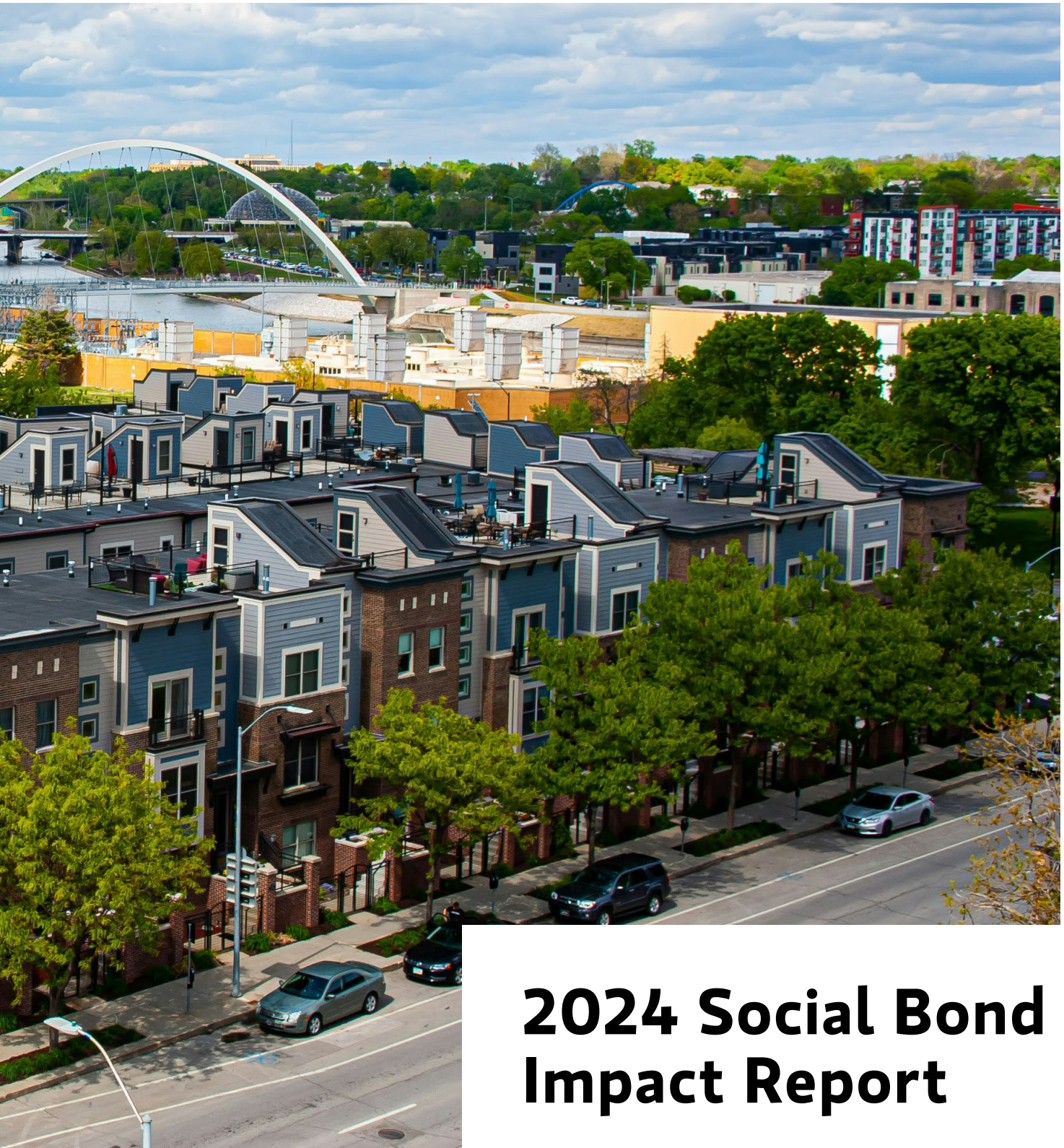


Morgan Stanley



2024 Social Bond Impact Report

Table of Contents

03

The Morgan Stanley Social Bond

05

Impact Highlights

15

Management's Assertion



Morgan Stanley's Social Bond

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 with low or moderate income.

