Davis Polk

January 10, 2025

Office of Chief Counsel
Division of Corporation Finance
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Ladies and Gentlemen:

On behalf of Morgan Stanley, a Delaware corporation (the "**Company**"), and in accordance with Rule 14a-8(j) under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), we are filing this letter with respect to the shareholder proposal (the "**Proposal**") submitted by New York City Teachers' Retirement System, the New York City Employees' Retirement System and the New York City Police Pension Fund (collectively, the "**Proponent**") for inclusion in the proxy materials the Company intends to distribute in connection with its 2025 Annual Meeting of Shareholders (the "**2025 Proxy Materials**"). The Proposal is attached hereto as Exhibit A.

We hereby request confirmation that the Staff of the Division of Corporation Finance (the "**Staff**") will not recommend any enforcement action if, in reliance on Rule 14a-8, the Company omits the Proposal from the 2025 Proxy Materials.

In accordance with relevant Staff guidance, we are submitting this letter and its attachments to the Staff through the Staff's online Shareholder Proposal Form. In accordance with Rule 14a-8(j), we are simultaneously sending a copy of this letter and its attachments to the Proponent as notice of the Company's intent to omit the Proposal from the 2025 Proxy Materials. This letter constitutes the Company's statement of the reasons it deems the omission of the Proposal to be proper. We have been advised by the Company as to the factual matters set forth herein.

THE PROPOSAL

The Proposal states:

> **Resolved**: Shareholders request Morgan Stanley ("Company") disclose annually its Energy Supply Ratio ("ESR"), defined as its total financing through equity and debt underwriting, and project finance, in low-carbon energy supply relative to that in fossil-fuel energy supply. The disclosure, prepared at reasonable expense and excluding confidential information, shall describe Company's methodology, including what it classifies as "low carbon" or "fossil fuel." Company should include lending in its ESR if methodologically sound.

EXECUTIVE SUMMARY

The Staff has consistently granted no-action relief for proposals that probe matters too complex for shareholders regarding climate and financing strategies. The Company submits that this Proposal, by prescribing disclosure of a specified ratio that is inapposite to the Company's climate strategy and subject to the vagaries of financial market conditions, not only seeks to micromanage the Company, but also relates to the Company's ordinary investment banking operations, and therefore should be excluded from the 2025 Proxy Materials. In 2020, the Company was the first U.S. financial institution to commit to net-zero financed emissions by 2050 and since then also committed to interim 2030 financed emissions targets in its corporate lending portfolio that it expanded to cover six sectors in 2024. The Company also has committed to a 2030 $1 trillion sustainable finance target, including $750 billion in the low-carbon and green solutions subset of this target, and has continued to provide clients with advice and capital required to transform business models and reduce carbon intensity. For several years, the Company has disclosed a number of metrics in accordance with globally recognized standards to demonstrate the progress it has made in meeting these commitments.

BACKGROUND

The management, measurement and analysis of financing activities, and related public disclosures, are fundamental to the Company's business, and the goal of the Company's climate disclosures is to provide shareholders with the necessary information to understand progress against the Company's commitments. The Company manages its business for the long term while providing value for its clients and shareholders, and consistent with this approach, the Company incorporates climate risk considerations into its business activities as it does with other risks the Company faces.

The Company's approach to climate risk is informed by its overall goal of achieving net-zero financed emissions. At the same time, the Company recognizes the need to balance action on climate with the realities of the current social, economic and geopolitical landscape. The Company manages climate risk by integrating climate change considerations across risk management processes and governance structures. In 2020, the Company committed to achieve net-zero[1] financed emissions[2] by 2050, which it continues to support and work towards. In 2021, the Company announced its initial 2030 interim financed emissions targets for the auto manufacturing, energy and power sectors within its corporate lending portfolio, and in October 2024 the Company announced new sector targets for the aviation, chemicals and mining sectors. The Company considers known frameworks and methodologies to help inform its thinking regarding climate-related targets and measurement of progress. The Company published 2022 baseline greenhouse gas ("**GHG**") emissions data for certain sectors and will continue to publish this data for subsequent years, along with explanations of changes from year to year.

