Morgan Stanley

Morgan Stanley's current climate position exposes it to reputational, regulatory, legal, and market risks associated with failing to deliver credible transition planning and activities. Investors can encourage MS to lower its exposure to climate risk by publishing a transition plan, committing to a phaseout of fossil fuel development and exploration, and by voting against directors responsible for climate risk oversight.

Financing activities misaligned with climate goals

Total financing to fossil fuel companies (2016-2021)	**$137 billion**
Financing to companies expanding fossil fuel assets since joining NZBA (April 2021- August 2022)	**$11.4 billion**
Global Fossil Fuel Financing Rank (2016-2021)	**#12**
Fossil fuel financing as a percent of total financing (2016-2021)	**5%**
Public transition plan?	**NO**
Absolute emissions targets?	**YES**
Paris-Aligned financing?	**NO**
Adequate board oversight?	**NO**

Transition plan status

Morgan Stanley has not demonstrated a concrete and actionable transition plan to meet its 2030 sectoral reduction targets. The bank has issued generalized statements about its planned climate action, including announcing a four-pronged climate strategy, excluding some coal and Arctic development activities, and committing to support low carbon solutions. However, investors still lack a public plan with measurable metrics, timelines, and indicators of success demonstrating the strategies Morgan Stanley plans to use to meet its sectoral targets. Without such information, investors will not be able to understand if Morgan Stanley is on track to meet its public-facing commitments.

Absolute emissions targets

Morgan Stanley has already adopted absolute emissions targets for its energy sector clients. No further action is needed.

Financing of fossil fuel development and exploration

Morgan Stanley lacks sectoral policies necessary to align its financing activities with the goals of the Paris Agreement, misaligning the bank with both its public commitments and science-based transition pathways.

Continued financing of fossil fuel expanders: Morgan Stanley financed $28.7 billion to its top five5 upstream fossil clients (Exxon Mobil Corp, Shell, BP, Saudi Arabian Oil Co, Marathon Oil Corp) in the six years following the Paris Agreement. Those five companies alone are currently developing 18.6 billion barrels of oil equivalent in hydrocarbon resources beyond what is compatible with IEA's net zero pathway to limit warming to 1.5°C. In addition, Morgan Stanley's current policies allow for financing of highly controversial fossil fuel projects, including oil sands development, ultra deepwater oil and gas, and shale oil and gas exploration. Its existing policies allow for continued investment in coal development as there is a reliance on carbon storage technologies.

Lacking commitments: As a member of NZBA, Morgan Stanley has committed to transition emissions from their lending and investment portfolios. Criteria from the Race to Zero, of which Morgan Stanley is also a member, makes clear that financial institutions must "phase out…development, financing and facilitation of new unabated fossil fuel assets, including coal, in line with appropriate global, science-based scenarios." However, Morgan Stanley lacks any sectoral policy to align its financing activities accordingly with the goals of the Paris Agreement.

Without sectoral policies to phase-out financing of projects and companies expanding fossil fuel assets, Morgan Stanley is not able to credibly claim alignment with the Paris Agreement, industry group pledges, or net-zero goals.

Inadequate board oversight of climate risk

Morgan Stanley has unacceptably high exposure to climate risk. Morgan Stanley continues to be the second largest global financier of fossil fuel expansionists, does not contribute its fair share toward financing climate solutions, and does not disclose adequate information on climate risk or associated business strategies to investors. This position comes despite publicly committing to both net-zero alignment and to financing climate solutions, years of engagement from investors and stakeholders, and growing regulatory pressure.

Investors have felt it necessary to file three resolutions calling on Morgan Stanley to strengthen and disclose its climate policies. The need for such resolutions demonstrates a lack of confidence by investors in the board's ability to adequately manage climate risk and disclose such strategies to investors.

For failure to provide adequate oversight and transparency, votes are warranted against the following members of the Governance and Sustainability Committee for failure to align the bank's strategies with 1.5°C pathways: Rayford Wilkins, Jr, Thomas Glocer, Robert Herz, Erika James, and Mary Schapiro.

Additional Bank-Specific Risks

Litigation Risk:
Morgan Stanley was sued in 2017 for misleading investors in the saliency of a fossil fuel investment.

Risk profile in 2023 10-K:
Morgan Stanley's 2023 10k cited "…our reputation and client relationships may be adversely impacted as a result of our practices related to climate change, including our involvement, or our clients' involvement, in certain industries, projects, or initiatives associated with causing, or potentially slowing solutions to, climate change."

MS's risk profile also noted that the company's business or reputation may suffer "If we are unable to achieve our objectives relating to climate change or our current response to climate change is perceived to be ineffective or insufficient."

Reputational Risk:
Morgan Stanley has attracted negative public attention from its continued efforts to stall on climate risk management. In addition to being a central target of a global effort to denounce banks' role in the climate crisis, an effort which has attracted attention from tens of millions of activists around the world, Morgan Stanely has been profiled in several reports for its continued provision of financial services to fossil fuel companies.
MS drew scrutiny in 2022 for its hollow threat to leave the Net Zero Banking Alliance, citing concerns about the decarbonisation guidance that would push the bank to align its financing activities with science-based 1.5°C pathways. Morgan Staneley's climate record has garnered negative media attention from outlets including *The Financial Times, ESG Investor, Capital Monitor,* and *Market Watch*, among others.