The bond brings to life [Morgan Stanley's Social Bond Framework](#) (the “Framework”), which aims to contribute to Morgan Stanley's CDF program through a focus on affordable housing. Eligible Social Projects are expected to directly contribute to SDG number 11 (“Sustainable Cities and Communities”), and to indirectly contribute to two additional United Nations Sustainable Development Goals (SDGs) as a result of the interlinkages between the Eligible Social Projects and a broader array of community services:

PROJECT CATEGORY (AS IN THE SBP)

AFFORDABLE HOUSING

SUMMARY OF CORE SDGS (AND RELEVANT SDG TARGETS)



11.1 Ensure access for all to adequate, safe and affordable housing and basic services

SUMMARY OF SECONDARY SDGS (INTERLINKAGES AND INDIRECT IMPACT)



1.5 Build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social, and environmental shocks and disasters



10.2 Empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion, or economic or other status

Morgan Stanley's Social Bond Overview

Issue Date: October 21, 2020

MORGAN STANLEY SOCIAL BOND OVERVIEW

Issue Date	October 21, 2020
Currency	USD
Tenor	5NC-4
Value	\$1,000,000,000
Net Proceeds	\$996,500,000
Use of Proceeds	An amount equal to the net proceeds from the issuance of the Social Bond will finance and/or refinance affordable housing projects. Projects aim to provide housing at affordable rates to low- or moderate- income ("LMI") individuals and/or families. "Eligible Social Projects" are defined in Morgan Stanley's Social Bond Framework.
Fixed Coupon Rate	0.864%
Project Evaluation and Selection	Morgan Stanley's specialist teams, including the Community Development Finance and Global Sustainability Offices, are responsible for the evaluation and selection of Eligible Social Projects. The Social Bond Supervisory Committee has overall responsibility for supervision of the Eligible Social Projects register.
Management of Proceeds	On a semiannual basis, the Supervisory Committee evaluates the Eligible Social Portfolio to ensure that the aggregate amount is equal to or greater than the net proceeds from the sale of the Social Bond. If the aggregate is less than total net proceeds, Morgan Stanley will hold the balance of the unallocated amount in cash, cash equivalents, U.S. or other government securities, U.S. agency securities, or U.S. agency mortgage-backed securities in a segregated account established for tracking purposes until the amount can be allocated to the Eligible Social Portfolio.
Reporting	On an annual basis and on a timely basis in the case of material developments, Morgan Stanley will publish the total qualifying amount of Eligible Social Projects, the associated estimated social impacts and a management assertion regarding project allocations. This includes external review of project eligibility.