The Company's approach to measuring, managing and disclosing progress on financed emissions aligns with well-established market practice and standards in the Company's industry. The Company uses the Partnership for Carbon Accounting Financials ("**PCAF**") carbon accounting methodology to measure its financed emissions related to corporate lending. Further, the Company uses the Task Force on Climate-Related Financial Disclosures ("**TCFD**") framework as guidance for making its climate-related financial disclosures and included a TCFD index in its 2023 ESG Report published in 2024 (the "**ESG Report**").[3] In addition, in November 2024 the Company published the methodology used for its updated 2030 interim financed emissions targets (the "**2030 Interim Financed Emissions Target Report**").[4] The Company's interim financed emissions targets were informed, in part, by the International Energy Agency's ("**IEA**") Net-Zero Emissions by 2050 Scenario ("**NZE**") and similar 1.5ºC to 1.7ºC science-based scenarios, which

[1] Net zero is achieved when emissions in the atmosphere are balanced by removals over a specified period. *See* https://carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf at 31.

[2] Financed emissions means emissions, attributed to a financial institution's lending and investing activity, that banks and investors finance through their loans and investments. *See* https://carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf at 131 and 132.

[3] Page 79 of the ESG Report, available at https://www.morganstanley.com/content/dam/msdotcom/en/assets/pdfs/Morgan_Stanley_2023_ESG_Report.pdf.

[4] Available at https://www.morganstanley.com/about-us/sustainability-at-morgan-stanley/net-zero-financed-emissions.

describe a possible pathway for the energy sector and related industries to achieve global net-zero emissions by 2050, in line with the Paris Agreement's goal to limit long-term temperature increase to well below 2ºC.[5]

The Company recognizes that the path to achieving its 2030 interim targets will not always be linear and it accepts that, in some cases, providing financing to companies that are transitioning may result in the Company's financed emissions increasing in the short term or over certain periods. Companies transitioning to more sustainable operations will require significant capital over a long period of time based on needs that are not foreseeable today. The Company's financed emissions reduction approach allows it the needed flexibility to help finance this transition, but the Proposal will impermissibly impact this approach by requiring the Company to create and disclose annually a specific metric without giving management the flexibility to determine whether this metric is the best representation of how the Company considers financing activities in relation to its climate objectives, and intruding on the products and services provided as part of the ordinary business of the Company.

Despite the Company's net-zero and financed emissions strategy and its extensive disclosures, the Proposal seeks an additional, bespoke, overly granular ratio "to complement and supplement" the Company's disclosures that the Company must then develop, collect and analyze the data for within the prescriptive constraints of the Proposal.

REASON FOR EXCLUSION OF THE PROPOSAL

The Company believes that the Proposal may be properly omitted from the 2025 Proxy Materials pursuant to Rule 14a-8(i)(7) because the Proposal seeks to micromanage the Company and deals with matters related to the Company's ordinary business operations.

The Proposal may be excluded under Rule 14a-8(i)(7) because the Proposal seeks to micromanage the Company and relates to the Company's ordinary business operations.

Overview of Rule 14a-8(i)(7).

Rule 14a-8(i)(7) permits a company to omit from its proxy materials a stockholder proposal that relates to the company's ordinary business operations. According to the Commission's release accompanying the 1998 amendments to Rule 14a-8, the term "ordinary business" does not "refer[] to matters that are . . . necessarily 'ordinary' in the common meaning of the word," but instead the term "is rooted in the corporate law concept providing management with flexibility in directing certain core matters involving the company's business and operations." Exchange Act Release No. 40018 (May 21, 1998) (the "**1998 Release**"). In the 1998 Release, the Commission stated that the underlying policy of the ordinary business exclusion is "to confine the resolution of ordinary business problems to management and the board of directors, since it is impracticable for shareholders to decide how to solve such problems at an annual shareholders meeting."

The 1998 Release identified two central considerations that underlie this policy. *Id.* The first of those considerations is that "[c]ertain tasks are so fundamental to management's ability to run a company on a day-to-day basis that they could not, as a practical matter, be subject to direct shareholder oversight." *Id.* The second consideration relates to "the degree to which the proposal seeks to 'micro-manage' the company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment." *Id.*, *citing* Exchange Act Release No. 12999 (Nov. 22, 1976) (the "**1976 Release**").

