Morgan Stanley

Methodology for Morgan Stanley's 2030 Interim Financed Emissions Targets on the Path to Net-Zero

November 2021

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Introduction

The complexity and interconnectedness of climate change impacts present risks and opportunities for human society and the global economy. Addressing these impacts effectively will require close collaboration by business, government and civil society.

Morgan Stanley has been acting to address the climate crisis for over a decade, in our operations and our business activities. Working together with our clients and other stakeholders to navigate the challenges of operating in an increasingly greenhouse gas constrained world is a strategic priority.

In September 2020, we committed to achieving net-zero financed emissions by 2050. We took this decision to protect our shareholders from climate-related risks, better serve our clients by providing transition finance as well as advice and risk management solutions, and contribute to a climate-safe future as a key player in the global financial markets.

We view this commitment both as a destination and a journey that will require bold action, clear objectives, a flexible approach, and close collaborations with our clients, investors and other key stakeholders.

To achieve net-zero financed emissions by 2050, we will focus on emissions reduction targets related to our business activities—starting with the most emissions-intensive sectors in our corporate lending portfolio and adding others over time. We will measure portfolio emissions and transparently demonstrate progress on our 2050 commitment through interim targets for our financing activities.

We have set sector-specific interim emissions reduction targets for 2030. These targets will drive consideration of climate impact in our financing decisions and guide how we engage with clients in the energy, electric power and vehicle manufacturing sectors. This document summarizes the methodology we developed to measure and manage these initial targets. We expect to set additional targets as we continue our journey to net-zero by 2050.

With our net-zero commitment as our "north star", we are in the process of embedding climate considerations across our risk management and business activities. This approach supports our objective to manage our business for the long term while mitigating risk, focusing on innovation and enhancing shareholder value. Our Institutional Securities Group also supports our clients' own climate-related transitions through direct engagement and relationships.

For more information on our firmwide approach to climate change, including governance, strategy and operational goals, please see our inaugural climate report here.

Summary: Our Sector Reduction Targets

2030 EMISSIONS REDUCTION TARGETS
Percent reduction (tonnes CO_2e / $M of lending commitment) compared to the 2019 base year

SECTOR	REDUCTION TARGET
Auto Manufacturing	-35%[1]
Energy	-29%[2]
Power	-58%[3]

[1] IEA Net-Zero by 2050 (p. 199). Table A.4: CO_2 Emissions, Passenger Cars & Trucks (sum of rows 27 and 28).
[2] IEA Net-Zero by 2050 (p. 199). Table A.4: CO_2 Emissions, Oil & Natural Gas (sum of rows 4 and 5).
[3] IEA Net-Zero by 2050 (p. 55). Figure 2.3: Global net-CO_2 emissions by sector, and gross and net CO_2 emissions in the NZE (Electricity Sector).

Target Setting Methodology

The urgency of the climate crisis demands action today. The most recent IPCC report, released in August 2021, confirmed that climate change impacts are not only occurring now, but are worse than expected and accelerating faster than predicted.[4] Our goal at Morgan Stanley is to help develop a new approach to financing GHG-intensive sectors that contributes to achieving a zero-carbon global economy by mid-century.

