stanley has tailored approaches, including enhanced due diligence, client engagement and restrictions where appropriate to the below sectors and activities:</p> <ul style="list-style-type: none"> • Coal-fired power generation • Thermal coal mining • Arctic oil and gas • Oil sands • Ultra deepwater oil and gas • Shale oil and gas • Oil and gas transportation pipelines and LNG export • Nuclear energy • Hydropower • Forestry • Palm oil 	<p>We also have tailored approaches to certain cross-sector environmental and social issues including:</p> <ul style="list-style-type: none"> • Climate change • Human rights • Indigenous peoples • Critical habitats and critical cultural heritage
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In another case, the ESRM Group and the business reviewed a financing opportunity for the construction of a lithium-ion battery manufacturing plant. As part of the diligence process, the team reviewed a number of environmental and social risks and determined that the company had taken actions to mitigate them. For example, it demonstrated a significant reduction in greenhouse gas emissions, strict environmental controls, use of renewable energy and materials sourcing from an existing mining operation. Based on a detailed review that included technical documentation, the transaction was allowed to proceed.

The table on [page 45](#) summarizes transactions by industry reviewed by ESRM in 2020².

ASSESSING CLIMATE RISK

Morgan Stanley recognizes that climate change poses significant risks to the global economy. Our Environmental and Social Policy Statement includes enhanced due diligence guidelines for sectors exposed to greater environmental risk, including physical and transition risks from climate change impacts and the transition to the low-carbon economy. We published our inaugural [TCFD report](#) in 2020, providing in-depth information on our approach to climate risk management.

MANAGING HUMAN RIGHTS RISK

Morgan Stanley is committed to protecting and advancing human rights in our business and throughout our supply chain. Our approach is guided by leading frameworks, including the UN Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights.

We conduct business operations in ways that aim to respect, protect and advance the full range of human rights. We expect our suppliers to follow appropriate policies and practices to ensure they are not complicit in human rights abuses. Our Supplier Code of Conduct includes our Modern Slavery and Human Trafficking Statement, and a global cross-functional working group monitors compliance across our supply chain.

As outlined in our [Environmental and Social Policy Statement](#), Morgan Stanley has committed to not knowingly engage in transactions where there is evidence of direct involvement in modern slavery, such as forced labor, human trafficking, or harmful or exploitative forms of child labor. We conduct enhanced diligence for investments with potentially heightened human rights risk and may escalate issues to senior management.

Read the Morgan Stanley Modern Slavery and Human Trafficking Statement [here](#), and the Morgan Stanley Human Rights Statement [here](#), and the Environmental and Social Policy Statement [here](#).

² The number of transactions reviewed by the ESRM Group declined from 2019 to 2020, which is partially attributed to the adoption in late 2019 of a risk-based approach, which focuses ESRM's reviews on transactions with high or medium environmental and social risks.

Cybersecurity

Cybersecurity and information risks for financial institutions are rising along with the trend toward direct access to automated, electronic markets and digital platforms. In response, we deploy sophisticated cybersecurity and data security programs and tools to help protect our operations and clients.

Morgan Stanley's Board of Directors and its Operations and Technology Committee oversee the firm's global data privacy and cybersecurity strategy, assisted by the Operational Risk Department. We employ a wide array of policies, procedures and technologies designed to protect client and employee data against unauthorized disclosure, modification or misuse and meet regulatory requirements. Our cybersecurity, infrastructure and risk professionals respond to disruptive events with sophisticated data analytics and threat intelligence. Dedicated teams protect computer systems firmwide in coordination with the Fusion Resilience Center. Our defenses include artificial intelligence and machine-learning technologies that can identify malicious behavior and vulnerabilities in our networks.

Each employee plays a valuable role in helping us stay ahead of cyber threats. In 2020, our increased dependence on remote computing due to COVID-19 posed unique hacker and fraud risks. We took a proactive approach to educating our people about potential threats, providing safety tips and refreshers on key policies and procedures.