2024 Impact Highlights¹

SOCIAL BOND OVERVIEW

TOTAL VALUE OF ELIGIBLE SOCIAL PORTFOLIO



Nearly \$4Bn²

HOUSING PROJECTS SUPPORTED



~500

IMPACT STATISTICS



~57,000

Affordable Housing Units³

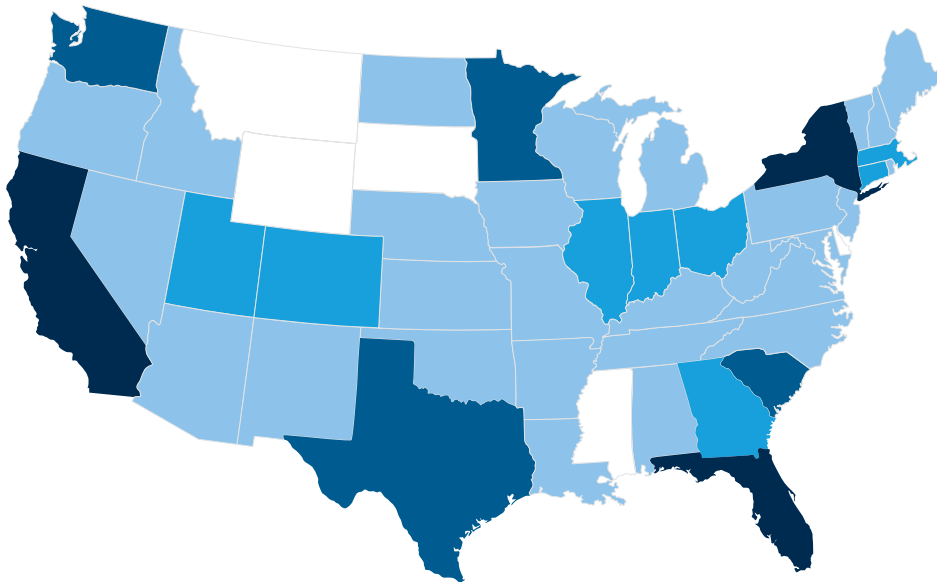


~148,000

Beneficiaries

GEOGRAPHIC COMPOSITION BY NUMBER OF PROJECTS

Project Distribution: ■ 1-10 ■ 11-20 ■ 21-40 ■ 41-60



¹ Data as of 12/31/2023

² \$4 billion represents the outstanding principal for Eligible Social Projects in the Firm's Eligible Social Portfolio as of December 31, 2023. The eligibility criteria are outlined in the "Use of Proceeds" section of the [Morgan Stanley Social Bond Framework](#). The Firm has funded these assets with the net proceeds from the sale of the \$1 billion Social Bond in addition to approximately \$3 billion from other funding sources. The impact metrics included on this page represent the estimated impacts derived from projects financed in the Eligible Social Portfolio through December 31, 2023.

³ Certain units target seniors, homeless, persons with disabilities, veterans, victims of domestic abuse and/or individuals aging out of foster care.

2023 Project Spotlights



Source: SAHF Affordable Communities Fund 2019 (MS) Limited Partnership

VILLAGES OF EAST RIVER



Morgan Stanley partnered with National Affordable Housing Trust and a Washington D.C.-based nonprofit developer, NHT Communities, to finance the substantial rehabilitation of the Villages of East River through a low-income housing tax credit investment. The rehabilitation involves 16

residential apartment buildings in the eastern part of Washington, D.C. Villages of East River will provide approximately 200 units of affordable housing for families and will include permanent supportive housing units for homeless individuals or for families that receive case management services through D.C. Department of Housing and Community Development. The renovation will include construction of two community spaces and three areas for supportive services such as resident events and activities accessible to all tenants, and climate solutions, including the installation of solar panels and green vegetated roofs on eight of the buildings.

HILLVIEW COURT



Morgan Stanley refinanced debt that Santa Clara County provided for the purchase and renovations of Hillview Court, a 132-unit apartment complex dedicated to the formerly homeless, or those at risk of homelessness, in the San Jose, California, Metropolitan Statistical Area (“MSA”). The building was originally constructed as a hotel in 1997, and in 2020 was identified by Santa Clara County

and the State of California as a property that would qualify for their collective initiatives to combat homelessness. In 2021, renovations to convert the hotel into studio apartments for the target demographic commenced. The units are restricted to individuals who meet the affordability requirements, and the property is secured with a 20-year Project Based Section 8 HAP contract, which will guarantee monthly rental subsidy payments to the building owners. The service goals for the property are to stabilize homeless individuals, or those at risk of homelessness, by establishing a permanent housing solution and reducing recidivism through services such as access to mental health care, job training, employment services, and a variety of other adult education and supportive resources.