Morgan Stanley's Measure-Manage-Report Framework

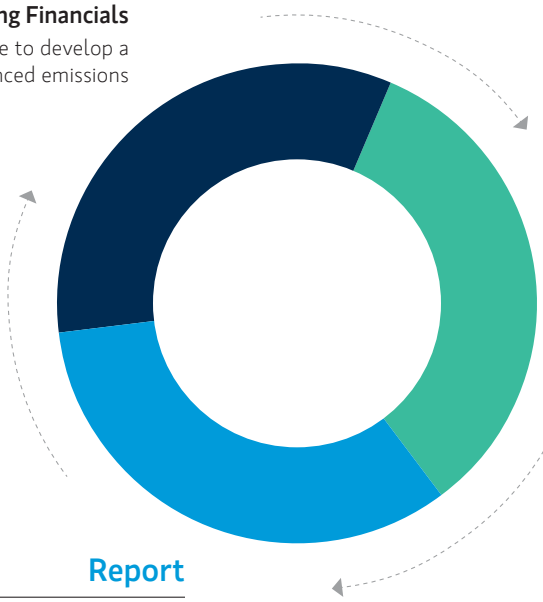
Our approach to setting targets for, and tracking progress on, our new 2050 target is based on a three-part framework to **measure**, **manage** and **report** financed emissions. Several industry initiatives and frameworks helped guide our thinking. Our experience as a leading member of the Partnership for Carbon Accounting Financials (PCAF) guides how we **measure** progress against our targets. The Net-Zero Banking Alliance (NZBA), where we are a founding member, informs how we set and **manage** greenhouses gas emissions targets related to our business activities. The Task Force for Climate-related Financial Disclosures (TCFD) framework guides how we will disclose and **report** progress on our 2030 interim targets.

Three-Part Framework to Measure, Manage and Report Financed Emissions

Measure

Partnership for Carbon Accounting Financials

A global bank-led initiative to develop a methodology for **measuring** financed emissions



Manage

Net-Zero Banking Alliance

UN-led initiative to lay out a framework for best practices for banks to **manage** climate target-setting

Report

Task Force on Climate-related Financial Disclosures (TCFD)

Industry-leading **reporting** framework for climate-related financial disclosures

[4] AR6 Climate Change 2021: The Physical Science Basis — https://www.ipcc.ch/report/ar6/wg1/

Principles for Setting 2030 Interim Targets

ITERATIVE

Our approach reflects the best available information to guide our initial 2030 targets. However, data, methodologies and climate science will evolve and we will update our approach when appropriate.

SCIENCE-ALIGNED

We utilize net-zero-aligned pathways by sector designed by credible, well-recognized organizations to establish our interim targets.

SECTOR-BASED

We focus on sectors most relevant to Morgan Stanley's overall financed emissions. GHG emissions scopes 1, 2 and 3 are included within each sector. We developed a financed emissions lending intensity metric that will best assess our clients' underlying emissions performance and helps our portfolio decisions over time.

COMMITMENT-GUIDED

The targets, as well as our broader measure-manage-report framework, align with our public commitments, specifically the Net-Zero Banking Alliance.

Target-setting Metric—Financed Emissions Lending Intensity

Our target metric is closely aligned with the financed emissions methodology developed by the Partnership for Carbon Accounting Financials (PCAF), with a few minor differences (see page 7). Financed emissions are calculated by multiplying the attribution factor by the emissions of the borrowers. The attribution factor for corporate lending is determined by the ratio of the amount of financing provided and held relative to the enterprise value including cash.[5]

We then take our financed emissions by sector and normalize them based on the amount of financing we commit to that sector. This approach to target-setting enables us to manage our financed emissions independent of our portfolio size while also allowing the reporting boundary to evolve as attribution methodologies mature. Using an intensity approach properly incentivizes Morgan Stanley to proactively work with our clients on climate transition opportunities, not simply reduce our emissions by withdrawing capital from carbon-intensive sectors. It also enables us to have one uniform metric to utilize across different sectors.

We refer to this approach as our financed emissions lending intensity metric.

We will conduct this normalization process on an evolving basis in order to account for our dynamic global portfolio of business activities which extends beyond lending and may change in size and scope. For now, the normalization is based on our lending commitment, since robust methodologies for attributing financed emissions to investment banking activities beyond lending and investing, such as facilitation, have not yet been developed. The calculation methodology for the financed emissions lending intensity metric is shown in the equation below.

$$\frac{\sum_C \frac{\text{Lending Commitment}_C}{\text{Enterprise Value including Cash (EVIC)}_C} \times \text{Annual GHG Emissions}_C}{\text{Total Sector Lending Commitment}_S}$$

C denotes company within sector portfolio
S denotes sector portfolio
Note: Total Book Equity + Debt is used in place of EVIC for private companies.