INDUSTRY COLLABORATION

We collaborate on industry efforts to combat cybersecurity challenges through public- and private-sector forums including the U.S. National Cyber Security Center. Morgan Stanley is one of six banks that founded the Financial Systemic Analysis & Resilience Center.

To develop tomorrow's cyber-leaders and widen access to the skills they require, we partner with iMentor, Girls Who Code, NPower, local universities and other nonprofit organizations. The Firm Resiliency Fusion Center also partners with the U.S. Marine Corps to provide fellowships with our cybersecurity team.

Data Security and Client Privacy

Safeguarding client information at all times is essential to keeping their business and trust, and our reputation for integrity. All our business protocols integrate physical, technical and administrative measures that together act as a bulwark protecting the confidentiality, integrity and availability of client information. We also have global privacy and data-protection policies and procedures in place governing the collection, storage, access, use and disclosure of such data.

Senior leaders from our Legal and Compliance and Risk Management teams oversee these standards. On a day-to-day basis, employees use cutting-edge technology and regular security assessments to maintain the information system storing customer data. Testing for system vulnerabilities includes:

- Independent reviews of online systems by specialists in penetration testing
- Scanning and monitoring for known security risks
- Application vulnerability assessments

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

Governance and Business Ethics

Our reputation is critical to our goal of being the world's first choice for financial services. For decades, Morgan Stanley's strong governance and reputation for integrity have reduced business risk and provided a foundation for success. Our core values underpin this culture, support our sustainability strategy and drive everything we do. By Putting Clients First, Doing the Right Thing, Leading With Exceptional Ideas, Committing to Diversity and Inclusion, and Giving Back, we seek to meet client needs, deliver value for investors, and support a sound and sustainable global financial system.

Leadership From the Top

Morgan Stanley is deeply committed to strong and ethical governance and to further strengthening the inclusive culture that sets us apart from peers. This begins with our diverse 14-member Board of Directors, of whom 11 are independent and four are women. Our directors come from backgrounds across the private sector, government and public policy arenas,

and bring a global perspective. Their collective experience guiding large, complex organizations as executive leaders or board members brings a diversity of qualifications and skills well suited to guiding our business and long-term strategy.

We also greatly value the perspectives and insights of our external stakeholders as we navigate business, economic and sustainability challenges and opportunities (see [page 50](#)).

THE MORGAN STANLEY BOARD OF DIRECTORS

BOARD TENURE BALANCE



BOARD INDEPENDENCE



*Average tenure of directors is calculated based on length of completed board service from date of initial election through date of the annual meeting and prior board service, as appropriate.

All board committees are comprised of non-management directors, and the board benefits from an engaged independent lead director with expansive responsibilities.



Sustainability Governance

Sustainability governance starts with our board and occurs throughout the firm.

The Nominating and Governance Committee oversees ESG initiatives and the Risk Committee oversees climate risks, with both reporting to the full Board of Directors. Our Global Sustainable Finance (GSF) team of experts drives sustainability integration across our policies and business and operational activities. Led by our chief sustainability officer and vice chairman, GSF partners with senior leadership across Institutional Securities, Wealth Management and Investment Management, as well as support services and risk and control functions. 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 following councils and working groups provide expertise and input on our sustainability activity. GSF convenes, joins or advises each of these groups to promote coordination:

- **The Sustainable Finance Leadership Council** was established in 2020 to further institutionalize collaboration and innovation on commercial ESG activity in order to position the firm for continued success in the field.

- **The Sustainability Disclosure Committee** brings together senior firmwide leaders to provide input on and approve corporate sustainability disclosures that support our commitment to transparency, including this report.
- **The ESG Center of Excellence** coordinates and drives commercial client-focused sustainability activity across Global Capital Markets and Investment Banking (see [page 20](#)).
- **The Investment Management Sustainability Council** of senior, cross-functional leaders oversees the business unit's strategy, resourcing and processes for sustainable investing.
- **The Corporate Services Global Sustainability Council** executes our operational sustainability strategy, which focuses on resource efficiency, renewable energy and other pathways to shrink our environmental impact.
- **The Sustainable Supply Chain Working Group** identifies strategies to reduce ESG risks and collaborate with suppliers to further sustainability in our sourcing practices.
- **The Climate Change Risk Committee** advises on key decisions with respect to our net-zero-financed emissions goal and the integration of climate risk into firm decision-making.