[5] *Id*.

According to Staff Legal Bulletin No. 14L (Nov. 3, 2021) ("**SLB 14L**"), the determination of whether a proposal impermissibly micromanages the Company "will focus on the level of granularity sought in the proposal and whether and to what extent it inappropriately limits discretion of the board or management." The Staff further clarified that this approach is "consistent with the [Staff's] views on the ordinary business exclusion, which is designed to preserve management's discretion on ordinary business matters but not prevent shareholders from providing high-level direction on large strategic corporate matters."

The Proposal seeks to micromanage the Company.

The Staff has consistently concurred with the exclusion of proposals that inappropriately limit management's discretion by requiring specific types, formats or methodologies for providing information, including in granular detail. Similarly, the Staff has concurred with the exclusion of proposals that prescribe the use of specific methodologies for disclosing the complex topic of climate change, without regard to existing well-established frameworks. *See, e.g., Walmart Inc.* (Apr. 18, 2024) (proposal required a breakdown of greenhouse gas emissions for different categories of products in a manner inconsistent with existing reporting frameworks); *JP Morgan Chase & Co* (Mar. 29, 2024) (proposal required the company adopt a specific methodology for sector-by-sector achievement of emissions targets within its investment portfolios); *Bank of America Corp.* (Feb. 29, 2024, recon. denied Apr. 15, 2024) (same); *Morgan Stanley* (Mar. 29, 2024) (same); *Wells Fargo & Co.* (Mar. 6, 2024); and *The Goldman Sachs Group, Inc.* (Mar. 4, 2024, recon. denied Apr. 15, 2024) (same). In *Valero Energy Corporation* (Mar. 22, 2024), the Staff permitted exclusion of a proposal requesting that the company adopt a 1.5°C-aligned, near-term emissions reduction target that could not include the use of carbon offsets and avoided emissions. In *Amazon, Inc.* (Apr. 7, 2023), the Staff permitted exclusion of a proposal requesting that the company measure and disclose scope 3 GHG emissions from its full value chain inclusive of its physical stores and e-commerce operations and all products that it sold directly as well those sold by third-party vendors, where the proposal imposed a specific method for defining the activities excluded in the company's scope 3 GHG emissions reporting. In *Chubb Ltd.* (Mar. 27, 2023), a proposal that requested the adoption and disclosure of a policy for the time-bound phase-out of the company's underwriting risks associated with new fossil fuel exploration and development projects, aligned with the IPCC's recommendation to limit global temperature rise to 1.5°C, which would have prohibited new types of specific projects, was excludable.

As the examples above reflect, the micromanagement element of the ordinary business exception under Rule 14a-8(i)(7) is also based on whether a proposal probes matters "too complex" for shareholders, as a group, to make an informed judgement. SLB 14L, *citing* the 1998 Release. According to SLB 14L, in making this determination as to whether a proposal probes matters "too complex" for shareholders, the Staff may consider "the sophistication of investors generally on the matter, the availability of data, and the robustness of public discussion and analysis on the topic," as well as "references to well-established national or international frameworks when assessing proposals related to disclosure, target setting, and timeframes as indicative of topics that shareholders are well-equipped to evaluate." The Staff has consistently granted no-action relief for proposals that probe matters too complex for shareholders regarding climate and financing strategies, such as in *Phillips 66* (Mar. 20, 2023) (proposal requested the company to disclose specific and detailed information related to the undiscounted expected value to settle obligations for asset retirement obligations with indeterminate settlement dates).

The Proposal prescribes specific methods that dictates how the Company should provide climate disclosure.