Source: JHC-Hillview LLC

MORGAN STANLEY SOCIAL BOND MANAGEMENT REPORT - PERIODIC REVIEW 4

Log of assessments to date

Assessment number	Description	Date
#1	Morgan Stanley Social Bond, DNV eligibility assessment - Initial	October 2020
#2	Morgan Stanley Social Bond, DNV eligibility assessment – Periodic Review 1	June 2021
#3	Morgan Stanley Social Bond, DNV eligibility assessment – Management Report 2, Periodic Review 2	May 2022
#4	Morgan Stanley Social Bond, DNV eligibility assessment – Management Report, Periodic Review 3	June 2023
#5	Morgan Stanley Social Bond, DNV eligibility assessment – Management Report, Periodic Review 4 (this assessment)	May 2024

Introduction

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

Scope and Objectives

Morgan Stanley developed its **Social Bond Framework** (the “Framework”) in October 2020, outlining how it intended to meet the requirements of the International Capital Markets Association (ICMA) Social Bond Principles (SBP) 2021. Morgan Stanley subsequently issued a Social Bond in October 2020 (henceforth referred to as “Bond”) under this Framework.

DNV Business Assurance Services UK Limited (henceforth referred to as “DNV”) delivered the eligibility assessments for the Social Bond and issued a Second-Party Opinion (SPO) evaluating the Bond against Framework and its alignment to the SBPs in October 2020. Morgan Stanley has since then commissioned DNV to conduct three periodic reviews of the assets that had been financed from the proceeds of the Bond in June 2021, May 2022 and June 2023. Morgan Stanley has now commissioned DNV to provide a fourth Periodic Review.

Our methodology to achieve this is described under ‘Work Undertaken’ below.

¹ Note, Framework and SPO has now been revised against the latest version of the ICMA SBPs (2023).

The scope of work is limited to a desktop review of the total allocated projects to confirm their eligibility as per the Framework and against the SBPs. The scope of our initial eligibility assessment in October 2020 comprised of a review of projects that had been financed up to that date. The first Periodic Review assessed all assets funded under the Framework from the proceeds of the Bond up to 31st March 2021, and the second review up to 31st March 2022. The third review has assessed all assets funded under the Framework up to 31st March 2023, and the fourth review assessed all assets funded under the Framework up to 31st December 2023.

We were not commissioned to provide independent assurance or any other audit activities. No assurance has been provided regarding the financial performance of the Bond, the value of any investments in the Bond, or the long-term social benefits of the transaction. Our objective has been to provide an assessment as to whether the Use of Proceeds from the Bond meet the Social Bond criteria as established in the Framework, as well as the ICMA SBPs.

Responsibilities of the Management of Morgan Stanley and DNV

The management of Morgan Stanley has provided the information and data used by DNV during the delivery of this Periodic Review. Our statement represents an independent opinion and is intended to inform Morgan Stanley management and other interested stakeholders in the Bond as to whether the assets financed from the proceeds of the Bond aligned with the Framework and the SBPs 2023. In our work we have relied on the information and the facts presented to us by Morgan Stanley. DNV is not responsible for any aspect of the projects or assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by the Morgan Stanley Management and used as a basis for this assessment were not correct or complete.

Basis of DNV's opinion

We have adapted our Social Bond Eligibility Assessment methodology to create a Morgan Stanley-specific "**Social Bond Periodic Review Protocol**" (henceforth referred to as "Protocol"). Our Protocol includes a set of suitable criteria that can be used to underpin DNV's review of the assets financed by the Bond.

As per our Protocol, the criteria against which the assets have been reviewed are grouped under the four Principles below:

- **Principle One: Use of Proceeds.** The Use of Proceeds criteria are guided by the requirement that proceeds of a Bond must be applied to finance or refinance eligible activities. The eligible activities should produce clear social benefits.
- **Principle Two: Process for Project Evaluation and Selection.** Confirmation that the Process for Project Evaluation and Selection has remained consistent from DNV's initial eligibility assessment conducted in October 2020.
- **Principle Three: Management of Proceeds.** Confirmation that the process for the Management of Proceeds has remained consistent from DNV's initial eligibility assessment in October 2020.
- **Principle Four: Reporting.** Confirmation that the commitments to reporting have remained consistent from DNV's initial eligibility assessment in October 2020.