We convene several additional climate-specific governance bodies (see pages 9–11 of our [2020 TCFD Report](#)).

Stakeholder Engagement

Sustainability is a shared endeavor. We benefit from stakeholder perspectives and insights, and engage them in many ways on an

ongoing basis. The table below illustrates these strategies and forums as well as 2020 highlights.

STAKEHOLDER GROUP	APPROACH TO ENGAGEMENT	2020 EXAMPLES
 Shareholders	<ul style="list-style-type: none"> Ongoing or annual dialogue with institutional investors Annual sustainability report focused on investor-relevant information Report focused on diversity and inclusion TCFD report Responses to inbound questionnaires and surveys 	<p>Investor Relations continued to include GSF in its engagement with top Morgan Stanley institutional shareholders and also included our Diversity and Inclusion team in 2020. Discussions covered firmwide strategy, governance and sustainability topics, including climate change and diversity.</p>
 Clients	<ul style="list-style-type: none"> Events and analysis on sustainable investing and finance topics Collaboration on new product development to meet client ESG needs Dialogue with key clients focused on ESG issues Responses to inbound questionnaires, requests for proposals, surveys Client satisfaction channels 	<p>In October 2020, the Institute hosted its second Sustainable Investing Summit, which drew nearly 800 corporates and investors, including many clients of the firm, to hear from sustainability thought leaders and practitioners on COVID-19, climate change, inclusive growth and other topical issues.</p>
 Employees	<ul style="list-style-type: none"> Employee networks, events and campaigns Company intranet, which includes articles and other employee resources Employee surveys 	<p>Employees throughout the firm have embraced our Plastic Waste Resolution (see page 17), driving the initiative with creative solutions. One employee in our New York City headquarters spearheaded a partnership with TerraCycle to collect plastic bags for recycling. Colleagues in Spain delivered a double benefit by repurposing plastic report covers into face masks for frontline health care workers.</p>
 Non-Governmental Organizations (NGOs) and Civil Society	<ul style="list-style-type: none"> Morgan Stanley events One-on-one or small-group dialogues on sustainability topics, risks or emerging issues Sustainability reporting and other disclosures Direct involvement in collaborative initiatives and membership organizations (see Key Memberships and Affiliations on page 51) 	<p>In Partnership with GSF, ESRM engaged with a range of non-governmental and civil society organizations on environmental and social topics, including biodiversity and community impacts.</p>

KEY MEMBERSHIPS AND AFFILIATIONS



Ethical Business Conduct

Our [Code of Conduct](#) and [Code of Ethics and Business](#) reinforce our focus on integrity, guiding the day-to-day behavior of approximately 68,000 employees worldwide (see also [Our Culture](#)). It is mandatory for every new hire, and every employee annually, to certify that they understand our Code of Conduct and will follow its provisions on ethical behavior. To reinforce its messages and foster a sense of community, we invite new recruits to attend culture panels with senior leaders in each region.

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

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

ANTI-CORRUPTION AND BRIBERY

Morgan Stanley forbids all forms of bribery and corruption, and has implemented policies, procedures and internal controls reasonably designed to comply with applicable anti-corruption laws and regulations in the jurisdictions where we operate. Our Global Anti-Corruption Policy, updated annually, lays out clear rules to mitigate corruption risk, and all our people receive training at least once a year. We also provide more frequent, targeted training for relevant employees. In addition, we conduct risk-based monitoring and spot testing to encourage employee compliance. For more information on our anti-corruption program, see our [Code of Conduct](#).