We set our initial targets at the individual sector level, for several reasons. Sectoral targets will help focus our businesses on providing tailored strategic advice, impactful transition financing and risk mitigation solutions to our corporate clients in GHG-intensive sectors as they seek to reduce their own emissions footprint.

For a detailed summary of our financed emissions lending intensity metric design choices, please see the Appendix.

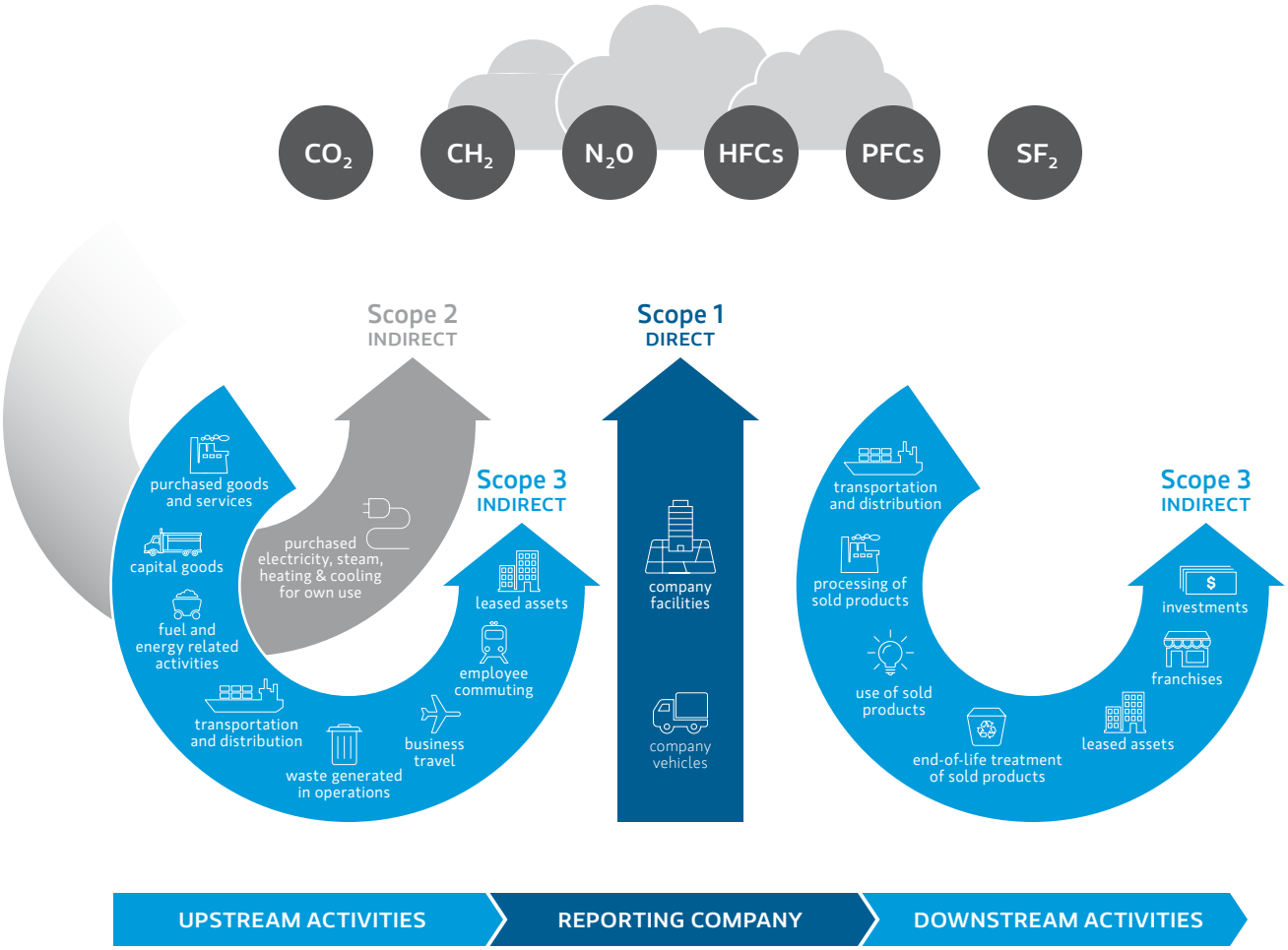
[5] PCAF Global GHG Accounting and Reporting Standard for the Financial Industry