As described above, the Company has already provided extensive voluntary disclosures, yet the Proposal seeks an additional, bespoke, overly granular specific ratio, the ESR, "to complement and supplement [the] Company's existing emissions-based climate financial disclosures." Rather than providing high-level direction or merely suggesting targets or timelines, the Proposal micromanages the Company by substituting management's judgment on tracking and reporting of financed emissions by seeking the development, implementation and reporting of the ESR, a dollar-based metric which is, in management's judgment, not relevant in helping the Company's shareholders assess progress against the Company's current financed emissions commitments. To produce and disclose the ESR, the Company must develop a new regime to collect, analyze, track and report the data based on the dictates in the Proposal in order to provide the Company's status and progress toward the Company's financed emissions that differs from the Company's current method. **The prescriptive nature of the Proposal also removes the ability of management to consider that the ratio may not be the best representation of how the Company considers financing activities in relation to its climate objectives, or even whether the information needed about clients to comprise the ratio is necessary for business reasons.**

In assessing whether a proposal micromanages by seeking to impose specific methods for implementing complex policies, the Staff evaluates not just the wording of the proposal but also the action called for by the proposal and the manner in which the action called for under a proposal would affect a company's activities and management discretion. *See The Coca-Cola Co.* (avail. Feb. 16, 2022) and *Deere & Co.* (avail. Jan. 3, 2022) (each of which involved a broadly phrased request but required detailed and intrusive actions to implement). Moreover, "granularity" is only one factor evaluated by the Staff. As stated in SLB 14L, the Staff focuses "on the level of granularity sought in the proposal and whether and to what extent it inappropriately limits discretion of the board or management."

The Proposal specifies that this information should be provided in a ratio format with a numerator and a denominator, rather than being provided in an alternative format or through another means. The ESR has to include the Company's "total financing through equity and debt underwriting, and project finance" (and should also "include lending…if methodologically sound") with the numerator disclosing such financing for "low-carbon energy supply" and the denominator disclosing for "fossil-fuel energy supply." Similar to the recent proposal in Air Products and Chemicals, Inc. (Nov. 29, 2024), the level of prescriptive and detailed standards needed to develop the ESR means that the Company must create new systems and processes for this additional calculation, including altering the way management tracks, manages and categorizes clients, transactions, deals, projects, products, services and asset classes. The only methodology at the Company's discretion is the ability to define and classify its financing activities as either low-carbon or fossil fuel, but even then, the Company must categorize every part of every financing activity captured by the Proposal that the Company undertakes into either one, or possibly both, of these categories. Under the Proposal, the Company has no ability decide that a particular financing activity does not fit into either category.

There are multiple intricate and complex processes involved at the level of granularity necessary in properly delineating the financing activity for purposes of the ratio. Any one financing activity can fit into multiple components, and each dollar of financing must be analyzed for that purpose. Given the number of the Company's clients actively engaged in the energy transition, financing for fossil fuel energy supply can include elements for low carbon energy supply. The Proposal also does not provide for the possibility that the Company does not know how a client will allocate the funding received from any particular financing activity. The Company would be required to undertake specific additional due diligence practices when evaluating ordinary course financing activities to make this determination. To that end, the Proposal is similar to other climate proposals that the Staff previously found as impermissibly micromanaging the Company when the level of granularity necessary to implement the Proposal required information about third-party entities outside the scope of the Company's value chain.

The Proposal would significantly expand the amount of effort the Company engages in related to its interim financed emissions targets, substituting management's judgment about the best way to manage and disclose the complex, multifaceted issue of financed emissions targets by imposing a new standard that differs from the approach that is best suited to the Company in management's determination. Calculating the ratio on an annual basis requires considerable effort and data which is not considered in the development of the

Company's current interim emission reduction targets. The Proposal would capture thousands of clients, transactions, deals, projects, products, services and assets classes, without any limiting principles to the broad scope and nature of the ESR. The Company would need to make numerous design decisions, including regarding the appropriate definition of carbon energy and fuel supply, appropriate adjustment factors for individual clients, specific data sources to use, the scope of financial products and asset classes to be included and various other matters. Furthermore, the Company would need to develop and implement new reporting systems for gathering, testing and tracking those data points.

Decisions concerning the Company's financial disclosures to the public require complex business judgments and distinct assessments involving various functional Company departments. The manner in which the Company monitors, measures and analyzes its financing activities, and how it reports to investors on these matters, necessitates a careful and complex analysis and weighing of multiple factors. By requesting that the Company report the ESR as prescribed in the Proposal, the Proposal would remove the ability of management to evaluate and make judgments regarding whether the methodology imposed in the Proposal on this metric well represents the types of financing activities it engages in.