Work undertaken

For this Periodic Review, DNV reviewed whether the assets funded by the Bond have met the Use of Proceeds criteria as outlined in the “Morgan Stanley Social Bond Framework”, and therefore whether the Bond can be considered eligible against the Framework and in line with the requirements as set out in the SBPs.

DNV can confirm that Morgan Stanley provided the details for all assets, defining why each asset was chosen, which eligible category they fall under, and how they meet the eligibility criteria as defined in the Framework.

Subsequently, for the assets that were chosen, DNV requested further information and evidence that supported these claims, verifying that partnership agreements, funds investment policies and individual projects met the criteria established in the Framework.

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

The work undertaken to form our opinion included:

- Creation of a Morgan Stanley-specific Protocol, adapted to the purpose of the review;
- Quantitative and qualitative review of project portfolio, through assessment of documentary evidence provided by Morgan Stanley on the asset financed by the Bond, in-depth spot-checks on selected assets, and discussions with Morgan Stanley management, supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology; and
- Documentation of findings against each element of the criteria. Our opinion as detailed below is a summary of these findings.

Findings and DNV’s opinion

DNV’s findings are listed below. This Periodic Review focusses on the Use of Proceeds. The full eligibility assessment carried out in October 2020 can be found on Morgan Stanley’s website.

1. Principle One: Use of Proceeds.

Morgan Stanley uses a dynamic pool of projects, the “Eligible Social Projects”, as defined in the Framework. Morgan Stanley has allocated funds to finance ongoing and/or future Eligible Social Projects since the date of issuance of the Bond, as well as the refinancing of eligible investments to which disbursements have been made, since 2018 (as per the Framework). This is achieved via investments into closed-end investment vehicles with strict investment policies that adhere to the criteria established in the Framework.

The Eligible Social Projects being financed under the Framework fall into the following category of “**Affordable Housing**” (see Schedule 1), which is in line with the SBPs.

For this Periodic Review, DNV has used the criteria above as the basis of our assessment of conformance.

DNV has provided with an exhaustive list of projects financed under the Framework up to 31st December 2023 and carried out spot-checks to verify that the Framework criteria was met.

To support the review, Morgan Stanley provided a register designed to track the Eligible Social Projects. Our checks were conducted at three levels – partnership agreements, funds investment policies, and individual projects. We also conducted in-depth spot-checks on selected funds and assets, which are summarised in the table below.

In total, our sample review covered:

- 4 partnership agreements.
- 4 funds.
- 7 projects.

Level of check	Type of evidence reviewed	Number of spot-checks	Conclusion
Partnership agreements	<ul style="list-style-type: none"> • Copies of partnership agreements containing wording related to affordable housing eligibility criteria 	4 partnership agreements across various types of funds	The evidence reviewed meets the criteria as established in the Framework and is aligned with the SBPs
Fund Investment Policies	<ul style="list-style-type: none"> • Individual funds’ investment policies • K1 tax document • Quarterly reports and rent information • Underwriting guidelines and general term sheet in lieu of the investment policy statement, where necessary 	Where relevant, policies or equivalent documents for the funds across multiple partnership agreements	The evidence reviewed meets the criteria as established in the Framework and is aligned with the SBPs
Projects	<ul style="list-style-type: none"> • List of projects “Social Bond - Appendix A (2023.12.31)” showing: <ul style="list-style-type: none"> - Geographic location of affordable housing projects funded - Corresponding fund name - Level of income of populations reached 	7 affordable housing projects across multiple funds and partnership types	The evidence reviewed meets the criteria as established in the Framework and is aligned with the SBPs

	<ul style="list-style-type: none"> - Categories of vulnerable populations reached - Other social characteristics and benefits of project • Community Reinvestment Act (CRA) evaluations • Deeds of trust or first mortgage documentation, evidencing that the project financing was made by the fund • Investment approval memorandums (prepared by the GP) containing an overview of the housing project, investment amount, number of affordable units, affordability characteristics, satellite imagery, transaction structure, other loan information. • Pro-forma financial statements 		
--	---	--	--

Our review of the documents listed above, as well as interviews with Morgan Stanley’s management, showed conformance with the defined criteria. Clarification requests were sufficiently addressed through the provision of additional documentation.

