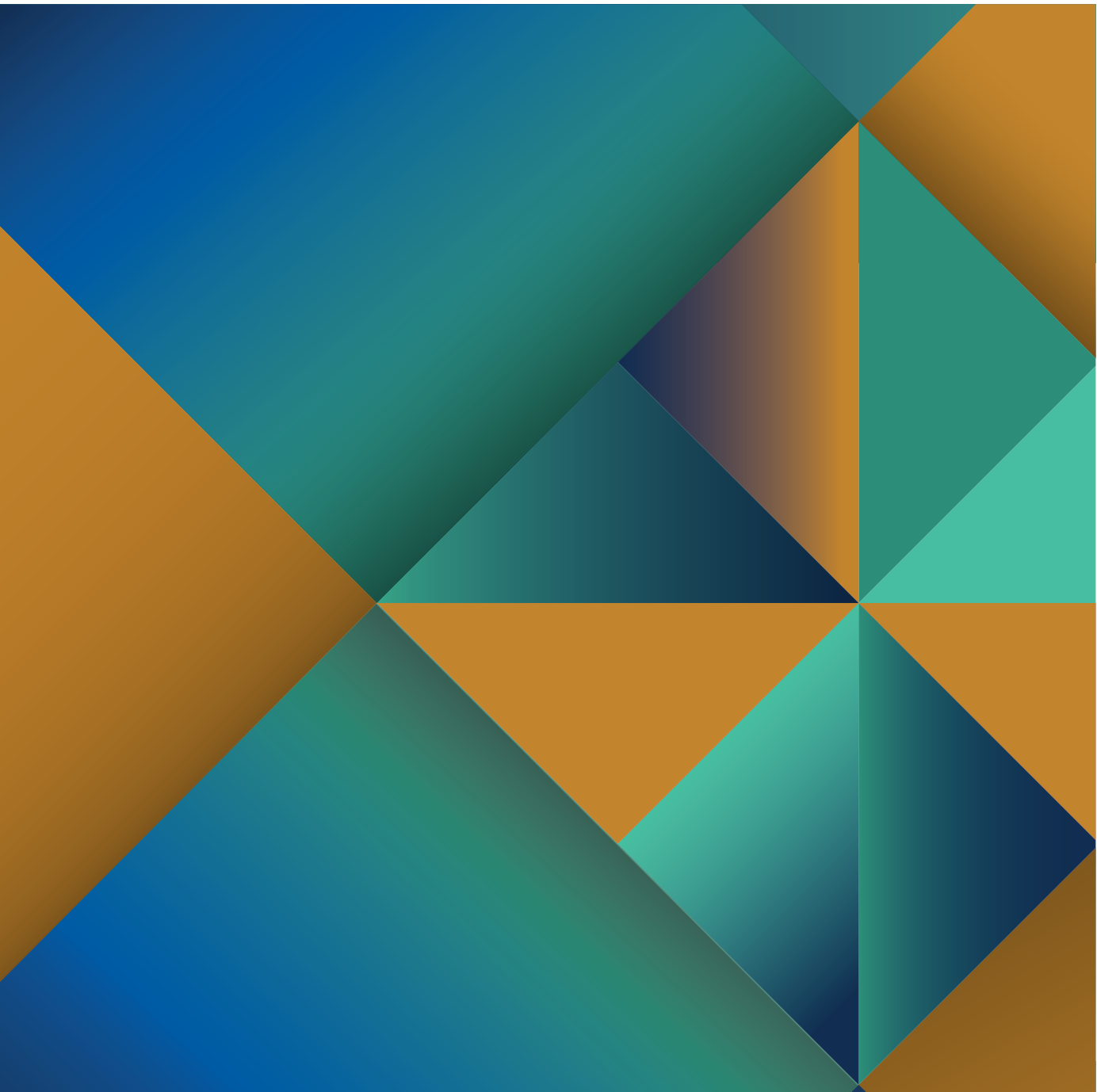


Morgan Stanley

# 2021 Diversity and Inclusion Report



# Table of Contents

- 3 Letter From Our Chairman and CEO
- 4 About Morgan Stanley
- 7 An Introduction From Our Global Head of Diversity and Inclusion

## OVERVIEW OF CURRENT EFFORTS

- 9 Accountability: Driving Diversity and Inclusion Firmwide
- 13 Representation: Building a Diverse Workforce
- 20 Advancement: Developing and Supporting Diverse Talent
- 26 Culture: Inclusion and Belonging at Morgan Stanley
- 31 Outreach: Fostering Diversity and Inclusion Externally

## FOCUS ON THE FUTURE

- 37 Letter From Our Chief Human Resources Officer

## APPENDICES

- 39 U.S. EEO-1 Data



**ACCOUNTABILITY:**  
Driving Diversity and  
Inclusion Firmwide

Page 9

**REPRESENTATION:**  
Building a Diverse  
Workforce

Page 13

**ADVANCEMENT:**  
Developing and  
Supporting Diverse Talent

Page 20

**CULTURE:**  
Inclusion and Belonging  
at Morgan Stanley

Page 26

**OUTREACH:**  
Fostering Diversity  
and Inclusion  
Externally

Page 31

**FOCUS ON THE FUTURE:**  
Letter From Our Chief  
Human Resources Officer

Page 37



# From Our Chairman and CEO

In June of 2020, we announced our newest core value, Commit to Diversity and Inclusion, and launched the Institute for Inclusion to support investments in underserved communities and accelerate our own internal diversity efforts. With these actions, we committed to more proactively embedding diversity and inclusion into all that we do. The past 18 months since then have been an extraordinary time of reflection, growth and action. 2021 has been another unprecedented year of challenges, fueled by the ongoing COVID-19 pandemic and the racial inequality that continues to exist in our society. The need for action and investment in our communities has never been greater.

This second Diversity and Inclusion Annual Report represents our continued commitment to progress, transparency and accountability. I am proud that leaders across Morgan Stanley are deeply engaged in our shared effort to drive change and would like to highlight a few examples of where we have made strides, and what our plans are for the future.

- Building a diverse workforce remains central to our strategy, and we are continuing to take steps to ensure that our employees reflect the demographics of the communities in which we live and work. We recently introduced representation objectives to drive greater accountability for that effort. All our divisions have identified opportunities to improve diversity representation for women globally and ethnically diverse talent in the U.S, and I look forward to our progress.
- Over the course of the year, we hosted discussions with leaders, scholars and experts, including Mahzarin Banaji, Linda Hill and Kenji Yoshino, on issues affecting our employees. We addressed timely and critical topics such as ongoing racial inequality, the importance of a diverse leadership team, and the importance of having fair and meritocratic talent processes. These conversations provided important forums for learning, confronting difficult issues, and cultivating belonging.
- Since the launch of the Institute for Inclusion in 2020, we began to build programs to drive stronger economic outcomes for underserved groups. Knowing that access to education is vital to addressing economic inequalities, we launched the HBCU Scholars Program to provide students at Historically Black Colleges and Universities with both financial assistance and career guidance to set them on a lifelong path to success. We also launched a similar program in the U.K.—the Morgan Stanley Future Generation Scholarship—to support the recruitment and advancement of ethnically diverse and socially disadvantaged individuals. These efforts will be expanded in future years as we invest more deeply to support stronger educational and career outcomes for students from low-to-moderate income backgrounds.

Through our hard work and steadfast commitment, we have made progress toward change in the past year. I am proud of how much we have accomplished, yet I know there is still much more to do. Statements and plans are important, but action is the only way forward. I am committed to ensuring all Morgan Stanley employees feel a sense of belonging at our Firm and take our broader responsibility to the communities in which we operate seriously. I look forward to continuing this journey with you all.

**JAMES P. GORMAN**

*Chairman and Chief Executive Officer*

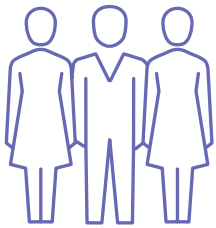


I am proud that our leaders across the Firm are deeply engaged in our efforts to drive change.

# About Morgan Stanley

Morgan Stanley is a global financial services firm with more than 68,000 employees in 39 countries<sup>1</sup>

Through our core businesses, Institutional Securities, Wealth Management and Investment Management, we help individuals, families, institutions and governments raise, manage and distribute the capital they need to achieve their goals. It has been, and continues to be, our goal to serve clients by leveraging the talents of our employees around the world.



**68,000**  
employees



**39**  
countries

## Core Values

Our core values guide everything we do:

Do the Right Thing

Put Clients First

Lead with Exceptional Ideas

Commit to Diversity and Inclusion

Give Back

<sup>1</sup> Data as of 12/31/2020

Leadership, including our Board of Directors, sets the tone for the Firm, and our executive teams drive a culture that is central to how we serve clients, how we support and develop colleagues, and how we engage with the communities around us.

## Our Three Business Segments

### INSTITUTIONAL SECURITIES

provides a variety of products and services to corporations, governments, financial institutions and ultra-high net worth clients. Investment banking services consist of capital raising and financial advisory services, including services relating to the underwriting of debt, equity and other securities, as well as advice on mergers and acquisitions, restructurings and project finance. Our Equity and Fixed Income businesses include sales, financing, prime brokerage, market-making, Asia wealth management services and certain business-related investments. Lending activities include originating corporate loans and commercial real estate loans, providing secured lending facilities, and extending securities-based and other financing to customers. Other activities include research.