Corporate Political Activity

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

Appendix: SASB Index

The Sustainability Accounting Standards Board (SASB) guidance for Investment Banking, Commercial Banking and Asset Management helps inform the content, narrative and data included in this report. The following table highlights sections of the report and other public disclosures that include information in line with SASB's metrics, as of the year ending December 31, 2020. We are committed to providing investors with useful, relevant and meaningful sustainability information within the context of our businesses, and may evolve our disclosure on these topics over time.

SASB CODE	SASB METRIC	RELATED INFORMATION IN 2020 SUSTAINABILITY REPORT ¹
IB-330a.1 AC-330a.1	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals and (4) all other employees	<p>Key Workforce Highlights:</p> <ul style="list-style-type: none"> • 39% of our global employees are women • 26% of our officers² globally are women • 30% of our U.S. employees are ethnically diverse³ • 24% of our U.S. officers are ethnically diverse
IB-410a.2	(1) Number and (2) total value of investments and loans incorporating integration of environmental, social and governance (ESG) factors, by industry	<p>The following transactions were reviewed in accordance with our Environmental and Social Policy Statement:</p> <p>Basic Materials: 42 Energy: 59 Financial Institutions: 8 Health Care: 9 Industrials: 31 Pharmaceuticals: 4 Power and Utilities: 70 Real Estate: 7 Retail: 25 Services: 42 Transportation 4 Total: 301</p> <p>For more information, see the Environmental and Social Risk Management (ESRM) section, pages 45–46.</p> <p>In addition, teams across the firm invest in and lend to institutions to generate environmental and social benefits. Examples and KPIs are provided in the Solutions and Services section, pages 18–31.</p>
IB-410a.3	Description of approach to incorporation of ESG factors in investment banking and brokerage activities	<p>Institutional Securities group's sustainability activities, pages 19–23.</p> <p>ESRM review process and number of transactions referred for review, pages 45–46 and our Environmental and Social Policy Statement.</p>
IB-510a.1 CB-510a.1 AC-510a.1	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations	Material legal proceedings for the firm are disclosed on pages 128–129 and 159–163 of our 2020 Form 10-K .
FN-IB-550a.2 N-CB-550a.2	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy and other business activities	<p>We conduct various scenario analyses and stress tests, including the Federal Reserve's Comprehensive Capital Analysis and Review and other stress tests for market, credit and liquidity risks, as appropriate.</p> <p>For more information, see pages 3–5 and 55–78 as well as additional pages throughout our 2020 Form 10-K.</p> <p>With respect to climate change, Morgan Stanley is conducting scenario analyses in the two major categories identified by TCFD: transition risk and physical risk. For more information, see our 2020 TCFD Report.</p>
IB-510a.2 CB-510a.2 AC-510a.2	Description of whistleblower policies and procedures	The <i>Raising Legal and Ethical Concerns and Reporting Misconduct</i> section of our Code of Conduct defines the firm's policies and procedures.

¹ If a metric is not addressed in the report, we have provided links to public disclosures that include relevant information.

² Officers include Managing Directors, Executive Directors and Vice Presidents.

³ U.S. ethnically diverse includes American Indian or Native Alaskan, Asian, Black or African American, Hispanic or Latino, Native Hawaiian or Pacific Islander, and Two or More Races.