The total monetary amounts in the project portfolio were also reviewed by DNV, and we can confirm that the over-collateralisation is sufficient.

DNV also confirms that the Eligible Social Projects continue to be aligned with the United Nations (UN) Sustainable Development Goals (SDGs), specifically: Goal #11 (Sustainable Cities and Communities), and indirectly Goal #1 (No Poverty), and Goal #10 (Reduced Inequalities).

DNV concludes that the projects being financed under the Bond deliver clear social benefits and are consistent with the Framework, and that they meet the requirements as outlined in the ICMA SBPs 2023.

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

Morgan Stanley’s management confirmed that no changes were made to the processes described in this section, since the eligible assessment of October 2020.

3. Principle Three: Management of Proceeds.

Morgan Stanley’s management confirmed that no changes were made to the processes described in this section, since the eligible assessment of October 2020.

4. Principle Four: Reporting.

Morgan Stanley's management has confirmed that no changes were made to the processes described in this section, since the eligible assessment of October 2020.

On the basis of the information provided by Morgan Stanley and the work undertaken, it is DNV's opinion that the projects financed up to 31st December 2023, meet the criteria established in the Protocol, that they are aligned with the Use of Proceeds for Affordable Housing as stated in the Framework, and that they are eligible as per the International Capital Markets Association's (ICMA) Social Bond Principles (SBPs) 2023.

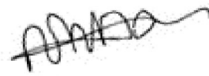
for DNV Business Assurance Services UK Limited

London, 29 May 2024



Zohrah Yaqub

Senior Consultant and Project Manager
DNV – Business Assurance



Niki Hutson

Head of Sustainable Finance UK and Technical
Reviewer
DNV – Business Assurance

About DNV




DNV is an independent assurance and risk management provider, operating in more than 100 countries. Through assessment and digital assurance solutions, DNV helps companies build trust and transparency around products, assets, supply chains and ecosystems.

Whether certifying products, sharing claims or optimizing and decarbonizing supply chains, DNV helps companies manage risks and realize their long-term strategic goals, improving ESG performance and generating lasting, sustainable results.

Combining sustainability, supply chain and digital expertise, DNV works to create new assurance models enabling interaction and transaction transparency across value chains. Drawing on our wide technical and industry expertise, we work with companies worldwide to bridge trust gaps among consumers, producers and suppliers.

Driven by its purpose, to safeguard life, property, and the environment, DNV helps tackle the challenges and global transformations facing its customers and the world today and is a trusted voice for many of the world's most successful and forward-thinking companies.

SCHEDULE 1: DESCRIPTION OF ACTIVITIES FINANCED THROUGH THE BOND

Eligible Social Category	Description	Target populations	UN SDG – Core	UN SDG – Indirect
<p>Affordable Housing</p>	<p>Projects aiming to provide housing at affordable rates to low- or moderate-income (“LMI”) individuals and/or families, defined as earning less than 50% and less than 80%, respectively, of the relevant area median income or “AMI”, which is in line with the definition in the Community Reinvestment Act of 1977.</p> <p>The objective is to have projects that aim to provide housing at affordable rates to LMI individuals and/or families.</p>	<p>The Affordable Housing projects are expected to deliver benefits to various example categories of the ICMA SBP 2023’s Target Populations such as, but not exclusively, people living below the poverty line, people with disabilities, designated disaster areas or people who are marginalised or underserved.</p>	<p>11 Sustainable cities and communities</p> 	<p>1 No Poverty</p>  <p>10 Reduced Inequalities</p> 

DNV Business Assurance Services UK Limited is registered with the Registrar of Companies for England and Wales, under Company Number 8320924. Registered office address is 5th Floor, Vivo Building, 30 Stamford Street, London SE1 9LQ.