Emission Scopes

The annual GHG emission numbers for each counterparty in this calculation include the sum of all three scopes of GHG emissions as defined by the Greenhouse Gas Protocol (see graphic).[6] While there is overlap between the emission scopes of different industries, we use the full set of emissions for each sector for completeness and transparency. This approach also gives our clients maximum flexibility in how they manage their GHG emissions footprint—by addressing their operations, decarbonizing supply chains, adjusting product mix and business strategy or a combination of these.

Our initial targets focus on those sectors that are most material in terms of our overall financed emissions, and where credible, science-aligned, third-party sector transition pathways exist.

Greenhouse Gas Protocol Carbon Scopes[7]



[6] The Greenhouse Gas Protocol, A Corporate Accounting and Reporting Standard, World Resources Institute, See: https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf

[7] GHG Protocol. Overview of GHG Protocol scopes and emissions across the value chain

Data Considerations for Target-Setting

The GHG emissions and financial data required to calculate our financed emissions comes from a variety of sources. As a first choice, we use data publicly reported by the client, or—in the case of market value required for enterprise value calculation—data available from exchanges and data aggregation services such as Bloomberg or Refinitiv. We use GHG emissions data aggregation sources such as S&P Global. If public reporting of GHG emissions data is not available, we adopt estimates for that counterparty provided to us by the S&P Global GHG emissions model.[8] If a company is not covered by S&P Global's model, we estimate its GHG emissions. We do this by multiplying the company's revenue by the relevant Global Industry Classification Standard (GICS) subindustry-level GHG emissions per dollar revenue coefficient, provided to us by S&P Global. We also use coefficients provided by PCAF as a reference.

Departure from PCAF Methodology

Our net-zero target measuring methodology differs from PCAF reporting standard in one key area; the use of amounts of financing committed versus drawn for loans. In designing and calculating our financed emissions lending intensity metric for target setting purposes, we use the total lending commitment as a measure of exposure to a particular client, defined as the maximum amount Morgan Stanley has determined to lend a company across all lending facilities.

By contrast, PCAF guidance on reporting financed emissions uses the drawn amount for loans as a measure of exposure, since that represents the money actually disbursed. However, since Morgan Stanley's lending exposure includes products such as revolving loans or line of credit facilities, our business leaders determined that targets can only be effectively managed long term by focusing on committed amounts, since these reflect actual business decisions to extend credit to a client.

Over the short-term, drawn amounts vary due to factors that are beyond the Firm's control, and while the amount disbursed is a proper accounting and reporting concept for financed emissions, it is not appropriate for business or strategic management. In order to satisfy our commitment to PCAF, in addition to reporting progress on our net zero target using committed amounts, we will also report financed emissions in our annual climate report using drawn amounts.

[8] Morgan Stanley's Global Sustainable Finance Group also maintains access to a range of third-party greenhouse gas emissions models beyond S&P Global and actively reviews third-party estimates of GHG emissions for discrepancies and outliers.

Our 2030 Interim Targets

The latest IPCC report suggests that the planet is off track to limit global temperature rise to 1.5°C above pre-industrial levels and avoid the worst impacts of climate change. In 2021, the International Energy Agency (IEA) published its Net-Zero Emissions by 2050 Scenario (NZE) which lays out a possible pathway for the energy sector and related industries to enable global net-zero emissions by 2050.

The NZE scenario "aims to ensure that… CO_2 emissions to 2030 are in line with reductions in 1.5°C scenarios with no or low or limited temperature overshoot." It also confirms that, "reducing global carbon dioxide (CO_2) emissions to net zero by 2050 is consistent with efforts to limit the long-term increase in average global temperatures to 1.5°C."[9] Given the IEA's leadership in this area, and its scenario's alignment with both 1.5°C and net-zero emissions by 2050, Morgan Stanley adopted sector-specific, net-zero-aligned absolute emissions pathways sourced from the IEA for our 2030 interim targets.