### WEALTH MANAGEMENT

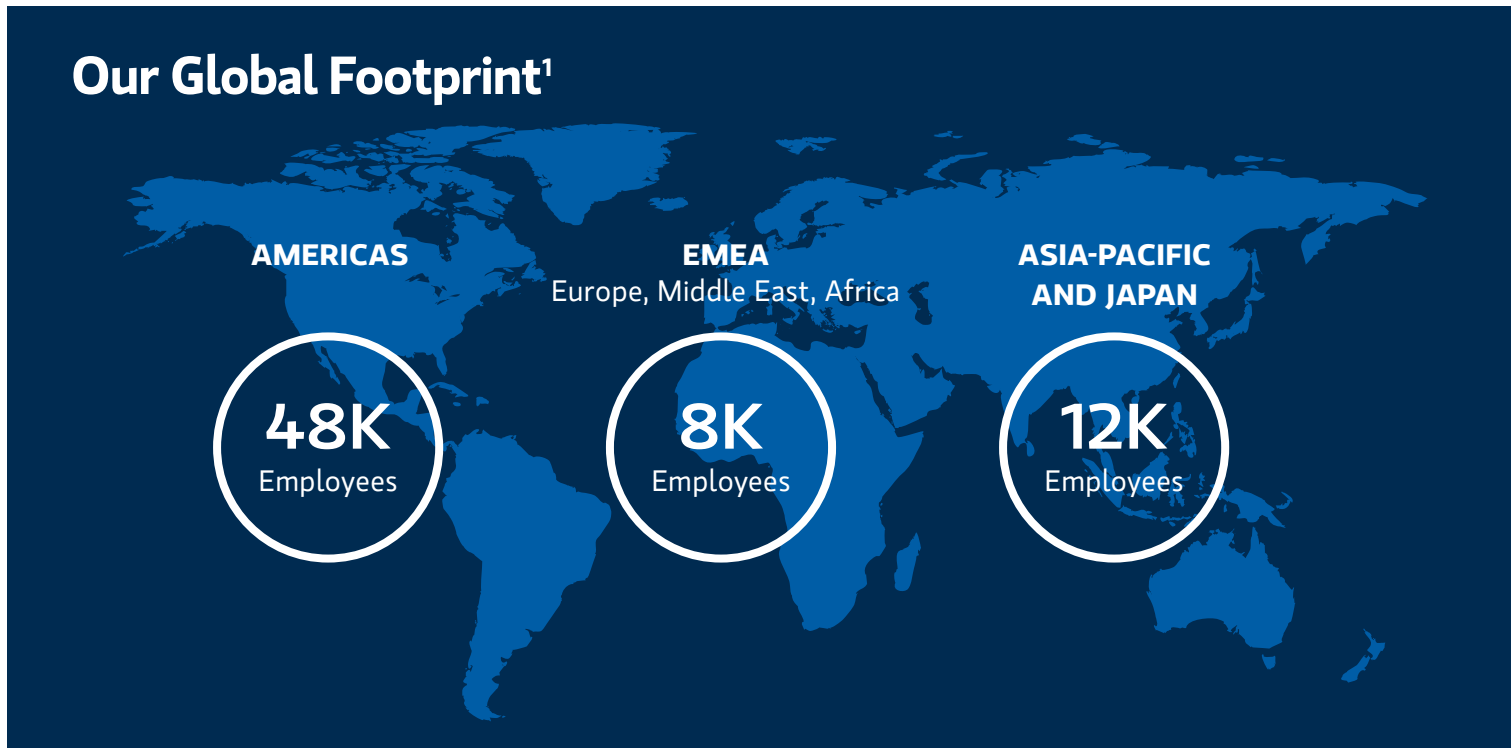
provides a comprehensive array of financial services and solutions to individual investors and small to medium-sized businesses and institutions covering: financial advisor-led brokerage and investment advisory services; self-directed brokerage services; financial and wealth planning services; workplace services including stock plan administration; annuity and insurance products; securities-based lending, residential real estate loans and other lending products; banking; and retirement plan services.

### INVESTMENT MANAGEMENT

provides a broad range of investment strategies and products that span geographies, asset classes, and public and private markets to a diverse group of clients across institutional and intermediary channels. Strategies and products, which are offered through a variety of investment vehicles, include equity, fixed income, alternatives and solutions, and liquidity and overlay services. Institutional clients include defined benefit/defined contribution plans, foundations, endowments, government entities, sovereign wealth funds, insurance companies, third-party fund sponsors and corporations. Individual clients are generally served through intermediaries, including affiliated and non-affiliated distributors.



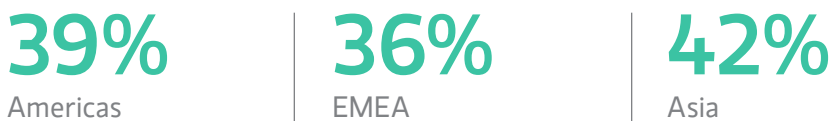
Morgan Stanley is a true global citizen, with offices and employees around the world. Our employees collaborate across our network of offices to deliver exceptional ideas and solutions to the world’s most complex challenges. Supporting diverse communities, embracing local cultures and celebrating the rich heritage that our colleagues bring to their work every day helps us create a place where everyone feels a sense of belonging.



### Key Workforce Highlights (Firmwide YE 2020)



### Gender by Region (% Female YE 2020)



<sup>1</sup> All data year-end 2020

<sup>2</sup> Officers includes Managing Directors, Executive Directors and Vice Presidents

<sup>3</sup> U.S. ethnically diverse includes American Indian or Native Alaskan, Asian, Black or African American, Hispanic or Latino, Native Hawaiian or Pacific Islander, and Two or More Races

# Introduction From Our Chief Diversity Officer



We are pleased to share our second-annual report on diversity and inclusion efforts at Morgan Stanley. This year's report continues to reflect our commitment to transparency and accountability, and outlines the ways in which we have adjusted our focus areas to continue improving representation and driving a culture of belonging.

Many communities continue to experience social and financial challenges, and the inequities of the world remain clear. As a global leader in financial services, we have a responsibility to the communities where we live and work. Our core values continue to be the ethos that guide the Firm, and we continue to leverage our capabilities to drive greater outcomes for underserved communities. Together, with leaders from across the Firm and with the Morgan Stanley Institute for Inclusion, we have expanded our efforts Firmwide, inclusive of our commercial, philanthropic and talent initiatives.

We are investing in solutions that drive financial inclusion more broadly. Targeted investments, such as our HBCU Scholars program and Future Generation scholarship, directly address the wealth gap by supporting educational and career opportunities for young adults from low- to moderate-income backgrounds.

The Morgan Stanley Next Level Fund, launched in partnership with our Multicultural Client Strategy Group and Morgan Stanley Investment Management, supports underrepresented founders and entrepreneurs bridging investment gaps for diverse communities. Our Wealth Management Racial Equity Investing Toolkit offers clients advice on how they can align their investment strategies to help create a more inclusive society.

At Morgan Stanley, we also work hard to advocate for and support our employees. Internally, our newly redesigned professional development programs for women and ethnically diverse employees are investments in our own talent. The Womens Leadership Program and Multicultural Leadership Program are both designed to support career growth through skill building, networking and manager support. Additionally, as our colleagues around the world felt the heavy weight of the COVID-19 pandemic and racial trauma from societal events, we expanded our wellness offerings, listening sessions and other initiatives that give our employees an opportunity to be heard and supported. We are committed to our employees, and we have learned to hold difficult, necessary conversations and face issues head-on. By championing honest, open dialogue, we are driving greater inclusion.

Since the inception of the Institute for Inclusion and the establishment of our newest core value, we have celebrated some early wins, but we are also focused on creating sustained impact for our employees, clients and stakeholders. This report reflects the work we have done and the work that lies ahead. We are proud of our progress and remain committed to making Morgan Stanley a global leader in diversity and inclusion.

A handwritten signature in black ink, appearing to read 'SKR'.

**SUSAN K. REID**

*Global Head of Diversity and Inclusion*



**As a global leader in financial services, we have a responsibility to the communities where we live and work.**

## Our Strategy

Morgan Stanley's diversity and inclusion strategy is designed to drive meaningful and sustainable change Firmwide, and help us achieve a truly diverse and inclusive workforce. It informs the way we engage with and support our employees, as well as how we serve our clients, our investors, and the diverse communities in which we operate.

Our strategy is built on five key pillars, outlined below:

### ACCOUNTABILITY

We drive ownership and accountability of diversity and inclusion progress across all levels of the organization. Our senior leadership teams are responsible for embedding the strategy, and for taking actions that will improve diversity representation and drive a culture of inclusion and belonging.

### REPRESENTATION

We believe a diverse workforce brings diversity of thought and deepens our ability to serve our clients, investors and shareholders. We are committed to improving representation through targeted recruitment, development and retention of our employees at all levels and in all divisions across the Firm.

### ADVANCEMENT

Investing in the development and advancement of our employees is a key part of our strategy. From onboarding through promotions to senior levels, we support diverse employees along their career journeys through individualized support and programmatic offerings.

### CULTURE

Our belief in fostering a culture of inclusion and belonging for all employees is at the core of who we are. We celebrate the different cultures, perspectives and backgrounds reflected in our workforce.

### OUTREACH

We support inclusion beyond the Firm's four walls. Wherever we operate, we engage with and support underrepresented communities through our business practices and philanthropic offerings.





# Accountability: Driving Diversity and Inclusion Firmwide



Ownership and responsibility for diversity and inclusion at Morgan Stanley starts at the top. Our leadership drives inclusion and belonging by championing and embedding our strategy, as well as personal accountability, within their organizations.

# Governance

We rely on deeply embedded governance and accountability measures to guide our strategy and advance our efforts.

**Leadership Accountability and Engagement:** Senior leadership, including our Chairman and CEO, with oversight from our Board of Directors, is actively involved in diversity and inclusion efforts both Firmwide and in each division. They shape strategies to improve representation, support the retention and advancement of underrepresented employees, and foster inclusion and belonging.

**Global Diversity and Inclusion Team:** Our Global Diversity and Inclusion team and our Human Resources Business Partners provide advisory and programmatic support to leaders across the Firm. The teams build and deploy solutions to advance our diversity and inclusion strategy, maintain a continuous dialogue with key stakeholders and monitor our endeavors to ensure effectiveness.

**Diversity Councils:** Diversity Councils representing all levels of the organization help advance our objectives and champion a culture of inclusion and belonging globally. Every business and region has an active council that helps leaders design strategies and solutions to address their needs and the needs of their employees.

**Diversity Reviews:** Firmwide divisional and regional diversity reviews are facilitated by Firm leaders, our Human Resources leadership team and our Global Diversity and Inclusion team. Through these reviews, we evaluate and track each division's efforts, commitments and actions. Additionally, Firm leaders regularly meet with our Board of Directors to discuss our efforts, progress and ongoing challenges.

**Performance and Rewards:** Our performance and rewards practices reinforce the Firm's culture and values. Year-end evaluations assess each employee's performance, conduct and contributions to our culture and reflect feedback from managers, direct reports and peers. This feedback is a critical input to both pay and promotion.

**Data and Analytics:** We regularly review representation, hiring, promotion, attrition, compensation and other key data, and leverage that data to identify gaps, shape our strategy and goals, and evaluate progress against those goals.

**Policies:** Our policies set the tone for our culture, guiding employee conduct and actions. These policies include our Code of Conduct, Non-Discrimination and Anti-Harassment policies and Global Speaking Up and Reporting Concerns policies. We also empower employees to express their concerns through our confidential Integrity Hotline.



## Establishing Representation Objectives

We believe it is critical to take action to build an employee base reflective of the communities in which we live and work. This is vital to achieving our strategy to be a global leader in financial services, and therefore we have set representation objectives for all divisions.

We are committed to improving representation among groups that have been historically underrepresented in our workforce. Establishing objectives not only helps us drive progress towards our goals, but also aligns with our newest core value, Commit to Diversity and Inclusion, and strengthens our dedication to transparency and accountability.