In this regard, the Proposal does not provide the Company "high-level direction on large strategic corporate matters." *See* SLB 14L. Instead, the Proposal requires detailed and highly intrusive actions that would afford no discretion to management as to how to implement its prescriptive request insofar as dictating the inclusion of specific types of financing activities and the two distinct categories they must fit into in order to formulate the ratio. As a result, the Proposal falls clearly within the scope of the 1998 Release and SLB 14L by addressing intricate, granular details and prescribing a specific method for implementing complex policies.

The Proposal does not follow well-established national or international frameworks.

The Supporting Statement acknowledges that there is no generally accepted framework or "industry-standard approach" for calculating and reporting an ESR. In fact, one of the goals of the Proposal is that the Company, in developing, calculating and disclosing the ESR, "work toward an industry-standard approach for calculating and reporting [ESR]." Because there is no established framework, the Proposal refers to two external sources, neither of which sets forth a unified and generally accepted approach to calculating ESR: Bloomberg's Energy Supply Banking Ratios: Implementation Guide (the "**Implementation Guide**"), which includes three main methodological principles, 12 steps and even more potential alternative steps and decision points for ESR development and calculation; and The Institute of International Finance's White Paper on an Energy Supply Ratio (ESR) for Bank Disclosures (the "**White Paper**"), a 26-page paper which the Supporting Statement concedes provides only "a potential format for standardized disclosure."

In fact, the White Paper only summarizes additional methodological considerations, design decisions and disclosure approaches for ESR reporting, and notes that "the banking industry's work on ESR development is still at a very early stage." *See* White Paper at 7. Both of these documents serve to highlight the numerous granular and complex ESR design choices and underscore that in developing, calculating and disclosing an ESR report, the Company would be working outside of any established framework. These documents also evidence that the Proposal seeks to address "methods for implementing complex policies." In fact, the variation in methodology is evident from the Proposal itself, which requests that the Company's calculation of ESR "should include lending . . . if methodologically sound," while noting that this inclusion differs from the Bloomberg Report, which "excludes lending." In *Air Products and Chemicals, Inc.* (Nov. 29, 2024), the proposal also sought new disclosures not required by any law or regulation and that did not follow any established frameworks.

While the Supporting Statement refers to commitments by a few financial institutions to "disclose an ESR" as evidence "that disclosure is feasible," and that "the ESR has become a key climate disclosure metric" and "demonstrat[e] that disclosure is feasible and leading market practice," the metric has only been disclosed by one bank, and agreed by two more, which does not indicate that this metric has become an industry standard as the Proposal suggests, particularly when there are numerous other public company banks globally that provide similar types of financing activities. This metric is clearly very nascent, and its value to shareholders ambiguous. On this last point, it is unclear how a ratio of low-carbon to fossil fuel financing relates to the key task of reducing global greenhouse gases at a pace and magnitude that limits global warming below a certain level. There is not a clear link between the ratio and related emissions outcomes, particularly because there is not a suggestion of what the ideal ratio should be. In comparison, the Company's current climate strategy has a clear focus of reducing emissions along a science-informed 1.5°C -1.7°C trajectory whilst continuing to work with its clients on their climate journeys.

The Proposal relates to the Company's underwriting, lending and financing decisions and related disclosures, both of which are ordinary business operations.

As noted in the background section above, the manner in which the Company monitors, measures, analyzes and reports on its lending and underwriting activities fundamentally relates to how management runs the business of the Company, and the goal of the Company's climate disclosures is to provide shareholders with the necessary information to understand progress against the Company's commitments. Decisions regarding how the Company reports this information, including what financial measures the Company discloses to the public, involve careful weighing of the factors described below and constitute ordinary business matters that cannot, as a practical matter, be subject to direct shareholder oversight. As a result, the Proposal – **specifically, the resolved clause and the Supporting Statement, which, when taken together, clearly indicate that the Proposal is focused on the Company's ordinary business matters involving its major business of products and services related to underwriting, lending and financing decisions, and disclosures about those products and services** – is precisely the type that companies are permitted to exclude under Rule 14a-8(i)(7).