Auto Manufacturing

The world's fleet of cars and trucks are powered predominantly by internal combustible engines (ICEs) and accounted for 24% of annual global emissions in 2019.[10] In the United States, transportation is now the largest source of GHG emissions after a decline in the power sector's footprint.[11]

Morgan Stanley's Auto Manufacturing sector target focuses on the companies whose predominant business activity is the production of passenger cars and light, medium and heavy trucks. The target's scope covers firms in the GICS sub-industry Automobile Manufacturers.[12] Manufacturer decisions about the GHG emissions stemming from their fleet mix represent the critical lever in reducing future GHG emissions from road transportation.

We used the IEA NZE absolute emissions pathway for passenger cars and trucks to define our Auto Manufacturing 2030 interim target. This pathway lays out the technological and modal trends needed for the sub-industry to reach net-zero by 2050, and governmental actions to support electrification, including transition to low-emission fuels and infrastructure development, more battery technology R&D and EV charging infrastructure deployment.[13] The IEA NZE also projects worldwide impacts on fossil fuel consumption as a result of the low-carbon transition in the transport sector.

To align with this IEA pathway, we set a 2030 interim target to reduce our financed emissions lending intensity by 35% compared to the 2019 base year.

A NOTE ON THE IEA TRANSPORTATION EMISSIONS PATHWAY

We recognize that a company's GHG emissions from auto manufacturing account primarily for the future emissions from the sales of new vehicles, while the IEA target is primarily oriented toward the emissions from the overall fleet. During the target-setting process we evaluated several third-party pathways for improving fleet efficiency, including from the Transition Pathway Initiative, a UK-based non-profit. However, these did not suit our purpose as they were either primarily focused on certain product types, such as passenger cars, or based on a metric that did not encompass scopes 1, 2 and 3 (both upstream and downstream). In addition, passenger cars and heavy trucks represent only a portion of a diversified product mix for many of our clients in the Automobile Manufacturers subcategory, and we often provide financing for general purposes rather than a particular product line.

Given the complex and diversified business and product mix of clients that fall within this category, and a lack of a pathway that would cohere with the inclusive financed emissions metric, we believe that an interim target of 35% represents a measurable, actionable and comprehensive net-zero financed emissions pathway to 2030. This pathway is intended to encompass the objectives for passenger and heavy truck fleet decarbonization efforts outlined in the IEA NZE scenario, but includes a reporting boundary that encompasses additional products and activities undertaken by financed entities. We will continue to review and examine this pathway, which illustrates the challenges of net-zero target setting and alignment for corporates with diversified product mixes.

[10] IEA Net Zero by 2050 Table A.4; emissions percentage calculated on a final consumption basis.
[11] Environmental Protection Agency, https://www.epa.gov/ghgemissions/sources-greenhouse-gas-emissions
[12] The GICS Sub-Industry Automobile Manufacturers includes diversified road transport original equipment manufacturers that produce a range of passenger vehicles, vans, buses, motorcycles, light and heavy-duty trucks and other associated equipment.
[13] IEA Net Zero by 2050 (p. 76, 139)

Energy

The global economy's reliance on fossil fuels is illustrated by the simple fact that fossil fuels account for almost 80% of total energy supply.[14] Morgan Stanley recognizes that the low-carbon transition will require continued oil and gas use for many years to come, particularly as global energy demand rises along with emerging market economies. However, the global economy will need to significantly reduce fossil fuel usage before 2050 to keep global temperature rise below 1.5°C.