We understand that workforce diversity contributes to diversity of thought and Firm success. This initial action, focused on women officers globally and Black and Hispanic officers in the U.S., is a key part of our commitment to diversity and inclusion.

### OUR OBJECTIVES ARE TO INCREASE:



Total women officers<sup>1</sup> by

**25%**



Black and Hispanic officers<sup>1</sup> in the U.S. by

**50%**

<sup>1</sup> Officers includes Managing Directors, Executive Directors and Vice Presidents

## MORGAN STANLEY INSTITUTE FOR INCLUSION

Launched in 2020, the Morgan Stanley Institute for Inclusion (IFI) brings our employees, communities and clients together in a shared commitment to creating a more equitable society.

Built on the three pillars below, the IFI is a catalyst for our commercial, philanthropic and talent-focused efforts. Our investment in high-impact opportunities, philanthropic

investments in underserved communities and accountability to internal D&I commitments is exemplified through many of The Institute's initiatives. The Institute's 11-person Advisory Board plays a key role in shaping efforts and has been integral to launching several signature initiatives outlined in this report, including:

### INVESTING IN UNDERSERVED COMMUNITIES

We are committed to advancing economic outcomes in underserved communities through our products, services, spending, business practices and thought leadership.

#### AFFORDABLE HOUSING

Morgan Stanley's Community Development Finance (CDF) program generates investment opportunities that create lasting positive changes in communities across the U.S. CDF's affordable housing strategy provides safe and affordable housing and impactful supportive services to low- to moderate-income households across the country.

Achieved through low-income housing tax equity, this program supports construction and rehabilitation of affordable housing, preservation of affordable housing investments and prevention of at-risk property abandonment.

### ADVANCING EQUITY THROUGH GIVING

We leverage our philanthropic efforts to help address and eliminate systemic inequities for underrepresented groups and to help those communities thrive.

#### MORGAN STANLEY SCHOLARSHIP PROGRAMS

Morgan Stanley's HBCU Scholars Program and Future Generation Scholarship provides support to students in the U.S. and U.K. from low-to moderate-income communities.

The HBCU Scholars Program offers needs-based, four-year scholarships to students at Howard University, Morehouse College and Spelman College, covering the full cost of attendance annually. Additionally, the firm offers a career-readiness program to complement the students' on-campus curriculum.

The Future Generation Scholarship provides U.K. students from ethnic-minority and/or socially mobile backgrounds with financial assistance for university fees and associated living costs. Students are also offered internships at the bank.

### PROMOTING WORKPLACE DIVERSITY AND INCLUSION

We strive to lead the way in attracting, developing, and retaining individuals with diverse backgrounds and perspectives, and to drive a culture of inclusion for all colleagues.

#### TALENT ACCELERATOR

We are committed to supporting the growth and career success of diverse talent. The IFI Talent Accelerator provides a platform for the Firm to deliver cutting-edge professional development programming to women and ethnically diverse colleagues. We recently launched two new programs under the umbrella of the Talent Accelerator.

The Multicultural Leadership Program is designed to support career growth for Black, Hispanic and Asian leaders at the Vice President and Executive Director levels.

The Women's Leadership Program is designed to support career growth for women leaders at the Vice President and Executive Director levels.

Both programs support career advancement through targeted skill development, guidance on career management, and opportunities to meet with senior leaders and network with peers.

# Representation: Building a Diverse Workforce



A diverse workforce is critical to Morgan Stanley's continued success, and our ability to serve our clients. In 2020, more than **40% of new hires globally were women**, and more than **39% of our new hires were ethnically diverse**. With the help of our hiring teams globally, we welcomed over 1,100 college and university students and graduates, and over 8,400 professionals to the Firm.

In response to the COVID-19 pandemic, Morgan Stanley also guaranteed job security for all our employees in 2020 to support personal and professional wellness during a difficult time.



## Campus Recruiting

Attracting underrepresented talent from colleges and universities around the world is an important part of our diversity recruiting strategy.

The Firm's summer internships and full-time analyst programs include targeted efforts such as our Early Insights programs, which introduce women, ethnically diverse and LGBT+ high school seniors or college freshman, as well as veterans, to financial services. Additionally, our Richard B. Fisher Scholarship Program offers financial support to help diverse students offset the cost of their education.

Our 2020 full-time campus hires hailed from more than 300 colleges and universities in over 30 countries, and include undergraduate and graduate majors ranging from finance and accounting, science, technology and math to liberal arts.

In 2020, we reported our most diverse campus recruiting class in the Firm's history. Fifty percent of campus full-time hires globally were women, and 21% of campus full-time hires in the U.S. were Black and Hispanic.

In June of 2021, **The Morgan Stanley Institute for Inclusion** and **The Steve Fund** convened a virtual forum for employers across all industries to explore the intersection of mental health and diversity, equity and inclusion. Industry experts and Firm leaders discussed challenges facing young people of color with college and university leadership. Business leaders, mental health experts and higher education professionals discussed strategies and tactics for supporting, retaining and developing diverse graduates as they transition into the workforce. We identified the preparation gaps and risk factors that create obstacles, and discussed how leaders can support diverse talent, by leading with greater emotional and cultural awareness, centering allyship, confronting imposter syndrome and addressing racial trauma.



**"The Morgan Stanley Future Generation Scholarship program is a bold commitment and an acceleration of our efforts to diversify attraction and recruitment processes."**

**CLARE WOODMAN**  
Head of EMEA

### MORGAN STANLEY FUTURE GENERATION SCHOLARSHIP

In February of 2021, we were proud to launch the Morgan Stanley Future Generation Scholarship, a flagship program in the U.K. to support up to 25 students annually from ethnic-minority and/or socially mobile backgrounds with an internship at the bank and significant financial assistance to meet their university fees and associated living costs. The initiative, championed by Morgan Stanley's Institute for Inclusion, forms a key part of the Firm's holistic diversity and inclusion strategy aimed at meaningfully supporting and advancing the career aspirations of ethnic minority and/or socially disadvantaged student talent.

## Experienced Hiring

Morgan Stanley's Experienced Recruiting team proactively sources diverse candidates, and ensures we maintain dialogue with diverse talent for future opportunities.

The team leverages a broad network of industry and third-party relationships, as well as online resources, to attract and hire from diverse and underrepresented groups. In addition, we have invested in programs that connect us with diverse experienced professionals from within financial services, as well as other sectors.

Through partnerships with organizations such as iRelaunch, the National Association for Black Accountants and the Association for Latino Professionals of America, and programs like our Return to Work and veteran recruiting initiatives, we have continued to see strong diverse representation among experienced hires: In 2020, 39% of our experienced hires were women and 37% were ethnically diverse.<sup>1</sup>

## Asia Pacific and Japan

Morgan Stanley opened its doors in Japan in 1970, and we established our presence in Hong Kong in 1987. Since then we have seen our presence grow significantly across the region. As we've grown, so too has the diversity of our colleagues, adding to the rich tapestry of our culture.

A long-term focus on gender inclusion across the Asia region has helped ensure that our diversity and inclusion efforts align to the needs of our employees across the region — a core part of our overall strategy.

### CREATING PATHWAYS FOR SUCCESS

Now in its sixth year in India, our critically acclaimed Return to Work program continues to grow in the region, providing opportunities for experienced professionals who have taken a career break to reenter the workforce.

- Since launching in 2015 with 10 participants, we have grown to nearly 60 participants in our most recent cohort, and are expecting a class size of over 100 in the coming year.
- In addition to being our largest cohort to date, 2021 also saw a record conversion rate with more than 90% receiving offers to join the Firm full time.



**"The need for talent is paramount, and Morgan Stanley is investing in our future through its focus on building a more diverse workforce."**

**GOKUL LAROIA**  
CEO, Asia Pacific

## MORGAN STANLEY EXPERIENCED PROFESSIONALS PROGRAM

Launched in the US in the fall of 2020, Morgan Stanley's Experienced Professionals Program is designed to make racial equity a reality. High-achieving, diverse professionals, from a broad range of industries with two or more years of post-graduate work, are invited to participate. The goal is to expand the talent pool of diverse professionals in finance and help pave the way for their success.

Those selected for the program are provided with a two-year runway to learn about our sector, develop the skills they need to thrive in financial services and receive the mentorship and access to build relationships across the bank.

The announcement of the program drew over 800 applicants, and 20 were chosen for the first cohort. Currently, there are over 60 Black and Hispanic professionals in the program, which is rapidly expanding globally with the newest cohort launching in London in the fall of 2021.

<sup>1</sup> U.S. ethnically diverse includes American Indian or Native Alaskan, Asian, Black or African American, Hispanic or Latino, Native Hawaiian or Pacific Islander, and Two or More Races

# By the Numbers: Workforce Diversity

## GLOBAL SENIOR LEADERSHIP

### WOMEN

---

2020

Board	<b>33%</b>
Operating Committee	<b>22%</b>
Management Committee	<b>21%</b>

### ETHNICALLY DIVERSE<sup>1</sup>

---

2020

Board	<b>20%</b>
Operating Committee	<b>17%</b>
Management Committee	<b>31%</b>

<sup>1</sup> Ethnicity for our Board of Directors, Operating Committee and Management Committee is represented globally



# By the Numbers: Workforce Diversity

## GLOBAL WOMEN<sup>1</sup>

### FIRMWIDE

---

2020

Overall **39%**  
Officers **26%**

### AMERICAS

---

2020

Overall **39%**  
Officers **26%**

### EMEA

#### Europe, Middle East and Africa

---

2020

Overall **36%**  
Officers **27%**

### Asia-Pacific and Japan

---

2020

Overall **42%**  
Officers **30%**

<sup>1</sup> Officers includes Managing Directors, Executive Directors and Vice Presidents

# By the Numbers: Workforce Diversity

## U.S. ETHNICALLY DIVERSE<sup>1</sup>

### U.S. BLACK

	2020
Overall	<b>6%</b>
Officers	<b>3%</b>

### U.S. HISPANIC

	2020
Overall	<b>8%</b>
Officers	<b>5%</b>

### U.S. ASIAN

	2020
Overall	<b>14%</b>
Officers	<b>15%</b>

### U.S. OVERALL ETHNICALLY DIVERSE<sup>2</sup>

	2020
Overall	<b>30%</b>
Officers	<b>24%</b>

<sup>1</sup> Officers includes Managing Directors, Executive Directors and Vice Presidents

<sup>2</sup> U.S. ethnically diverse includes American Indian or Native Alaskan, Asian, Black or African American, Hispanic or Latino, Native Hawaiian or Pacific Islander, and Two or More Races