SASB CODE	SASB METRIC	RELATED INFORMATION IN 2020 SUSTAINABILITY REPORT ¹
IB-510b.4	Description of approach to ensuring professional integrity, including duty of care	Our Code of Conduct and Code of Ethics and Business describe our ethical business practices, guiding the day-to-day behavior of our employees worldwide. We require every employee to certify his or her adherence to, and understanding of, the Code of Conduct when they join the firm, and on an annual basis thereafter.
IB-550a.1 CB-550a.1	Global Systemically Important Bank (G-SIB) score, by category	1, Banking Organization Systemic Risk Report at December 31, 2020 (FR Y-15). For more information see page 54 of our 2020 Form 10-K , which describes how the G-SIB buffer is determined, and page 4 of our Basel III Pillar 3 Disclosures Report for the quarterly period ended December 31, 2020, which discloses our G-SIB buffer of 3%.
IB-550b.1	Percentage of total remuneration that is variable for Material Risk Takers (MRTs)	Our MRT policies and procedures align with regulatory principles and requirements, and are overseen by the Compensation, Management Development and Succession Committee of the Board. In 2020, on average, 67% percent of total remuneration was variable for material risk-takers. See page 43 for more information.
IB-550b.2	Percentage of variable remuneration of MRTs to which malus or clawback provisions were applied	Of the 67% of total remuneration that was variable for MRTs, 42% was subject to malus or clawback. See page 43 for more information.
IB-000.A	(1) Number and (2) value of (a) underwriting, (b) advisory and (c) securitization transactions	Investment banking volumes: Completed Mergers and Acquisitions: \$867Bn Fixed Income Offerings: \$374Bn Equity and Equity-Related Offerings: \$100Bn For more information, see page 34 of our 2020 Form 10-K .
CB-230a.2	Description of approach to identifying and addressing data security risks	Overview of our activities regarding data security risk, page 47 .
CB-240a.1	(1) Number and (2) value of loans and investments made as part of our Community Reinvestment Act program designed to promote small-business and community development	The cumulative values of transactions as part of our Community Development Finance program are noted below. 2010–2020: <ul style="list-style-type: none">• \$24 billion committed in loans and investment• \$373 million committed in small-business loans and investments, including \$54 million in 2020 For more information see the Community Development Finance section, pages 30–31 .
CB-410a.1	Commercial and industrial credit exposure, by industry	Institutional Securities Loans and Lending Commitments by industry, see page 71 of our 2020 Form 10-K .
CB-410a.2	Description of approach to incorporation of environmental, social and governance (ESG) factors in credit analysis	Global Sustainable Finance partners closely with Firm Risk Management (FRM), including credit risk, to integrate climate change considerations into our risk management processes and governance structures: <ul style="list-style-type: none">• Morgan Stanley's Firm Risk Committee and Chief Risk Officer formally oversee climate-related financial risks• FRM is working to develop appropriate scenarios and stress-test models to inform changes to our strategy and risk management process• Morgan Stanley works to support and inform the development of methodologies, tools and frameworks to measure and manage climate change emissions and associated risks in the financial sector For more information, see our 2020 TCFD Report .

SASB CODE	SASB METRIC	RELATED INFORMATION IN 2020 SUSTAINABILITY REPORT ¹
CB-000.B	(1) Number and (2) value of loans by segment: (a) personal, (b) small business and (c) corporate	<p>Small-business loans that incorporate sustainability factors are discussed in the Community Development Finance section, pages 30–31.</p> <p>Our Investment Banking activity, which includes corporate lending, is discussed in the Finance and Advisory Services section, page 23, with select transactions highlighted on pages 20–21.</p>
AC-270a.3	Description of approach to informing customers about products and services	<p>Each business unit is responsible for setting and managing robust policies and processes related to their marketing activities, which are subject to supervisory review in accordance with applicable promotion laws and regulatory obligations.</p> <p>We aim to manage risks in marketing and sales by enforcing the following guidelines:</p> <ul style="list-style-type: none"> • Communications to clients and the public must be fair and balanced, without exaggerated or misleading statements. • Employees must use approved marketing materials and messaging systems when conducting the firm's business. • Financial Advisors must follow a compliance manual of internal sales practice standards, as well as adhere to all applicable laws and regulations. • The firm monitors customer complaints. These are dealt with in accordance with relevant internal policies, and business, legal and/or compliance personnel take action as needed.
AC-410a.1	Amount of assets under management, by asset class, that employ sustainable investing approaches	<p>Wealth Management Investing with Impact Client Assets by Asset Class (\$Bn):</p> <ul style="list-style-type: none"> • Equity: \$32 • Fixed Income: \$7 • Cash Equivalents: \$3 • Other⁴: \$13 • Total: \$55 <p>Investment Management ESG Integrated AUM by Asset Class (\$Bn):</p> <ul style="list-style-type: none"> • Equity: \$238 • Fixed Income: \$96 • Cash Equivalents / Money Market Instruments: \$4 • Other⁵: \$50 • Total: \$388
AC-410a.2	Description of approach to incorporation of ESG factors in investment and/or wealth management processes and strategies	<p>Overview of our Wealth Management processes, pages 24–25. For more information, see our Investing with Impact brochure.</p> <p>Overview of Investment Management processes, pages 26–29. For more information, see our Sustainable Investing Policy.</p>
AC-410a.3	Description of proxy voting and investee engagement policies and procedures	<p>Overview of Investment Management engagement and activities, pages 26–29.</p> <p>In addition, see Morgan Stanley Investment Management's MSIM Proxy Voting Policy.</p>