One of the ways to bridge this gap is for the financial services sector to help energy companies diversify their strategies. Morgan Stanley's Energy target focuses on companies where the main business activity is the production, processing and distribution of oil and gas. The target's scope includes firms classified into six sub-industries within the GICS Energy sector: Oil & Gas Drilling, Oil & Gas Equipment & Services, Integrated Oil & Gas, Oil & Gas Exploration & Production, Oil & Gas Refining & Marketing and Oil & Gas Storage & Transportation. Coal & Consumable Fuels is not included as we have no lending commitments to this GICS sub-industry.

We used the absolute IEA NZE emissions pathways for oil and gas to define the Energy sector's 2030 interim target.[15] These roadmaps describe the technological advances, fuel transition and operational efficiencies that companies we lend to in these subsectors will need to make in order to reach net-zero emissions by 2050.

To align with the IEA pathway, we set a 2030 interim target to reduce our financed emissions lending intensity by 29% compared to the 2019 base year.

Power

According to the IEA, electricity generation is the single largest source of energy-related CO_2 emissions today at 36%.[16] The sector must navigate twin challenges: providing reliable, safe electricity to a growing global population and economy while quickly decarbonizing.

Morgan Stanley's Power target focuses on companies where the main business activity is electricity production. The target's scope covers firms in four sub-industries within the GICS Utilities sector: electric utilities, multi-utilities, independent power & energy traders and renewable electricity. The sector's other sub-industries, Water and Gas utilities, are not included since their main business activities do not include electricity production.

We used the IEA NZE absolute emissions pathway for electricity production to define the Power sector's 2030 interim target. The pathway describes how global energy demand, energy mix and power generation will need to evolve to achieve global net-zero emissions by 2050, as well as analyzing and making assumptions about investment needs, technology and consumer behavior.

To align with the IEA pathway, we set a 2030 interim target to reduce our financed emissions lending intensity by 58% compared to the 2019 base year.

[14] IEA Net-Zero by 2050 (p. 18)
[15] Note that there may be up to an additional 1% of emission reductions envisioned by the IEA NZE scenario to come from the "other energy sector" activities of the IEA NZE scenario. However, even after consulting with IEA staff it was impossible to disentangle the additional oil and gas emissions reductions from transformation and liquification, from losses by blast furnaces, coke ovens, coal transformation and liquefaction, energy own use in.
[16] IEA Net-Zero by 2050 (p. 114)

Aligning our 2030 Targets and Climate Commitments

Morgan Stanley is a founding member of the industry-led, United Nations-convened Net-Zero Banking Alliance (NZBA). Launched in April 2021, NZBA brings together banks representing over a quarter of global banking assets in a collective commitment to align their lending and investment portfolios with net-zero emissions by 2050. NZBA combines near-term action with accountability, providing an internationally coherent framework and guidelines in which to operate. Signatory banks worldwide are working to set intermediate target for 2030 or sooner, using robust, science-based guidelines.

The table below outlines how these targets align with our commitment to NZBA for achieving net-zero financed emissions by 2050. We will continue to follow NZBA guidance as we explore future targets.

NZBA GUIDANCE KEY POINTS	MORGAN STANLEY NET-ZERO TARGETS
Banks shall set a 2050 target to support meeting the temperature goals of the Paris Agreement.	Net-zero financed emissions by 2050 target set
Banks shall set an interim target for 2030 or sooner and may set further interim targets prior to that date.	2030 interim targets set
Targets shall be set based on: • Absolute emissions; and/or • Sector-specific emissions intensity (for example, CO_2e or carbon dioxide equivalent / unit).	Financed emissions lending intensity target set for three sectors
Targets shall cover a significant majority of a bank's scope 3 emissions, including the most emission-intensive sectors, within 36 months.	A majority of the firm's financed emissions covered by interim targets. Further sector targets to follow.
Over time, banks should increase the volume of investment activities covered by the targets in line with methodological developments.	Current targets only cover balance sheet lending but will expand to include facilitation once PCAF finalizes its facilitated emissions methodology.
The scenarios used by banks shall come from credible and well-recognized sources and banks should provide rationale for the scenario(s) chosen.	Scenarios used to determine targets sourced from the International Energy Agency Net-Zero by 2050 emissions pathway, a leading, global science-based organization with net-zero scenarios.
The financed emissions profile of the bank's portfolio shall be calculated and disclosed annually.	Morgan Stanley will disclose financed emissions annually using the PCAF methodology, via our climate report.