# By the Numbers: Workforce Diversity

## CAMPUS RECRUITING

### GLOBAL WOMEN

---

	2020
Full-Time	<b>50%</b>
Summer	<b>49%</b>

### U.S. HISPANIC

---

	2020
Full-Time	<b>11%</b>
Summer	<b>15%</b>

### U.S. OVERALL ETHNICALLY DIVERSE<sup>1</sup>

---

	2020
Full-Time	<b>53%</b>
Summer	<b>59%</b>

### U.S. BLACK

---

	2020
Full-Time	<b>10%</b>
Summer	<b>10%</b>

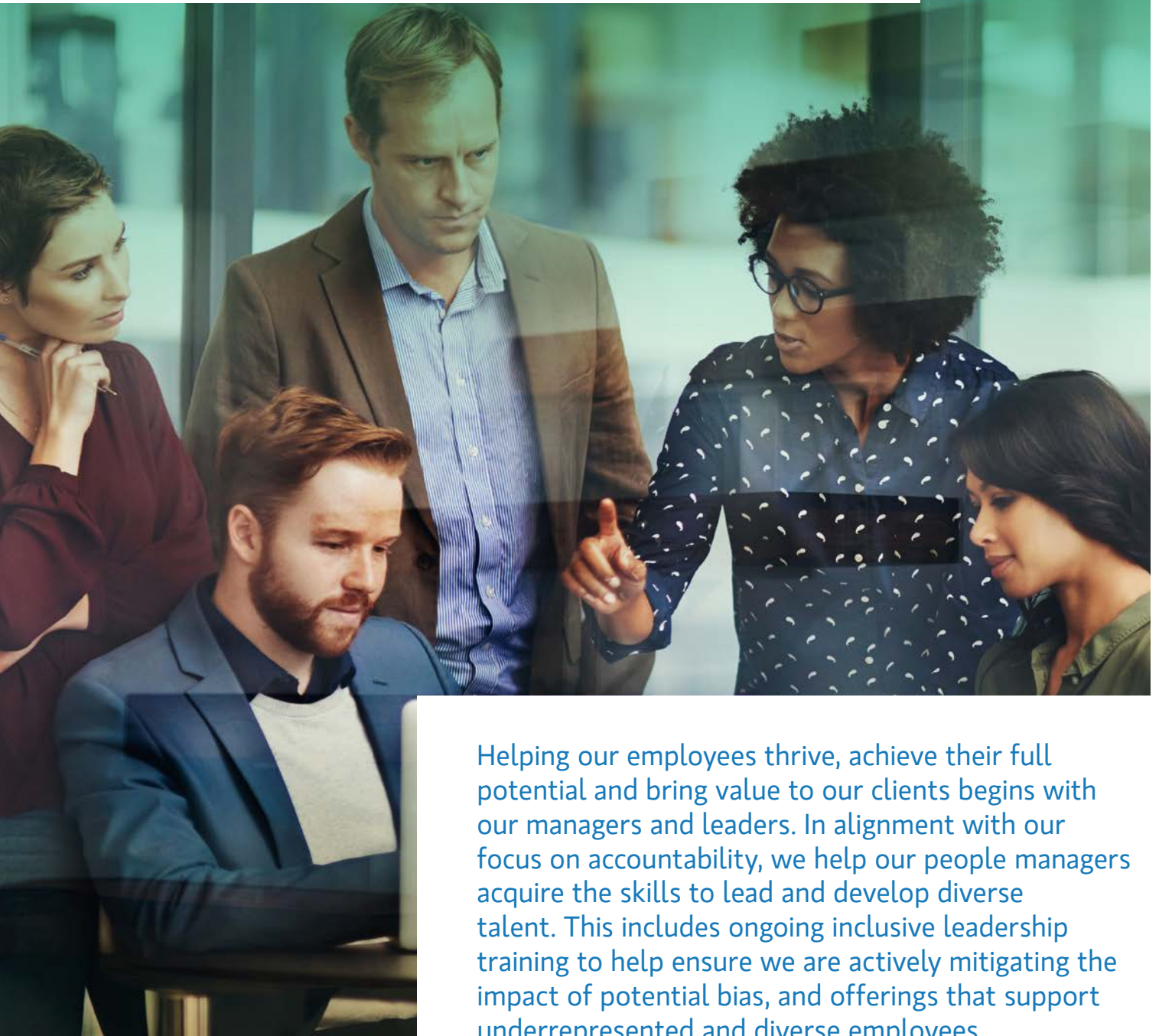
### U.S. ASIAN

---

	2020
Full-Time	<b>28%</b>
Summer	<b>30%</b>

<sup>1</sup> U.S. ethnically diverse includes American Indian or Native Alaskan, Asian, Black or African American, Hispanic or Latino, Native Hawaiian or Pacific Islander, and Two or More Races

# Advancement: Developing and Supporting Diverse Talent



Helping our employees thrive, achieve their full potential and bring value to our clients begins with our managers and leaders. In alignment with our focus on accountability, we help our people managers acquire the skills to lead and develop diverse talent. This includes ongoing inclusive leadership training to help ensure we are actively mitigating the impact of potential bias, and offerings that support underrepresented and diverse employees.

# A Comprehensive Review of Our Talent Processes

In 2020, we committed to review each of our core talent processes to ensure that we had maximized opportunities for all employees, particularly women and persons of color, and adopted best practices at each critical junction in the employee experience.

In January of 2021, in collaboration with a team of independent experts, we conducted a comprehensive review of our core talent processes, including talent acquisition, employee assessment, development and advancement. This intensive review included dozens of interviews with internal subject matter experts, senior leaders and process participants, as well as focused “hackathons” designed to identify opportunities to enhance fairness.

At the conclusion of the review, the experts’ findings and recommendations were shared with management and other key stakeholders, including the Morgan Stanley Board of Directors and the independent Advisory Board of the Morgan Stanley Institute for Inclusion. Implementation of the recommendations derived from the review will be a multiyear process, and will include changes to these core processes. Other policy and program changes are already underway.

“Fostering a culture of inclusion to attract, develop and retain diverse talent is a core commitment of the Board. Ensuring our talent processes are fair and free of bias is critical to achieving success in that mission.”

**RAYFORD WILKINS, JR.**  
*Morgan Stanley Board Director*



## Key recommended actions include:

### FOCUS ON THE MANAGER

Provide additional support and training to people managers to ensure that they are following a clear, consistent and fair process. Up-skill managers to increase awareness of unconscious bias; improve manager engagement and accountability in the performance evaluation process. Provide employees new to people management with the support needed to maximize their effectiveness.

### TALENT ACQUISITION

Cast a wider net across academic institutions and industries to attract a more diverse applicant pool. Implement diverse candidate and interviewer slate requirements, as well as structured interviewing programs. Review job descriptions to eliminate unnecessary barriers to entry, and take advantage of available tools to level the playing field and eliminate unconscious bias.

### TALENT DEVELOPMENT

Continue to offer targeted development programs for underrepresented groups. Ensure diverse talent has support, access and opportunities to advance at the Firm. Leverage mentorship and sponsorship initiatives to help diverse talent build strong relationships across the Firm.

### EMPLOYEE ASSESSMENT

Ensure that critical components of the employee assessment cycle are well-defined and understood by people managers, and applied consistently. Educate managers and provide them with skills-based training to deliver meaningful, bias-free feedback. Incorporate D&I accountability markers into employee performance evaluations.

## Investing in Ethnically Diverse Employees

Continuing to support and advance ethnically diverse employees is a focus for our Firm. To bring this ambition to life, we launched a new effort — The Institute for Inclusion Talent Accelerator — to deepen our investment in our own talent. The Talent Accelerator is specifically designed to support the growth of diverse talent.

The **Multicultural Leadership Program**, a core offering of the IFI Talent Accelerator, supports career advancement for Black, Hispanic and Asian Vice Presidents and Executive Directors at the Firm through targeted skill development, guidance on career management, one-on-one coaching and opportunities to meet with senior leaders and network with peers. This offering builds on the investments into diverse talent from our Leader Engagement and Development (LEAD) program that began in 2011.

In addition, our **Multicultural Professional Development Series** for Black and Hispanic campus hires provides professional development opportunities for, and fosters interactions with senior, mid-level and peer leaders for incoming junior talent.

## Investing in Women

To achieve greater gender equity, we offer a range of targeted programs to help women at our Firm thrive. In addition to supporting advancement for ethnically diverse colleagues, the Institute for Inclusion's new Talent Accelerator also focused its efforts on creating new programs to support the advancement of women at Morgan Stanley.

The all-new **Women's Leadership Program** for Executive Directors and Vice Presidents in North America represents a significant investment in the development and advancement of women at the Firm. The program is designed to further career growth for women officers at the Firm through targeted skill development, guidance on career management, one-on-one coaching and opportunities to meet with senior leaders and network with peers. This new offering builds on the success of our Women's Development Series that has reached more than 430 women since its launch in 2011.

In Europe and Asia, we continue to offer our **Platinum Program**, a highly customized, six-month development program for women at the Executive Director level. During the program, employees complete a leadership assessment, receive professional coaching and participate in leadership development workshops to help them advance their careers.

## Europe, Middle East and Africa

Morgan Stanley was an early signatory of the U.K. Women in Finance Charter and the U.K. Race at Work Charter. Participation in these efforts has driven progress across the organization.

### U.K. WOMEN IN FINANCE CHARTER

We committed to increasing U.K. representation of women in senior roles to at least 30% by January 2023. As of September 2020, we have exceeded our minimum goal at 32.8%. Additionally:

- Representation of women on the Morgan Stanley International Board rose to 38% in 2020
- Representation of women on our EMEA Operating Committee increased to 39% in 2020

### U.K. RACE AT WORK CHARTER

The U.K. Government's Race at Work Charter aims to ensure that ethnic-minority employees are represented at all levels in an organization. Morgan Stanley signed on to this commitment in 2018.

Since joining, we have made progress against the Charter commitments, including:

- Establishing the Race to Action Group
- Launching mandatory "Let's Talk About Race" workshops designed to educate, equip and support leaders to confidently speak about and address race in the workplace. More than 2,000 employees across the region have participated.

In addition, we continue to focus on expanding the Firm's signature initiatives globally with the launch of the Morgan Stanley Multicultural Innovation Lab and the Morgan Stanley Experienced Professionals Program in London.



**"As a signatory to the U.K. Race at Work Charter, we demonstrate our ongoing and evolving commitment to ensuring equitable career opportunity for all ethnically diverse talent, and drive a range of strategic initiatives across the organization with a focus on race and inclusion."**

**TOSIN AKINLUYI**  
*Managing Director, Head of EMEA Macro Research*





## Compensation Philosophy and Commitment to Equitable Pay Practices

Morgan Stanley's compensation programs are designed to attract and retain top talent and deliver pay for sustained performance in support of the Firm's culture, core values and shareholder interests, and mitigating risk.