The Staff has consistently permitted exclusion under Rule 14a-8(i)(7) of shareholder proposals relating to how a company makes financial disclosures. *See, e.g.*, *The Goldman Sachs Group, Inc.* (Jan. 23, 2017) (proposal requesting that the company's board issue an annual "Statement of Significant Audiences and Materiality" document covering materiality determinations in the company's Exchange Act reports); *Merrill Lynch & Co., Inc.* (Feb. 20, 2008) (proposal requesting disclosure of collateral and other credit risk management policies for off-balance sheet liabilities and exposure); *AmerInst Insurance Group Ltd.* (Apr. 14, 2005) (proposal requesting disclosure of particular line items each quarter, noting that the proposal related to ordinary business operations "(i.e., presentation of financial information)"); *Union Pacific Corp.* (Jan. 28, 2005) (proposal requesting disclosure of revenue and certain performance data from passenger operations); *International Business Machines Corp.* (Jan. 9, 2001) (proposal requesting that the company adopt a policy that future executive incentive compensation be determined by profit "from real company operations not including accounting rule profit from pension fund surplus" and that the company provide "transparent financial reporting of profit from real company operations"); *Johnson Controls, Inc.* (Oct. 26, 1999) (proposal requesting disclosure of "goodwill-net" and the "true value" of shareholders' equity in financial statements).

In accordance with the policy considerations underlying the ordinary business exclusion, the Staff has also consistently permitted exclusion under Rule 14a-8(i)(7) of shareholder proposals relating to the products and services offered for sale by a company, including its lending and underwriting activities. *See, e.g.*, *JPMorgan Chase & Co.* (Mar. 25, 2022) (proposal requesting a study on the effects of the Company's underwriting practices regarding multi-class share offerings); *JPMorgan Chase & Co.* (Mar. 26, 2021) (same); *JPMorgan Chase & Co.* (Mar. 19, 2019) (proposal requesting a report examining the "politics, economics and engineering for the construction of a sea-based canal through the Tehuantepec isthmus of Mexico," noting that the proposal "relates to the products and services offered for sale by the Company"); *Wells Fargo & Co.* (Jan. 28, 2013, recon. denied Mar. 4, 2013) (proposal requesting that the company report on the adequacy of the company's policies in addressing the social and financial impacts of its direct deposit advance lending service, noting that the proposal "relates to the products and services offered for sale by the company").

As noted above, the Proposal focuses on the Company's products and services, including decisions related to the underwriting, lending and financing activities that the Company provides to its clients, and related disclosures, all of which are ordinary business activities. The Proposal's resolved clause requests that the Company "disclose annually its Energy Supply Ratio . . . defined as its total financing through equity and debt underwriting, and project finance, in low-carbon energy supply relative to that in fossil-fuel energy supply" and further expects that the Company "shall describe Company's methodology, including what it classifies as 'low carbon' or 'fossil fuel'" and that the "Company should include lending in its ESR if methodologically sound." The Proposal's Supporting Statement further states that the "Company is reportedly among the largest global financiers [sic] of fossil fuels" and that "investors need further disclosure to assess its clean energy financing activities and relative financing of fossil fuels." The Supporting Statement also notes that "[i]n recent years, banks reportedly earned more in lending and underwriting fees from clean energy projects than from oil and gas, and coal companies" and suggests that the Company "work toward an industry-standard approach for calculating and reporting" the ESR, another element of the Company's ordinary business to promote standards within its industry as the Company believes appropriate.

Decisions regarding the Company's lending and underwriting products and services, and the clients to whom the Company provides these products and services, involve complicated strategic, business and operational considerations in compliance with legal and regulatory requirements, including business objectives, goals, targets, plans and risks, market demands, client needs, competition and regulatory requirements. First and foremost, decisions about products and services are fundamentally related to the Company's business. Some business decisions about its products and services may also involve the Company's climate targets and strategies, but the ratio that the Proposal is seeking that measures financing by the Company of "low-carbon energy supply" compared to financing by the Company of "fossil-fuel energy supply" is ultimately driven by the desired proportion of the different types of products and services that the Company offers, which is based on the Company's understanding of and approach for the optimal business opportunities in the best interest of its shareholders. The ratio will also partially reflect changes in external forces like market demand from different sectors for capital, driven by economic and energy price cycles.