Management's Assertion Regarding the Eligible Social Portfolio

Management asserts that as of December 31, 2023, an amount equal to the net proceeds from its issuance of 0.864% notes on October 21, 2020, due October 21, 2025, has been allocated to Eligible Social Projects, which meet the criteria specified on the Social Bond Framework, dated October 2020.

Project Eligibility Criteria

Eligibility criteria are based on the definitions of "Community Development" under Title 12, Chapter 1, Part 25 of the Code of Federal Regulations, in compliance with the Community Reinvestment Act of 1977.

1. Projects targeting low-income individuals or families that have individual or median family income that is less than 50% of AMI;
2. Projects targeting moderate-income individuals or families that have individual or median family income that is at least 50% and less than 80% of AMI;
3. Projects targeting groups located in a census tract by the United States Bureau of the Census categorized as LMI; and
4. Activities that revitalize or stabilize:
 - Low- or moderate-income geographies;
 - Designated disaster areas; or
 - Distressed or underserved non-metropolitan middle-income geographies designated by the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency, based on:
 - Rates of poverty, unemployment and population loss; or
 - Population size, density and dispersion.

Activities are considered to revitalize and stabilize geographies based on population size, density and dispersion if they help meet essential community needs, including the needs of LMI individuals or families.

Eligible Social Projects include projects with disbursements made by Morgan Stanley's Entities in the year 2018 and beyond.

Morgan Stanley's Entities making disbursements toward Eligible Social Projects include Morgan Stanley Bank, N.A., Morgan Stanley Community Investments LLC, MS Affordable Housing LLC and Morgan Stanley Private Bank, National Association.

This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy.