The Firm has a "pay for performance" compensation philosophy and rewards employees for the achievement of both financial and nonfinancial goals.

Attracting, retaining and advancing diverse talent is a priority for Morgan Stanley, and our policies and practices, including those on pay, reflect and promote that commitment.

Our compensation programs are competitive within our industry and help ensure equitable rewards for all employees through:

- Robust practices to support fair and consistent compensation, and help ensure reward decisions are based on merit
- Ongoing review of compensation decisions, including at the points of hire, promotion and mobility
- Regular assessment of our rewards structure to help ensure equity for all employees

### PAY PRACTICES

Compensation decisions are made in consideration of a variety of performance factors and in the context of industry compensation levels and structures. Compensation managers make decisions informed by employee performance dashboards and tools, and receive training to assist them when making compensation decisions.

#### Performance factors influencing compensation decisions include:

- Employee's absolute and relative performance in an individual and/or supervisory capacity
- Conduct and adherence to the Firm's core values and other policies and procedures, including any related discipline
- Performance feedback elicited through the Firm's performance evaluation processes
- Market and competitive factors

### COMMITMENT TO ONGOING REVIEWS AND ASSESSMENT

Employee compensation decisions are regularly reviewed and adjustments are made when warranted. Select regional policies prohibit the solicitation or use of previous compensation history, which helps minimize the risk of perpetuating pay inequities when an employee is hired. We conduct market analyses to ensure pay in each location, job level and function is competitive.

These practices help to ensure equity in pay across the Firm.





## Gender Pay Gap Reporting

In line with U.K. legislative requirements, in 2017 we issued our first Morgan Stanley U.K. Group Gender Pay Gap report. Since the publication of that report we have made progress in reducing the Gender Pay Gap.

In 2017 we reported a median figure of 35.2%. In 2018, we reduced that number by 0.9% to 34.3%. In 2019 and 2020, the gap was reduced further to 31.5% and 30.4% respectively. These improvements demonstrate that our efforts to decrease the Gender Pay Gap are having an impact, however we still have considerable work to do to further decrease the gap, and to achieve gender balance in our workforce across all levels.

### MORGAN STANLEY U.K. GROUP GENDER PAY GAP

2020  
Median Figure

**30.4%**

A reduction of 1.1%

2017  
Median Figure

**35.2%**

2018  
Median Figure

**34.3%**

A reduction of 0.9%

2019  
Median Figure

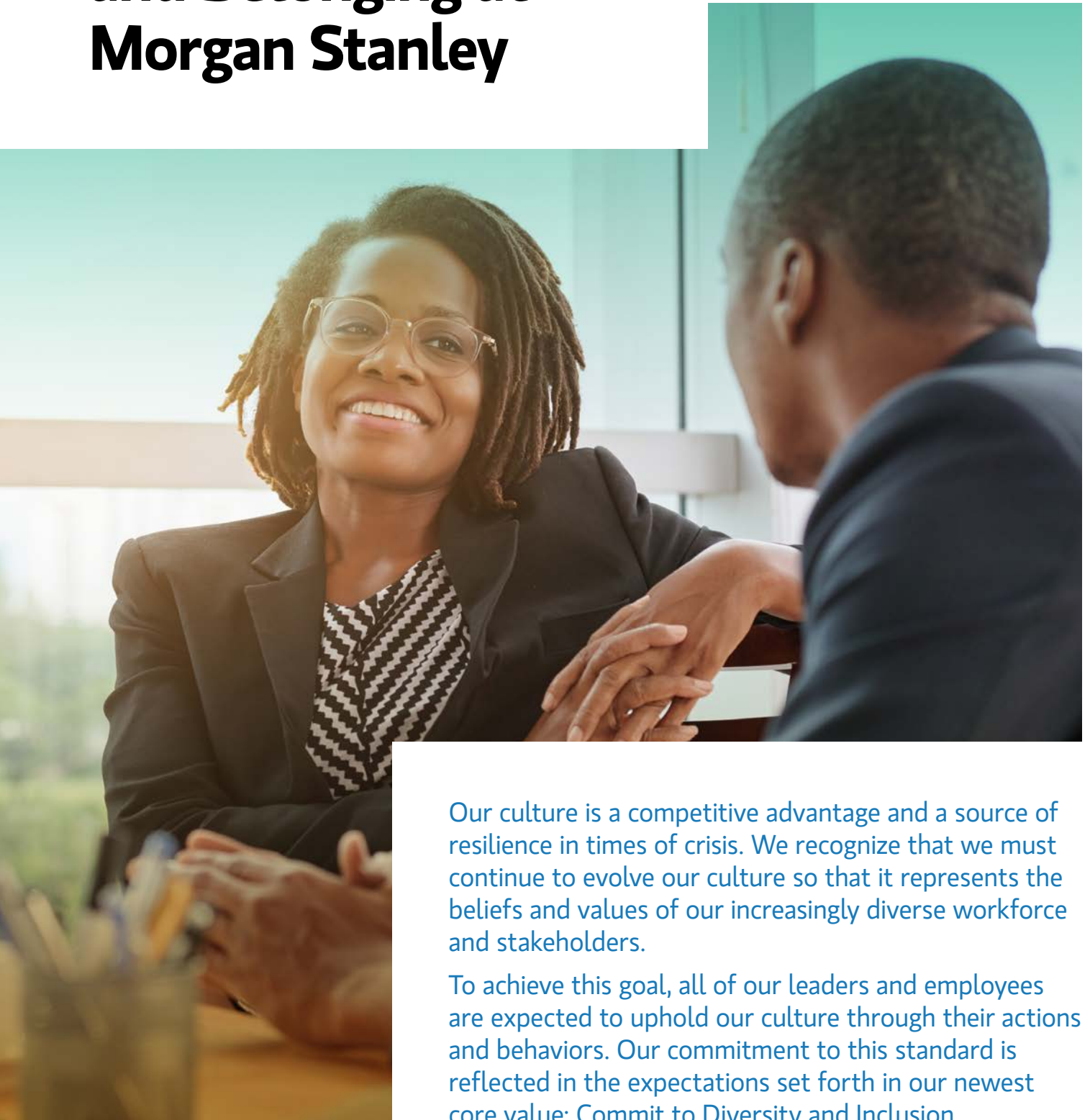
**31.5%**

A reduction of 2.8%

### THE GENDER PAY GAP EXPLAINED

The Gender Pay Gap is a measure of the average pay difference between women and men across an organization regardless of role or level. This is different from Gender Pay Equity, which measures whether women and men are paid equally for the same or similar roles, or for work of equal value.

# Culture: Inclusion and Belonging at Morgan Stanley



Our culture is a competitive advantage and a source of resilience in times of crisis. We recognize that we must continue to evolve our culture so that it represents the beliefs and values of our increasingly diverse workforce and stakeholders.

To achieve this goal, all of our leaders and employees are expected to uphold our culture through their actions and behaviors. Our commitment to this standard is reflected in the expectations set forth in our newest core value: Commit to Diversity and Inclusion.

# Employee Networks

Our Employee Networks are a critical part of our inclusion strategy. They drive employee engagement and create a framework for cross-business connectivity and idea sharing.

Our networks empower employees to connect, share their distinct experiences, learn and develop professionally, support each other and give back to their communities through philanthropic and volunteer efforts. Equally important, feedback from network members helps the Firm better understand the needs of our diverse employees and shape our diversity strategy and programs.

Our Women's Business Alliance recently launched a new program, The Emerging Women Leaders Network. This initiative connects and empowers early- to mid-career women to support each other's professional and personal development.

The network aims to bring together employees to create a cross-cultural and cross-divisional community in which information and insights can be shared, and organic networks can be formed.

## OUR EMPLOYEE NETWORKS

15

Firmwide networks around the world

36

local chapters



## Our Diversity and Inclusion Employee Networks

### GLOBAL

- disAbility Employee Network
- Family Network
- Pride and Ally LGBT+ Employee Network
- Women's Business Alliance

### AMERICAS

- Asian Employee Network
- Black Employee Network
- Latinx Employee Network
- Veterans Employee Network

### ASIA PACIFIC AND JAPAN

- Multicultural Alliance

### EMEA

- African and Caribbean Business Alliance
- EMEA Military Network
- Glasgow Cultural Awareness Network
- Net East Asia
- Net South Asia
- Net-Éire



## Focusing on the LGBT+ Community

In 2021, Morgan Stanley received a perfect score on the Human Rights Campaign's Corporate Equality Index for the 15th consecutive year, continuing the distinction of being a Best Place to Work for LGBT+ Equality.

This recognition underscores the Firm's long-standing commitment to the LGBT+ community around the world. Morgan Stanley consistently offers steadfast support in many ways, from being a leader in the fight for marriage equality in the U.S. to joining the EU Diversity Charter to support diverse and inclusive workplaces.

Our Pride and Ally employee network focuses on delivering groundbreaking programming globally to our employees, clients and prospects. With an emphasis on inclusion, belonging and allyship, this year's offerings featured experts and thought leaders such as Transgender Legal Defense Fund Executive Director Andy Marra, NYC LGBT Community Center Director Glenda Testone and Senator Sarah McBride, the first openly transgender state senator in the U.S. In our signature conversation during Pride Month, Senator McBride discussed her personal story, and how her life experiences have influenced her work to advocate for the LGBT+ community and create change through public policy.

### SUPPORTING OUR PARTNERS DURING CRITICAL TIMES

During COVID-19, The New York LGBT Community Center saw a 40% increase in demand for its services, including mental health counseling and substance abuse treatment. Morgan Stanley responded by expanding its longtime support of The Center to become a Premier Partner.

Since 1983, The Center has been championing the LGBT+ community in New York City and the surrounding region as a one-of-a-kind organization that empowers community members to lead healthy, successful lives. Morgan Stanley's support helps The Center fulfill its mission to empower LGBT+ people and ultimately build a stronger community.



## ADDRESSING THE IMPACT OF RACIAL TRAUMA

Our employee networks continue to be one of the most effective conduits for understanding the day-to-day lived experiences of our employees. As the unfortunate rise in violence towards Asians unfolded across the globe, it became clear that we needed to offer resources for our employees to come together, discuss their experiences with racial discrimination and receive the support of the Firm.

Together with our long-time partner The Steve Fund, our Institute for Inclusion and the Asian Employee Network, the firm curated a series of offerings to help Asian colleagues navigate this crisis.

Offerings included a conversation with Dr. Hendry Ton, M.D., M.S., Associate Vice Chancellor for Health Equity, Diversity and Inclusion, UC Davis. The discussion focused on the emotional impact of racial trauma on the community and provided tangible tools to help colleagues cope, and to be better equipped to provide support to family and friends.