Next Steps

Our initial 2030 interim targets will guide Morgan Stanley's engagement with our Auto, Energy, and Power clients and how the firm allocates capital going forward. Given our own climate commitments, we appreciate the climate-related challenges that our clients face and stand ready to partner with them. From a risk perspective, Morgan Stanley's targets will also inform our understanding of how clients' decarbonization plans account for and minimize potential transition risk. This in turn will provide insight into how we can shape tailored solutions that support our clients in executing those plans.

Morgan Stanley will take a transparent and proactive approach to its net-zero commitment, following our Measure, Manage and Report framework. Our annual climate report will provide updates on progress against our targets by disclosing our financed emissions lending intensity using the methodologies developed by PCAF and NZBA.

The journey toward our 2050 net-zero goal is just beginning. We will now focus on embedding the targets into our organizational processes, decision-making and existing governance to drive implementation.

Setting interim targets has been a learning process through which we have identified four focal areas for future work and progress, summarized below.

Designing and Expanding Methodologies: We will continue to engage in industry efforts to develop additional financed emissions accounting methodologies through PCAF. For example, Morgan Stanley co-chairs the PCAF working group tasked with developing a methodology for facilitated emissions. A standardized approach would enable financial institutions to better assess capital markets facilitation activities within the scope of our targets. Depending on the pace of methodology development, we intend to include our capital markets activities in the scope of the 2030 targets and our reporting by the end of 2022.

Expanding Target Sector Coverage: By setting an Auto Manufacturing target we are pursuing financed emissions reduction targets for industrial sectors that are less easily linked to credible net-zero emissions pathways. Based on this experience, we will seek to set targets for additional sectors that align with our NZBA-aligned objective to cover a significant majority of our firm's financed emissions. For example, while the mining sector is certainly important with regards to climate change, the sector lacks a widely accepted net-zero aligned pathway given the diversity of its products and business models. We plan to engage with industry and clients to help address the challenges around setting and managing targets for other industries.

Addressing Hard-to-Abate Sectors: We consider our Energy target as ambitious, yet achievable. However, new technologies and nature-based solutions to capture carbon will require technological maturity and significant investment for widespread adoption as we approach 2050. Our firm will explore what further role we can play in helping develop and deploy additional technology solutions.

Addressing Data Challenges: The data used for emissions reduction targets is constantly evolving. The key components for setting a target—sector-specific emissions pathways and company-level climate data—have both evolved in recent years. Emissions pathways have integrated new climate science, increased sector granularity and added variable outputs. Company-level climate data has undergone changes in coverage, granularity and accuracy and disclosure rates have increased. Morgan Stanley is on the frontline of monitoring this evolution as we chair the PCAF Climate Data Working Group. We will also continue to work with clients, data vendors and industry organizations to enhance their efforts, improve accuracy and test new data and tools.

Appendix

Metric Design Choices: Financed Emissions Lending Intensity Versus Physical Intensity Metric

Morgan Stanley considered several options for target metrics. This evaluation included a thorough exploration of sector-specific emissions physical intensity targets that would measure a company's GHG emissions in terms of its sector-specific output—kilowatt hours (kWh) of energy for Power, fuel efficiency in kilometers (km) for autos and gigajoules (GJ) of fuel output for energy. Ultimately, we selected the financed emissions lending intensity metric as we thought it was most appropriate for Morgan Stanley as a firm. However, we learned a great deal through our analysis and seek to share some of the insights that we surfaced for others working on similar efforts.

Our goal is not to dissuade other financial institutions from exploring intensity metrics. Rather, our aim is to contribute to the collective work financial institutions are currently undertaking as we all explore how to best support our clients in the climate transition across a complex, global economic system. It will take many players across industry, government and financial services to accelerate solutions to the climate strategy, so our hope is that our learnings can help accelerate the efforts of others.