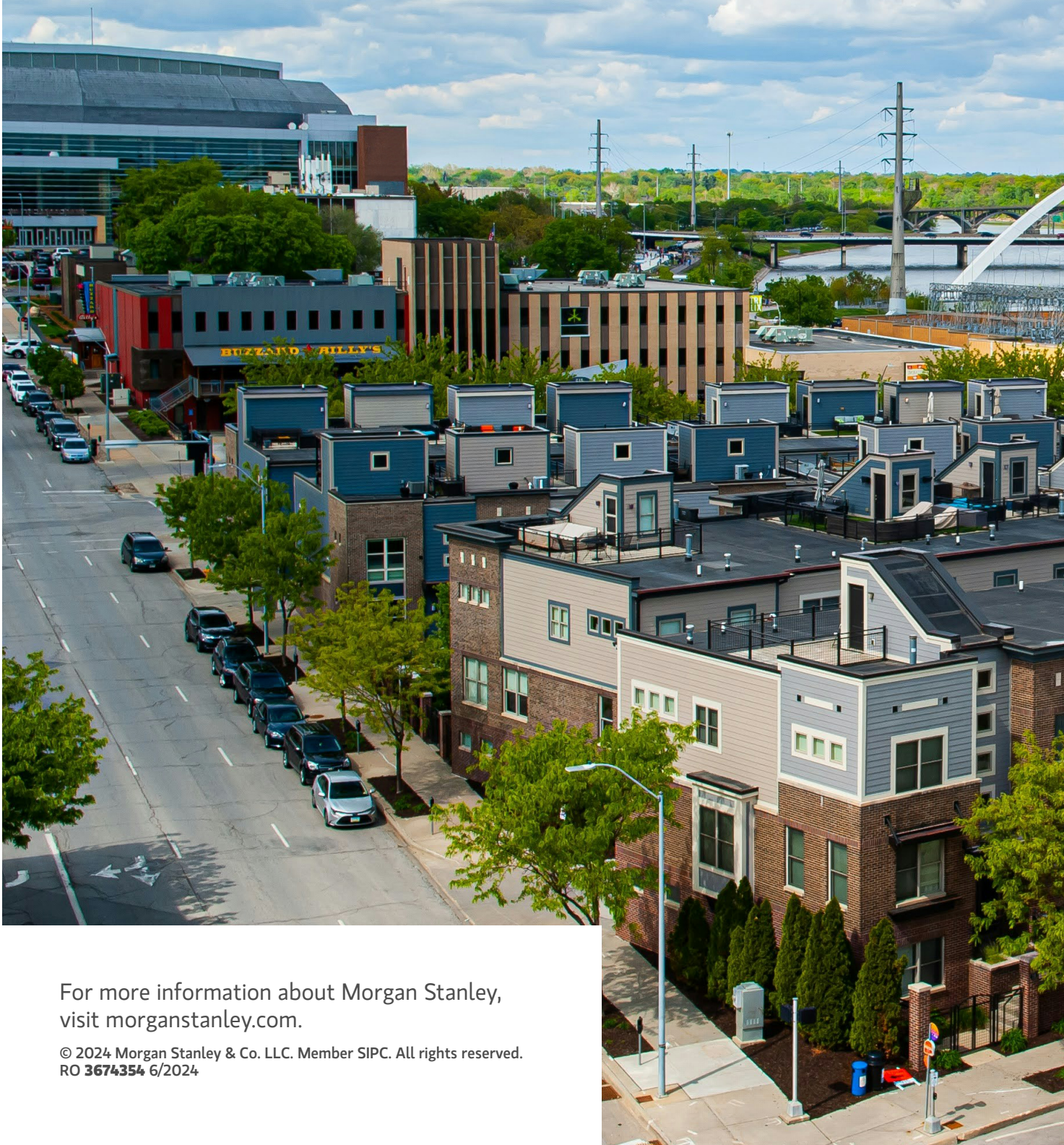
Environmental, Social and Governance (“ESG”) investments in a portfolio may experience performance that is lower or higher than a portfolio not employing such practices. Portfolios with ESG restrictions and strategies as well as ESG investments may not be able to take advantage of the same opportunities or market trends as portfolios where ESG criteria is not applied. There are inconsistent ESG definitions and criteria within the industry, as well as multiple ESG ratings providers that provide ESG ratings of the same subject companies and/or securities that vary among the providers. Certain issuers of investments may have differing and inconsistent views concerning ESG criteria where the ESG claims made in offering documents or other literature may overstate ESG impact. ESG designations are as of the date of this material, and no assurance is provided that the underlying assets have maintained or will maintain and such designation or any stated ESG compliance. As a result, it is difficult to compare ESG investment products or to evaluate an ESG investment product in comparison to one that does not focus on ESG. Investors should also independently consider whether the ESG investment product meets their own ESG objectives or criteria. There is no assurance that an ESG investing strategy or techniques employed will be successful. Past performance is not a guarantee or a dependable measure of future results.

Please note that there is currently no legal, regulatory or similar definition of what constitutes a “social” bond or as to what precise attributes are required for a particular issuance to be defined as “social.” Without limiting any of the statements contained herein, Morgan Stanley makes no representation or warranty as to whether a bond constitutes a social bond, unless otherwise specified by Morgan Stanley, or whether a bond conforms to investor expectations or objectives for investing in social bonds. For information on characteristics of a specific social bond, use of proceeds, a description of applicable projects and/or any other relevant information about the bond, please reference the offering documents for the bond.

Losses are possible with an investment in CDFIs. A customer can lose money in their investment if a partner CDFI has net charge-off rates in excess of their loss reserves. In other words, if a partner CDFI makes a lot of bad loans, or the bulk of their investments fail to perform, then they will be faced with financial losses, which they may be forced to pass on to customers.

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.

Most CDFIs are not FDIC-insured.



For more information about Morgan Stanley,
visit morganstanley.com.

© 2024 Morgan Stanley & Co. LLC. Member SIPC. All rights reserved.
RO 3674354 6/2024