Additionally, our Chairman and CEO James P. Gorman and Chief Human Resources Officer Mandell Crawley hosted a conversation with Kenji Yoshino, distinguished law professor at NYU and Advisory Board member of our Institute for Inclusion, on the increase in anti-Asian violence.

Ensuring the personal safety of colleagues was also critical. Sessions on personal safety were led by our Head of Corporate Services Ekene Ezulike, and our Corporate Security teams. During the sessions, we discussed how the Firm addresses safety in our locations globally, and provided tips for employee personal safety when commuting.



**“The Firm’s efforts to increase awareness and education were swift and comprehensive. Employees felt seen, prioritized and supported, something that was vital during such a difficult time.”**

**JULIE CHUNG**

*Executive Director, Institutional Equities, and Co-Chair of the Asian Employee Network*



# A Holistic Approach to Our Employees' Health and Well-being

Providing best-in-class and comprehensive benefits to support the physical, mental and financial well-being of our global workforce and their families is foundational.

The Firm's portfolio of benefits and resources supports employees at all life stages and during challenging times. Our benefits consider our diverse workforce, including the unique needs of women, people of color, LGBT+ colleagues, veterans and people with disabilities. We help employees and their families of all backgrounds achieve wellness goals, manage chronic illnesses, grow their families and build sound financial futures.

## SOLICITING FEEDBACK FROM OUR GLOBAL WORKFORCE

In May, Morgan Stanley conducted a global benefits survey to ensure our benefits continue to meet the needs of our employees. Over three quarters of employees reported satisfaction with the Firm's benefits, and analysis showed that female employees and employees of color reported that our mental health benefits and family support programs were high-value differentiators.

## KEEPING EMPLOYEES HEALTHY AND SAFE

The health of our employees has always been paramount, and in the face of the extraordinary challenges COVID-19 presented in 2020, we redoubled our efforts, launching a series of offerings to support our colleagues. These offerings included:

- Expanded mental health options, ensuring employees and their dependents had expedited access to quality mental health care at no cost

- Carryover for unused flexible spending account funds, and a doubling of the amount of before-tax dollars parents could set aside for childcare expenses
- An enhanced paid parental leave policy, waiving service requirements and giving nonprimary caregivers greater flexibility when taking leave, as well as extended leave for NICU stays and stillbirths

## EXPANDING OUR FAMILY SUPPORT PROGRAMS

At Morgan Stanley, family matters. At the start of the pandemic, the Firm committed to assisting employees caring for their children and adult loved ones.

On internal surveys, employees identified childcare as a key stressor and hurdle to working productively—at the office or at home. This issue disproportionately affected women and employees of color. We expanded our backup child and adult care program in the U.S. by adding 10 extra family support days for a total of 40 days in 2021. We also enhanced our family support programs to include discounted tutoring, at-home learning options and free resilience coaching for parents, and expanded the use of family support days to include tutoring. Similar enhancements were introduced in the U.K. and Ireland.

In 2022, the Firm will also be expanding its family-building support for employees. With the introduction of a new lifetime maximum of \$75,000 for fertility services through the Firm's medical plan, employees in the U.S. will receive financial support towards fertility services, adoption or surrogacy. This is an increase from the previous allocation of \$30,000 for fertility services and \$10,000 for adoption and surrogacy per child.



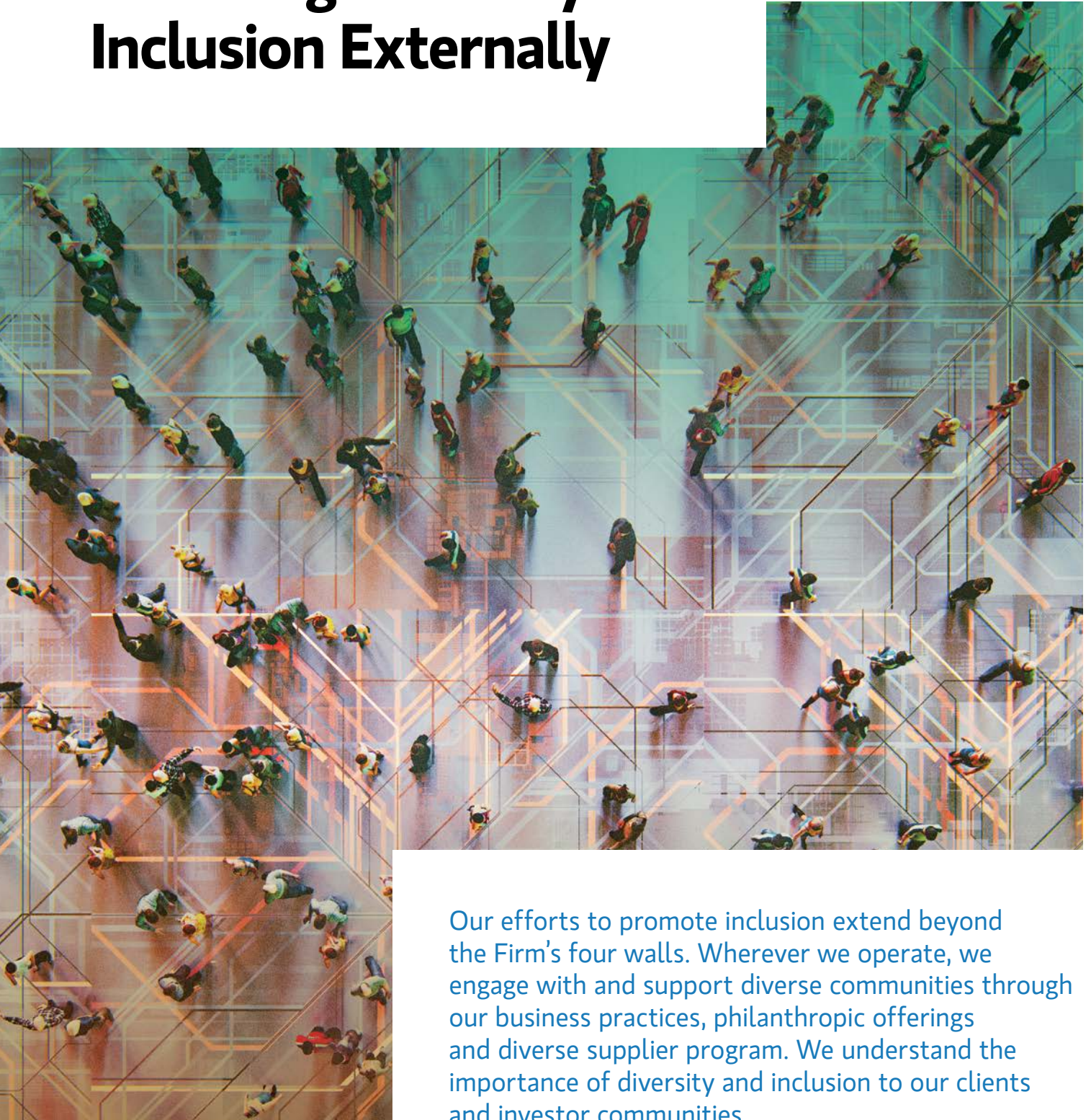
## Supporting Our Transgender Colleagues

### GENDER AFFIRMATION BENEFITS AND RESOURCES

Starting in 2022, Morgan Stanley is enhancing its medical plan offerings in the U.S. to further assist employees and their dependents who identify as transgender, non-binary or intersex. Our medical plan will cover additional services that are crucial to transitioning, such as hormone therapy, facial feminization or masculinization, and voice therapy.

In addition, we have also invested in resources to help employees access other Firm benefits, such as mental health support, legal assistance plans and hospital indemnity insurance to help as they transition.

# Outreach: Fostering Diversity and Inclusion Externally



Our efforts to promote inclusion extend beyond the Firm's four walls. Wherever we operate, we engage with and support diverse communities through our business practices, philanthropic offerings and diverse supplier program. We understand the importance of diversity and inclusion to our clients and investor communities.

## Investing in Diverse Entrepreneurs to Address the Funding Gap

When we established the Morgan Stanley Multicultural Client Strategy Group (MCSG), its goal was to develop the Firm's strategy to address the significant market inefficiency that limits access to capital for women and multicultural technology entrepreneurs and small business owners. Six years later, the work of the MCSG continues to grow, fostering collaboration across all parts of the Firm, and driving greater outcomes for diverse communities.

The MCSG's innovative approach to bridging investment gaps focuses on changing investor attitudes and behaviors, investing directly in early-stage technology companies founded by women and/or people of color, and bridging the gap between investors and underrepresented entrepreneurs.

### MORGAN STANLEY MULTICULTURAL INNOVATION LAB

Founded in 2017, the Morgan Stanley Multicultural Innovation Lab is our in-house accelerator for early-stage tech and tech-enabled startups led by multicultural and women entrepreneurs. Each year, the Lab hosts two cohorts of startup companies for a unique, five-month experience to drive positive economic outcomes and bridge the market inefficiencies facing underrepresented entrepreneurs.

Now in its sixth cohort, the program has invested in 51 companies. Previous participants have used the platform to secure additional funding rounds, refine their strategy and expand their business—and some have been acquired. In 2021, the Lab doubled its size to two cohorts, and the Firm increased its investment commitment in each company from \$200,000 to \$250,000.

The lab is also expanding globally, with an EMEA location opening in London in January of 2022.



**"Investing in diverse-led companies in their infancy is vital to ensuring success. Innovative technology and developments could be slipping through the cracks due to funding restrictions, and with this effort we hope to be able to support diverse talent through the startup phase to grow their businesses."**

**CARLA HARRIS**  
Vice Chairman, Morgan Stanley

### THE MORGAN STANLEY NEXT LEVEL FUND

Combining the expertise and reach of Morgan Stanley Investment Management (MSIM) and the Multicultural Client Strategy Group, we launched The Morgan Stanley Next Level Fund, L.P. ("Next Level" or the "Fund"). The Fund, part of MSIM's Private Credit & Equity platform, invests in primarily early-stage technology and technology-enabled companies with women or diverse members as part of the founding team from target sectors including technology, consumer/retail, financial technology, health care and media & entertainment. Investors in the strategy include key inaugural corporate partners: Hearst, Microsoft and Walmart. This new strategy builds upon the expertise of the Morgan Stanley Multicultural Innovation Lab, our in-house startup accelerator, and HearstLab, which provides cash investment and services to early-stage, women-led startups.

These initiatives work to support underrepresented founders and to close the trillion-dollar funding gap, one firm at a time.



# Our Community Engagement and Support

This year marks the 60th Anniversary of the Morgan Stanley Foundation.

Embodying the Firm's core values of giving back and committing to diversity and inclusion, the Morgan Stanley Foundation focuses on supporting underserved communities through partnerships, community engagement and volunteering. Since February 2020, the Foundation has prioritized access to physical and mental health care, healthy and nutritious food and safe places to play.