⁴ Includes Third-Party Multi-Asset products, Custom, Dual Contract and Alternative Impact Products.⁵ Includes Private Credit and Equity, Real Assets, Solutions & Multi-Asset.

SASB CODE	SASB METRIC	RELATED INFORMATION IN 2020 SUSTAINABILITY REPORT ¹
AC-550a.3	Total exposure to securities financing transactions	<p>Securities purchased under agreements to resell:</p> <ul style="list-style-type: none"> • Gross: \$264.1Bn • Net: \$2Bn <p>Securities borrowed:</p> <ul style="list-style-type: none"> • Gross: \$124.9Bn • Net: \$5Bn <p>For more information, see pages 116–117 of our 2020 Form 10-K.</p>
AC-550a.4	Net exposure to written credit derivatives	<p>Total firm credit protection sold (prior to counterparty or collateral netting): \$1.2Bn.</p> <p>For more information, see page 113 of our 2020 Form 10-K.</p>
AC-000.A	(1) Total registered and (2) total unregistered assets under management (AUM)	<p>Total Wealth Management Client Assets and Investment Management Assets Under Management or Supervision (no registration distinction), see pages 37 and 41 of our 2020 Form 10-K.</p>
AC-000.B	Total assets under custody and supervision	<p>Components of Wealth Management client assets, see page 37 of our 2020 Form 10-K.</p>

FORWARD-LOOKING STATEMENTS

Certain statements in this report may be "forward-looking statements." These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. These statements are not guarantees of future results or occurrences. Actual results and financial conditions may differ materially from those included in these statements due to a variety of factors, including, among others, global socio-demographic and economic trends, energy prices, technological innovations, climate-related conditions and weather events, counterparty financial health, insurance applicability, legislative and regulatory changes, and other unforeseen events or conditions, and the precautionary

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Bonds are subject to interest rate risk. When interest rates rise, bond prices fall; generally, the longer a bond's maturity, the more sensitive it is to this risk. Bonds

may also be subject to call risk, which is the risk that the issuer will redeem the debt at its option, fully or partially, before the scheduled maturity date. The market value of debt instruments may fluctuate, and proceeds from sales prior to maturity may be more or less than the amount originally invested or the maturity value due to changes in market conditions or changes in the credit quality of the issuer.

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Private Funds (including hedge funds, which are private equity funds) often engage in speculative investment techniques and are only suitable for long-term, qualified investors. Investors could lose all or a substantial amount of their investment. They are generally illiquid and not tax efficient, and have higher fees than many traditional investments.

The investor should note that funds that invest exclusively in one sector or industry involve additional risks. The lack of industry diversification subjects the investor to increased industry-specific risks.

Investment returns will fluctuate so that an investor's shares when redeemed may be worth more or less than original cost. Investors should carefully consider the investment objectives and risks as well as charges and expenses of a mutual fund or exchange traded fund (ETF) before investing. To obtain a prospectus, contact your Financial Advisor or visit the fund company's website. The prospectus contains this and other information about the mutual fund or ETF. Read the prospectus carefully before investing.

The returns on a portfolio consisting primarily of Environmental, Social and Governance ("ESG")-aware investments or sustainable investments may be lower or higher than a portfolio that is more diversified or where decisions are based solely on investment considerations. Because ESG or sustainability criteria exclude some investments, investors may not be able to take advantage of the same opportunities or market trends as investors that do not use such criteria.

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