The Company's decision to report on its activities in terms of its own climate objectives is also related to the products and services it elects to offer, in the proportion as to the types of products and services that management believes align with business needs. As noted above, the ESG Report includes disclosure in line with the TCFD recommendations and provides detail on the Company's strategies and programs to support the transition to a low-carbon economy and plans and actions to meet the Company's strategic business objectives to align its lending and underwriting activities with the goal of net-zero financed emissions by 2050. For example, the 2030 Interim Financed Emissions Target Report discloses the Company's 2030 interim financed emissions reduction targets, as well as absolute financed emissions and financed emissions physical intensity in 2022 for the auto manufacturing, aviation, chemicals, energy, mining and power sectors within its corporate lending portfolio,[6] and the 2030 Interim Financed Emissions Target Report provides extensive detail on the Company's methodology for setting its 2030 interim financed emissions targets.

[6] Page 5 of the 2030 Interim Financed Emissions Target Report.

Further, the ESG Report describes the Company's progress towards meeting its 2030 $1 trillion sustainable finance target, including the $750 billion in low-carbon and green solutions subset of this target.[7]

The Proposal is excludable under Rule 14a-8(i)(7) regardless of whether it touches on a significant policy issue.

A proposal may not be excluded under Rule 14a-8(i)(7) if it focuses on a significant policy issue. However, the fact that a proposal may touch upon a significant policy issue does not preclude exclusion under Rule 14a-8(i)(7). Instead, the question is whether the proposal focuses primarily on a matter of broad public policy versus matters related to the company's ordinary business operations. *See* 1998 Release; Staff Legal Bulletin No. 14E (Oct. 27, 2009). The Staff has consistently permitted exclusion of shareholder proposals where the proposal focused on ordinary business matters, even though it also related to a potential significant policy issue.

The Proposal focuses on a specific financial ratio related to the Company's products and services, including underwriting, lending and financing activities. The Proposal does not address an issue with a broad societal impact but rather seeks to influence the Company's methodology for reporting certain climate-related information related to these products and services. This focus squarely places the Proposal within the realm of ordinary business operations, similar to other instances described above where the Staff has concurred that proposals targeting company-specific policies, products or services—regardless of whether they reference broader social or environmental issues—remain excludable if they do not transcend ordinary business matters. For example, in *Dominion Resources, Inc.* (avail. Feb. 22, 2011), a proposal requesting that the company offer its customers the option of purchasing electricity generated from 100% renewable energy was excludable as relating to the products and services the company offers. Similarly, a proposal in *Pepco Holdings, Inc.* (avail. Feb. 18, 2011) asking the company to study, implement and pursue the solar market and provide a report to shareholders describing how the company would implement the market opportunities for solar power was excludable as relating to the sale of particular products and services. In *The Home Depot, Inc.* (avail. Jan. 24, 2008), the Staff agreed that the Company could exclude a proposal requesting it stop selling glue traps because of their harm to mice and danger to other wildlife and human health.

In addition, a proposal that seeks to micromanage a company's business operations is excludable under Rule 14a-8(i)(7) regardless of whether or not the proposal raises issues with a broad societal impact. *See* Staff Legal Bulletin No. 14E (Oct. 27, 2009), at note 8, citing the 1998 Release for the standard that "a proposal [that raises a significant policy issue] could be excluded under Rule 14a-8(i)(7), however, if it seeks to micromanage the company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment." Since the issuance of SLB 14L, the Staff concurred with the exclusion of proposals addressing how companies interact with their shareholders on significant social policy issues because the proposals sought to micromanage how the companies addressed those policy issues. *See Amazon.com, Inc.* (Apr. 7, 2023) (concurring that a proposal requesting the company report Scope 3 emissions from "its full value chain" was excludable for attempting to micromanage the company).

Even if the Proposal were seen to touch on a significant policy issue, the Proposal's overarching concern is with the products and services offered by the Company and its underwriting and financing decisions and related disclosures. This demonstrates that the Proposal's focus is on ordinary business matters. Thus, the

[7] Pages 8-10 of the ESG Report.

fact that the Proposal references policy issues such as climate change and climate risk does not preclude its exclusion under Rule 14a-8(i)(7).

CONCLUSION

For the reasons set forth above, the Company believes that the Proposal may be excluded from its 2025 Proxy Materials pursuant to Rule 14a-8(i)(7).

Respectfully yours,

Ning Chiu

Ning Chiu

Attachment

cc w/ att: Martin Cohen, Corporate Secretary, Morgan Stanley

Michael Garland, Assistant Comptroller of the City of New York

<u>Exhibit A</u>

Shareholder Proposal

Energy Supply Ratio

Resolved: Shareholders request Morgan Stanley ("Company") disclose annually its Energy Supply Ratio ("ESR"), defined as its total financing through equity and debt underwriting, and project finance, in low-carbon energy supply relative to that in fossil-fuel energy supply. The disclosure, prepared at reasonable expense and excluding confidential information, shall describe Company's methodology, including what it classifies as "low carbon" or "fossil fuel." Company should include lending in its ESR if methodologically sound.

Supporting Statement:

As a major global bank, Company is broadly exposed to financial stability risks posed by climate change and has made certain climate-related commitments. Banks aligning their activities with their climate goals are better prepared to manage risk, including legal, reputational and financial risks associated with climate change and capitalize on opportunities associated with the global energy transition.

According to the International Energy Agency, reaching net zero greenhouse gas emissions by 2050 requires rapid transition away from fossil fuels and tripling in global annual clean energy investment by 2030.[1] The pace at which low-carbon energy supply is scaled up will dictate the rate at which fossil fuels are phased down.[2]

Company is reportedly among the largest global financiers of fossil fuels; however, it has committed to the goals of reaching net zero financed emissions by 2050 and mobilizing $750 billion to support low-carbon and green solutions by 2030.[3] Although Company has robust commitments to sustainable finance, investors need further disclosure to assess its clean energy financing activity and relative financing of fossil fuels.

The ESR, a dollar-based metric, will complement and supplement Company's existing emissions-based climate financial disclosures, including any disclosures under European Union reporting requirements, and provide decision-useful disclosure on Company's activities and progress toward its public commitments. In recent years, banks reportedly earned more in lending and underwriting fees from clean energy projects than from oil and gas, and coal companies.[4] Investors seek to assess whether Company is positioning itself as a leader in the energy transition.

The ESR has become a key climate disclosure metric. Bloomberg provides to its clients ESRs for global banks, including Company, using a standardized methodology with clear definitions for "low carbon" and "fossil fuel," however, it excludes lending.[5] Three leading North American Banks, Citi, JPMorgan and Royal Bank of Canada committed to disclose an ESR, and their methodology, demonstrating that disclosure is feasible and leading market practice.

Investors believe Company should similarly disclose its annual ESR for which it is accountable, and work toward an industry-standard approach for calculating and reporting it. Bloomberg published an

[1] https://www.iea.org/reports/net-zero-roadmap-a-global-pathway-to-keep-the-15-0c-goal-in-reach)

[2] Executive summary – Net Zero Roadmap: A Global Pathway to Keep the 1.5 °C Goal in Reach – Analysis - IEA

[3] https://www.morganstanley.com/content/dam/msdotcom/en/assets/pdfs/Morgan_Stanley_2023_ESG_Report.pdf

[4] https://www.bloomberg.com/news/articles/2023-10-18/green-fees-overtake-fossil-fuels-for-second-straight-year

[5] https://assets.bbhub.io/professional/sites/24/BNEF-Bank-Financing-Report-Summary-2023.pdf;https://assets.bbhub.io/professional/sites/24/Financing-the-Transition_Energy-Supply-Investment-and- Bank-Facilitated-Financing-Ratios.pd

Implementation Guide[6] and the Institute of International Finance, a financial industry association with around 400 members globally, published a 2024 whitepaper that provides a potential format for standardized disclosure of methodological design choices.[7]

[6] https://assets.bbhub.io/professional/sites/24/Energy-Supply-Banking-Ratios-Implementation-Guide.pdf

[7] 32370132_iif_white_paper_energy_supply_ratio_september_2024_final.pdf