In February 2020, the Foundation partnered with mental health nonprofit experts to create the Morgan Stanley Alliance for Children's Mental Health. The Alliance works to fund critical research on children's mental health, as well as growing programs in schools, hospitals and doctors' offices globally, and establishing capacity building grants for organizations like The Steve Fund, the nation's leading organization focused on supporting the mental health and well-being of young people of color. This collaboration has already reached over three million students, families and teachers, many of whom are from diverse and underserved groups.

In April 2021, the Alliance launched the Innovation Awards to identify and fund mental health care solutions for children and young adults across the U.S. This program specifically addresses the lack of both private and public investment in children's mental health, and effective ways to connect innovative ideas with financial support. Over 850 applications from across the country were submitted with five winning nonprofits selected. The organizations are led by diverse leaders and address a diverse set of communities, geographies and needs through their transformative and culturally responsive models.

Additionally, the Alliance introduced a reemergence program to provide support and resources for those directly addressing children's mental health issues in the 2021–2022 school year. This multifaceted program aims to help teens reengage with school and their daily activities. Key components of the program include teen and educator surveys, parent and educator tip sheets and guides, comprehensive digital resources and a convening for educators and school administrators.

Supporting diverse communities and young people of color through scholarships, professional development, internships and early career opportunities has also been a priority for the Foundation for over 30 years. Key initiatives include the Richard B. Fisher Scholars Program, which awards college scholarships and summer internships to promising underserved students, and partnerships with the Hispanic Federation, Sponsors for Educational Opportunity, and Prep for Prep, which help advance young students of color.

## ADDITIONAL EFFORTS

When the COVID-19 pandemic hit, Morgan Stanley provided emergency aid and support to the most affected communities around the world. Nearly \$30 million was donated to organizations supporting workers and vulnerable populations to address issues such as food insecurity, health care and mental well-being.

Adapting to last year's remote environment, our virtual Move for Meals campaign enabled employees around the world to support our global feeding partners by completing activity and movement goals. Fifteen thousand employees participated from 533 cities, and the firm matched these efforts by donating \$5 million—the equivalent of 50 million meals.



**“COVID-19 and all its repercussions have taken a huge toll on children's mental health, particularly in underserved communities. With exponential increases in depression and anxiety among children around the world, it is clear we need coordinated efforts to support children's mental health resources and research.”**

**JOAN STEINBERG**

*Global Head of Philanthropy and  
President of the Morgan Stanley Foundation*

## Supplier Diversity

Our Supplier Diversity Program seeks out suppliers owned by ethnically diverse individuals, women, veterans, people with disabilities and members of the LGBT+ community to supply hundreds of our offices worldwide.

A diverse vendor base helps support the building and growth of the economies in the communities in which we operate. We continue to broaden our supplier pool to include diverse business owners.

We are proud to partner with the following organizations on our supplier diversity efforts:

- National Minority Supplier Development Council
- New York and New Jersey Minority Supplier Development Council
- Women's Business Enterprise Council Metro NY
- Women's Business Enterprise National Council
- National Gay and Lesbian Chamber of Commerce
- U.S. Pan-Asian American Chamber of Commerce
- WEConnect International
- Minority Supplier Development U.K.

### SUPPLIER DIVERSITY GUIDING PRACTICES

- Monitor the engagement of diverse suppliers through quarterly and annual reviews and we continually analyze our goals against overall annual spend and at the commodity level to identify opportunities to improve.
- Maintain and expand our Supplier Diversity Program, evolve our engagement guidelines, and conduct training sessions for our Firmwide Sourcing Professionals.
- Maintain an internal supplier diversity database, allowing suppliers to register company information, describe their services and upload their diversity certifications.
- Include supplier diversity language in key documentation, including our Global Procedures for Supplier Selection and Engagement and Supplier Code of Conduct.
- Through our annual Supplier Diversity Champion award, recognize outstanding sourcing managers who achieve the most diverse representation in the request for proposal (RFP) process.



## Financial Inclusion and Capital Building

### INCLUSIVE AND SUSTAINABLE FINANCE

At Morgan Stanley, we advance our sustainability priorities by driving innovation and transformational progress across global capital markets. Our goal is to be the financial services partner of choice for creating sustainable, long-term value across Institutional Securities, Investment Management and Wealth Management. We have a proven track record of developing innovative financial solutions and advisory services that deliver both competitive financial returns and positive impact.

The [Morgan Stanley Institute for Sustainable Investing](#) identified topics core to the Firm's sustainability strategy, such as inclusive growth, climate change and plastic waste. Morgan Stanley defines inclusive growth as economic gains that are broad-based, sustainable and provide opportunity to economic system participants. Diversity and inclusion is key for inclusive growth, and financial institutions have an important role to play. Highlights of Morgan Stanley's approach to inclusive and sustainable finance throughout 2020-2021 are outlined below.

### MORGAN STANLEY'S \$1Bn SOCIAL BOND

38,484

Affordable Units

98,657

Beneficiaries

\$123,369,178

Annual Cost Savings

In 2020, Morgan Stanley issued its first \$1Bn social bond to support affordable housing across the United States. The bond has supported over 400 housing projects so far, benefiting nearly 100,000 people across the U.S. who are struggling to meet housing costs in the pandemic-affected economy. See our 2021 Social Bond Impact Report [here](#).

### INSTITUTIONAL SECURITIES GROUP

Teams across our Institutional Securities Group work with our Community Development Finance (CDF) team to fund affordable housing and community services. In partnership with Morgan Stanley Public Finance, CDF introduced a new source of capital to communities by tapping public markets for Community Development Financial Institutions (CDFIs) and nonprofit affordable housing developers. In 2020, Morgan Stanley Public Finance worked with BRIDGE Housing, a nonprofit affordable housing developer, to underwrite the first taxable social bond of its kind to support development and acquisition of multifamily affordable housing, transit-oriented development, green buildings and energy efficiency projects in high-cost, high-density areas on the West Coast.

In 2021, our Global Capital Markets business served as Diversity and Inclusion Coordinator for 11 investment-grade bond transactions, including Verizon's \$25Bn Senior Notes offering and Amazon's \$18.5Bn Senior Note offering. These efforts led to significant deal allocations to minority-owned, veteran-owned and woman-owned underwriters.

## WEALTH MANAGEMENT

Our **Investing with Impact** platform leverages its technology, scale, research and resources to pursue product innovation and diverse-managed investment options. Resources such as our **Gender Equality** and **Racial Equity Investing** toolkits, as well as our 120-plus investment products incorporating gender and racial equity criteria, provide our Financial Advisors with a range of client resources. Of the \$65Bn in client assets on the platform, \$12Bn are allocated to women and minority-owned investment products<sup>1</sup>. In October 2020, we launched the Diversity & Inclusion Investment Office to continuously and systematically support these efforts.

Our patented and proprietary reporting application, **Morgan Stanley Impact Quotient**® (Morgan Stanley IQ), helps our Financial Advisors and clients prioritize diversity, equity and inclusion (DEI) within their investment decisions. In 2020, we enhanced the range of DEI metrics available through Morgan Stanley IQ analytics to include factors such as the gender pay gap, parental leave and sexual harassment prevention.

In 2021, we launched Impact Diversity Portfolios to advance DEI by investing in companies with strong DEI policies, products and services, as well as diverse portfolio management and firm leadership teams. The portfolios target the three i's of Impact: Intentionality, Influence and Inclusion (see graphic below).

## INVESTMENT MANAGEMENT

In 2020-2021, we launched several investment strategies to further our D&I efforts, including:

- The Calvert Diversity Research Strategies, comprised of global listed companies demonstrating progress and leadership in cultivating a diverse and inclusive workforce culture.
- An enhanced MSILF Government Securities Portfolio, with a commitment to executing purchase transactions with diverse broker-dealers.

MSIM's **Sustainable Investing Policy** recognizes DEI as a core component of our focus on ESG factors, and "Diverse & Inclusive Business" is one of MSIM's four priority themes for research, company engagement and investment stewardship. We leverage DEI-oriented conversations with companies to improve long-term talent retention and management.

In 2020, 32% of MSIM's engagements included a DEI focus. Calvert focused on engaging its top 100 holdings on diversity reporting over the two prior years, which led to enhanced disclosures from a number of companies.

Over the coming years, MSIM will enhance DEI integration by leveraging DEI metrics in investment across asset classes to mitigate risk and enable alpha generation.

### Wealth Management's 3 i's of Impact

#### INTENTIONALITY

Intentional investment process that seeks to generate market-rate returns alongside positive social and environmental impact in one or more of the following ways:

- Select companies whose products & services create sustainability solutions
- Consider environmental, social and governance (ESG) criteria
- Reduce exposure to companies that detract from the intended positive impact

#### INFLUENCE

Asset managers that utilize active dialogue, proxy voting and/or resolutions to modify corporate behavior of portfolio companies, and seek to influence the industry through affiliations, global frameworks and capacity-building efforts.

APPROACHES:  
Shareholder Engagement,  
Capacity Building

#### INCLUSION

Utilize asset managers with a focus on diversity, equity and inclusion (DEI).

APPROACHES:  
Diverse Representation Across Investment Professionals & Ownership

Based on assets raised every year, a minimum total donation of \$150,000 will be made to qualifying nonprofit organizations advancing DEI.<sup>2</sup>

Finally, with the proprietary asset manager scoring tool DEI Signal, we have further enabled diverse fund manager selection for our Financial Advisors and clients.

<sup>1</sup> Data as of June 31, 2021

<sup>2</sup> A minimum/maximum of \$150,000/\$500,000 will be donated to qualifying nonprofit organizations advancing DEI. Annual donation amounts are based on assets raised, funded by Morgan Stanley Wealth Management.

## Focus on the Future

Creating meaningful and sustainable change in diversity, inclusion and belonging requires focus and investment. We understand that we must continue to invest more deeply and leverage the collective strength of our greatest asset, our people, to help accelerate change. Creating opportunities for all Morgan Stanley colleagues to thrive while serving our clients and our communities is good for everyone and paramount to our success as a global financial institution.

As we look to the future, we are focused on continuing to deliver thought leadership and programming that help drive greater outcomes not just for our Firm, but also for the communities where we live and work.

In 2022, we will launch our new **Supplier Diversity Small Business Academy**. Similar to the successful Morgan Stanley Strategy Challenge Program, this program will leverage the breadth and tenure of the Firm's experienced business professionals to help diverse-led organizations grow their efforts.

Through our research in partnership with a leading global consulting firm to establish the Morgan Stanley Institute of Inclusion, access to higher education emerged as a key barrier to greater outcomes for diverse communities. We are committing \$30 million to our Equity in Education and Career Consortium and we will identify leading organizations that have robust programs to help support high school and college students access higher education and achieve stronger career and financial outcomes. We believe this investment will help to address racial inequities and drive stronger financial outcomes in the long run for these students and their families.