A sector-specific emissions intensity metric requires combining sector-specific output data with GHG emission data. This often requires a number of assumptions. For example, the underlying sector-specific output data, especially in the energy sector, varies widely across data vendors due to different assumptions about upstream production rights, conversion factors, and so on. Carbon data is often estimated, and Scope 3 emissions estimates are derived from different vendor models. Combining these metrics yields uncertainty in the denominator of the intensity calculation, which is further compounded if combined with other variables.

After evaluating data samples from several sources, the Morgan Stanley Global Sustainable Finance team concluded that estimates of the starting point created by combining different sources of emissions data with different sector-specific output data generate a range of results. This contributed to further uncertainty about the actual portfolio footprint and limited our confidence in the ability to effectively manage to the target over time. In addition, specific sub-industries would need to be included or excluded based on the availability of output data. For example, midstream energy companies generally do not produce any oil or gas so they do not have energy sector-specific output data and would therefore fall outside the target boundary.

We also learned that emissions intensity pathways are generally related to only one specific GHG emissions scope. For example, emissions intensity pathways for auto manufacturers generally focus on passenger car use rather than the supply chain and manufacturing, or other vehicle types, and therefore require further significant assumptions with regard to the vehicle miles travelled in the denominator. In this example, the only relevant metric would be scope 3 downstream emissions intensity as it is comparable to the sector's emissions intensity pathway.

Also, sector-specific emissions intensity is often tied to a particular product and does not easily track companies that may diversify and cross traditional sector boundaries as they transition to more low-carbon business activities. This product focus leaves out significant segments of client activity. Examples include oil and gas companies that enter renewable electricity markets or auto manufacturers that expand into the energy storage business or other adjacent fields, or that market a wide variety of related products and services. In many sectors, the intensity metric requires several assumptions to accurately capture such diversification, hindering our ability to understand how clients fare from a climate perspective, or requiring creation of a number of product-level targets that would have complicated client dialogue instead of focusing on the single most important metric – the amount of GHG emitted.

Overall, sector-specific emissions intensity metric does offer some benefits. For example, intensity measures better align with a Solow definition of sustainability by evaluating emissions intensity relative to economic output . However, for our business, targets focused on emissions intensity would introduce complications that could inhibit our ability to consistently and accurately assess companies and measure progress, for the reasons stated above. Based on our analyses, a financed emissions lending intensity metric is the most appropriate metric to inform Morgan Stanley's business decisions. It is also more closely aligned with reporting and managing our own Scope 3 emissions according to PCAF's methodology.

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USE OF THIRD-PARTY INFORMATION

In addition, the methodology used to establish financed emission targets and track future progress against such targets utilize emissions information and estimates that have been derived from publicly available information released by third-party sources, which Morgan Stanley believes to be reasonable, although Morgan Stanley has only been able to complete limited validation. Additionally, in the absence of counter-party specific emissions data, some financed emissions will be estimated using emissions and activity factors provided by third-party sources. In no event shall Morgan Stanley be liable (whether in contract, tort, equity or otherwise) for any use by any party of, for any decision made or action taken by any party in reliance upon, or for any inaccuracies or errors in, or omissions from, such information contained herein. Each industry publication and report referred to herein speaks as of its original publication date. While we are not aware of any misstatements regarding the industry, company or market data presented herein, such data and estimates involve important risks, uncertainties and assumptions and are subject to change based on various factors, including those discussed under the heading "Forward-Looking Information" above. For example, certain third-party information, such as Scope 3 emissions and emissions factors, may change over time as methodologies evolve and are refined. These and other factors could cause results to differ materially from those expressed in the estimates and beliefs made by third parties and by Morgan Stanley. In addition, sources of third-party information referred to herein retain all rights with respect to such data and use of such data by Morgan Stanley herein shall not be deemed to grant a license to any third party. The use of any third-party trademarks or brand names is for informational purposes only and does not imply an endorsement by Morgan Stanley or that such trademark owner has authorized Morgan Stanley to promote its products or services.

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