Whereas: Climate change poses a systemic risk, with estimated global GDP loss of 11-14% by midcentury under current trajectories. The climate crisis is primarily caused by fossil fuel production and combustion, which is enabled by funding from financial institutions.

According to scientific consensus, limiting warming to 1.5°C means that the world cannot develop new oil and gas fields or coal mines beyond those already approved (new fossil fuel exploration and development). Furthermore, existing fossil fuel supplies are sufficient to satisfy global energy needs. New oil and gas fields would not produce in time to mitigate current energy market turmoil resulting from the Ukraine War.

Morgan Stanley (MS) has committed to align its financing with the goals of the Paris Agreement, achieving net-zero emissions by 2050, consistent with limiting global warming to 1.5°C. However, MS’ current policies and practices are not net-zero aligned.

MS is among the world’s largest funders of fossil fuels, providing $137 billion in lending and underwriting to fossil fuel companies during 2016-2021, including $61 billion to 100 top companies engaged in new fossil fuel exploration and development.

Without a policy to phase out financing of new fossil fuel exploration and development, MS is unlikely to meet its climate commitments and merits scrutiny for material risks that may include:

- **Greenwashing**: Banking and securities regulators are tightening and enforcing greenwashing regulations, which could result in major fines and settlements.
- **Regulation**: Central banks, including the Fed, are starting to implement climate stress tests and scenario analyses, and some have begun to propose increased capital requirements for banks’ climate risks.
- **Competition**: Dozens of global banks have adopted policies to phase out financial support for new oil and gas fields and coal mines.
- **Reputation**: Campaigns targeting MS’ climate policies include hundreds of organizations with tens of millions of global members and supporters, including current and potential MS customers.

By exacerbating climate change, MS is increasing systemic risk, which will have significant negative impacts – including physical risks and transition risks – for itself and for diversified investors.

Best practices for banks to achieve net zero involve financing of companies reducing scopes 1-3 absolute emissions and allocating capital in line with science-based, independently verified short, medium and long-term decarbonization targets. Organizations like the Science Based Targets initiative and Transition Pathway Initiative can provide independent verification of decarbonization targets.

**RESOLVED:** Shareholders request that the Board of Directors adopt a policy for a time-bound phase-out of MS’ lending and underwriting to projects and companies engaging in new fossil fuel exploration and development.

**Supporting Statement:** This proposal is intended, in the discretion of board and management, to enable support for MS’ energy clients’ low-carbon transition.