### From Our Chief Human Resources Officer

When I joined Morgan Stanley more than 30 years ago, even to a 17-year old high school intern, the strong culture of this Firm was clearly something special. Three

things became clear to me right away: people first, everyone is included and leadership matters. Although our Firm has grown dramatically over the course of my time here, those same three things are still at the heart of everything we do.

I transitioned into my role as Chief Human Resources Officer during a time when the Firm continues to evolve, providing both challenges and, more importantly, opportunities to improve and invest more deeply in our people. Following the addition of E\*TRADE to our family, we also recently welcomed more than 1,800 colleagues from Eaton Vance. Together, these strategic acquisitions help us continue to deliver high quality financial services around the world.

Accountability continues to be a core pillar of our diversity and inclusion strategy. Working with our leaders across the Firm to establish representation objectives will help define success for Morgan Stanley. Taking the unprecedented step of laying out what success looks like for us across our community, in a much more explicit way than we historically have, is a big step for the organization.

We understand that we have more work to do, and as Firm, we've never been better positioned to create change internally and to contribute to change externally. We are harnessing the collective leadership of our colleagues globally to help us on this mission. We will continue to live up to our core values, and together, we will drive improvements.

**MANDELL CRAWLEY**

*Chief Human Resources Officer*

# Appendices



## EEO-1 Data

Each year, the U.S. Equal Employment Opportunity Commission requires all companies that meet specific criteria to complete an EEO-1 survey.

The annual survey requires that a company's U.S. employment data be categorized by race/ethnicity and gender in EEOC-defined job categories. For a representative view of diversity at the Firm by standard industry categories, see pages 16–19.

Morgan Stanley recognizes the value of public disclosure of standardized data across companies and industries and, as a result, we have committed to releasing our U.S. EEO-1 data annually.

### EQUAL OPPORTUNITY REPORT

2019 EEO-1 Certified Employer Information Report for Morgan Stanley

LEVELS	HISPANIC OR LATINO	WHITE	BLACK OR AFRICAN AMERICAN	NATIVE HAWAIIAN OR PACIFIC ISLANDER	ASIAN	AMERICAN INDIAN OR ALASKAN NATIVE	TWO OR MORE RACES	TOTALS
<b>Executive/Senior Officials and Managers</b>								
Male	25	659	18	0	91	0	9	<b>802</b>
Female	7	183	16	0	46	0	3	<b>255</b>
<b>First/Mid Officials and Managers</b>								
Male	299	3,847	229	6	1,527	23	57	<b>5,988</b>
Female	238	2,109	290	4	835	10	59	<b>3,545</b>
<b>Professionals</b>								
Male	571	3,453	432	11	1,119	20	109	<b>5,715</b>
Female	872	5,675	769	29	1,166	30	155	<b>8,696</b>
<b>Sales Workers</b>								
Male	633	10,217	234	16	473	19	129	<b>11,721</b>
Female	194	2,283	84	5	296	6	49	<b>2,917</b>
<b>Administrative Support</b>								
Male	59	301	77	1	45	1	13	<b>497</b>
Female	195	645	213	5	121	2	28	<b>1,209</b>
<b>TOTALS</b>	<b>3,093</b>	<b>29,372</b>	<b>2,362</b>	<b>77</b>	<b>2,362</b>	<b>111</b>	<b>611</b>	<b>41,345</b>

## EQUAL OPPORTUNITY REPORT

2020 EEO-1 Certified Employer Information Report for Morgan Stanley

LEVELS	HISPANIC OR LATINO	WHITE	BLACK OR AFRICAN AMERICAN	NATIVE HAWAIIAN OR PACIFIC ISLANDER	ASIAN	AMERICAN INDIAN OR ALASKAN NATIVE	TWO OR MORE RACES	TOTALS
<b>Executive/Senior Officials and Managers</b>								
Male	24	657	16	0	93	0	6	<b>796</b>
Female	8	185	18	0	46	0	3	<b>260</b>
<b>First/Mid Officials and Managers</b>								
Male	300	3,880	244	6	1,518	22	66	<b>6,036</b>
Female	266	2,160	294	3	874	13	58	<b>3,668</b>
<b>Professionals</b>								
Male	673	3,865	503	8	1,118	21	138	<b>6,326</b>
Female	952	5,954	858	30	1,247	31	181	<b>9,253</b>
<b>Sales Workers</b>								
Male	639	9,937	244	14	457	19	135	<b>11,445</b>
Female	196	2,246	77	5	309	5	49	<b>2,887</b>
<b>Administrative Support</b>								
Male	23	118	34	1	20	1	3	<b>200</b>
Female	153	497	169	5	77	1	22	<b>924</b>
<b>TOTALS</b>	<b>3,234</b>	<b>29,499</b>	<b>2,457</b>	<b>72</b>	<b>5,759</b>	<b>113</b>	<b>661</b>	<b>41,795</b>



## FORWARD-LOOKING STATEMENTS

Certain statements herein, including expectations related to representation objectives and the achievement thereof, may be “forward-looking statements” within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are based on management’s current expectations and are subject to uncertainty and changes in circumstances. These statements are not guarantees of future results or occurrences. Actual results and financial conditions may differ materially from those included in these statements due to a variety of factors, including, among others, global socio-demographic and economic trends, legislative and regulatory changes, our ability to retain and attract qualified employees in a competitive environment for talent, and other unforeseen events or conditions, and the precautionary statements included in this report and those contained in Morgan Stanley’s periodic filings with the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934 (Exchange Act). Any forward-looking statements made by or on behalf of Morgan Stanley speak only as to the date they are made, and Morgan Stanley does not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the date the forward-looking statements were made. You should, however, consult further disclosures Morgan Stanley may make in future filings of its annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and any amendments thereto or in future press releases or other public statements. In addition, while the foregoing discussion describes potential future events that may be significant, the significance of those potential events should not be read as equating to materiality as the concept is used in Morgan Stanley’s periodic filings with the SEC under the Exchange Act.

The information and opinions in this report were prepared by Morgan Stanley & Co. LLC, Morgan Stanley Smith Barney LLC and their affiliates (collectively hereafter, “Morgan Stanley”). Members SIPC.

This report does not provide individually tailored investment advice. It has been prepared for informational purposes only without regard to the individual financial circumstances and objectives of persons who receive it. Unless otherwise stated, the material was not prepared by the Morgan Stanley Research Department and is not a Research Report as defined under FINRA regulations. Any securities mentioned are provided for informational purposes only and should not be deemed as a recommendation to buy or sell. Securities discussed in this report may not be appropriate for all investors. It should not be assumed that the securities transactions or holdings discussed were or will be profitable. Morgan Stanley recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a Financial Advisor. The appropriateness of a particular investment or strategy will depend on an investor’s individual circumstances and objectives.

Information contained in the material is based on data from multiple sources and Morgan Stanley makes no representation as to the accuracy or completeness of data from sources outside of Morgan Stanley. References to third parties contained herein should not be considered a solicitation on behalf of or an endorsement of those entities by Morgan Stanley. Morgan Stanley is not responsible for the information contained on any third party web site or your use of or inability to use such site, nor do we guarantee its accuracy or completeness. The terms, conditions, and privacy policy of any third party web site may be different from those applicable to your use of any Morgan Stanley web site. The opinions expressed by a third party are solely their own and do not necessarily reflect those of Morgan Stanley. The information and data provided by any third party web site or publication is as of the date when it was written or published and is subject to change without notice.

Historical data shown represents past performance and does not guarantee comparable future results. Furthermore, this report may contain forward-looking statements and there can be no guarantee that they will come to pass. Indexes are unmanaged and not available for direct investment.

Morgan Stanley makes every effort to use reliable, comprehensive information, but we make no guarantee that it is accurate or complete. We have no obligation to tell you when opinions or information in this report change. The trademarks and service marks contained herein are the property of their respective owners.

Investing in the market entails the risk of principal loss as well as market volatility. The value of all types of investments may increase or decrease over varying time periods. Insurance products are offered in conjunction with Morgan Stanley Smith Barney LLC’s licensed insurance agency affiliates.

Morgan Stanley offers a wide array of brokerage and advisory services to its clients, each of which may create a different type of relationship with different obligations to you. Please consult with your Financial Advisor to understand these differences.

The returns on a portfolio consisting primarily of Environmental, Social and Governance (“ESG”) aware investments may be lower or higher than a portfolio that is more diversified or where decisions are based solely on investment considerations. Because ESG criteria exclude some investments, investors may not be able to take advantage of the same opportunities or market trends as investors that do not use such criteria.

The Morgan Stanley Impact Quotient is designed to help provide an assessment of a portfolio (or subset thereof) utilizing various environmental, social, and governance (ESG) factors. The metrics included in this assessment are based on key topic areas for sustainable and impact investing. Assessment of a portfolio’s alignment with ESG factors, established by Morgan Stanley, is evaluated based on available data and expertise from MSCI ESG Research, ISS-ESG, Equileap and Fossil Free Indexes.

Losses are possible with an investment in CDFIs. A investor 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 investors.

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.

Credit ratings for the CDFI bond offerings with Morgan Stanley are cited from Standard & Poor’s, one of the widely followed credit agencies in the fixed income markets. Credit quality is a measure of a bond issuer’s creditworthiness or ability to repay interest and principal to bondholders in a timely manner. The credit ratings shown are based on each issuer’s security rating as provided by Standard & Poor’s, as applicable. Credit ratings are issued by the rating agencies and the credit quality of the CDFI bonds do not represent its stability or safety. Credit ratings shown range from AAA, being the highest, to D, being the lowest based on S&P’s. Ratings of BBB or higher by S&P are considered to be the highest rating is applied. Securities that are not rated by the agencies are listed as “NR”.

Most CDFIs are not FDIC-insured.

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.

Morgan Stanley Smith Barney LLC (“Morgan Stanley”), its affiliates and Morgan Stanley Financial Advisors and Private Wealth Advisors do not provide tax or legal advice. Clients should consult their tax advisor for matters involving taxation and tax planning and their attorney for matters involving trust and estate planning, charitable giving, philanthropic planning and other legal matters.

Morgan Stanley Smith Barney LLC is a registered Broker/Dealer, Member SIPC, and not a bank. Where appropriate, Morgan Stanley Smith Barney LLC has entered into arrangements with banks and other third parties to assist in offering certain banking related products and services.

**Investment, insurance and annuity products offered through Morgan Stanley Smith Barney LLC are: NOT FDIC INSURED | MAY LOSE VALUE | NOT BANK GUARANTEED | NOT A BANK DEPOSIT | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY**