

Morgan Stanley

Sustainability Report 2015



About Morgan Stanley

Since our founding in 1935, Morgan Stanley has been a pioneer in the expansion of the global capital markets. Now, as one of the leading global financial services firm with employees doing business in 42 countries, Morgan Stanley identifies opportunities to fuel innovation and bring bold ideas to life. Our four core values — Putting Clients First, Doing the Right Thing, Leading with Exceptional Ideas and Giving Back — underpin all that we do.



Institutional Securities

Our Institutional Securities Group provides capital-raising and financial advisory services to a global group of corporate and institutional clients through our wholly owned subsidiaries. We are a leader in investment banking, consistently ranking among the top global firms in mergers and acquisitions, equity financing and debt underwriting. Our equity, fixed-income and commodities businesses conduct sales, trading, financing and market-making activities for a wide client base.



Wealth Management

Our Wealth Management business serves a wide range of clients, including individual investors, small- to medium-sized businesses and institutions in 622 locations worldwide. Our 16,000 global Financial Advisors provide brokerage and investment advisory services, financial and wealth planning services, access to cash management and lending products and services, retirement solutions and annuity and insurance products. With more than \$2 trillion in client assets, Morgan Stanley is one of the largest global wealth management firms.



Investment Management

Our Investment Management business, one of the largest of any full-service financial services firm, offers clients a wide array of equity, fixed-income, alternative-investments and merchant-banking strategies and services. The business, which consists of Traditional Asset Management, Merchant Banking and Real Estate Investing, provides services to a diverse set of institutional investors as well as intermediary and high-net-worth clients. Our investment strategies span the risk/return spectrum across geographies, asset classes and private and public markets.

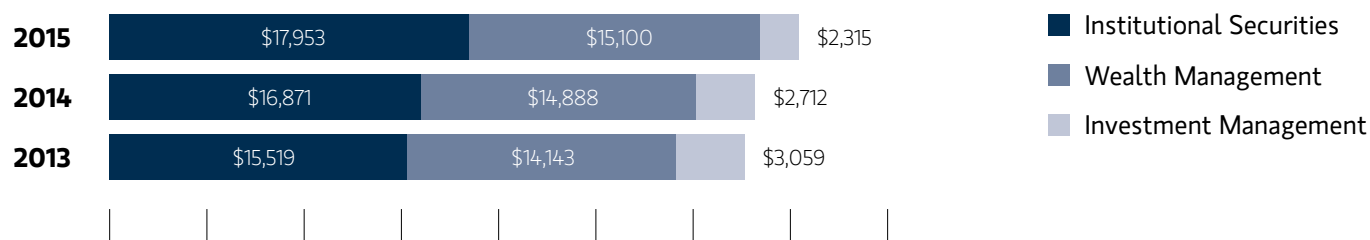
Find Morgan Stanley on Social Media:



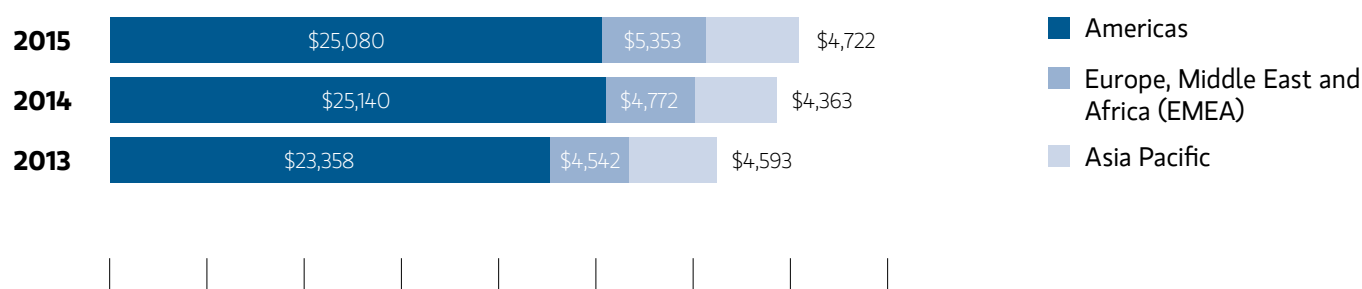
Financial Performance

(dollars in millions)

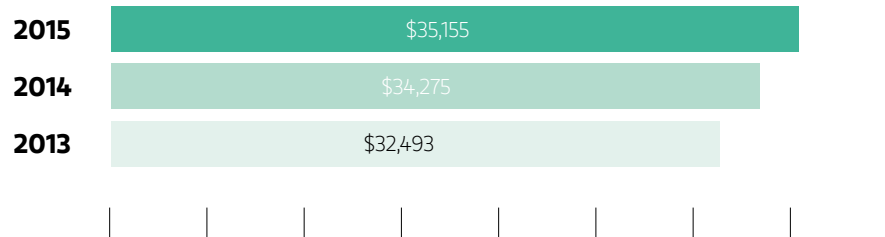
Net revenues by business segment



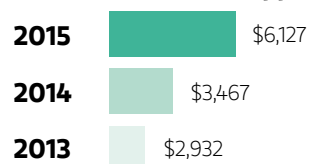
Net revenues by region



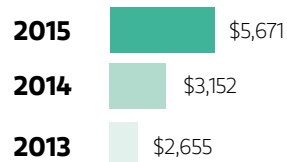
Consolidated net revenues*



Net income applicable to Morgan Stanley



Earnings (loss) applicable to Morgan Stanley common shareholders



\$ 5,000 10,000 15,000 20,000 25,000 30,000 35,000 40,000

*Consolidated net revenues include intersegment eliminations, which are not included in the graphs above.

Source: Form [10-K](#) for the year ended December 31, 2015.

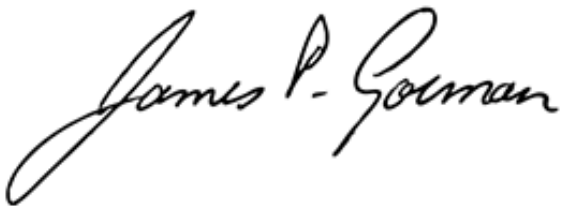
Letter from Our CEO

Morgan Stanley harnesses the power of capital markets not just to create wealth, but also to create change. We believe that incorporating sustainability into how we do business supports a sound global financial system and global economy, creating long-term value for our business, our clients and society.

Momentum for sustainable investing continues to build, and Morgan Stanley's Institute for Sustainable Investing has been instrumental in this effort. In 2016, assets under management on our Investing with Impact Platform surpassed \$5 billion, bringing us more than halfway to our goal of \$10 billion by 2018. In June, we issued our own \$500 million green bond to fund the development of renewable energy and energy efficiency projects. We also made significant progress in our operational sustainability and are more than halfway to our 2017 carbon-reduction goal.

We are proud of our culture of putting clients first, leading with exceptional ideas, doing the right thing and giving back to the communities in which we live and work around the globe. It is with these values in mind that we strive to engage all of our 55,000 talented employees in building a truly sustainable business.

Morgan Stanley's commitment to sustainability is integral to our firm — it pushes us to think more deeply about the future. We believe this is more necessary than ever before, and I am optimistic for our long-term success.

A handwritten signature in black ink that reads "James P. Gorman". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Chairman and Chief Executive Officer
December 2016



Our Sustainability Strategy

Our approach to sustainability is informed by a materiality assessment we conducted in 2014 to prioritize issues based on their impact on our business and importance to our stakeholders. The material issues identified during this process are addressed in our sustainability strategy outlined below. Sustainability is embedded across our business in: What We Do, How We Operate and Who We Are. For a more detailed report on these priority issues, see our [Sustainability Disclosure Supplement](#) and [Global Reporting Initiative Index](#).



The Morgan Stanley Institute For Sustainable Investing

The Morgan Stanley Institute for Sustainable Investing is dedicated to accelerating the adoption of sustainable investing strategies, which seek to deliver both competitive financial returns and positive environmental and social impact.

The Institute partners across the firm and with third parties to pioneer scalable sustainable finance solutions, new sustainable investing tools and insights that inform and empower investors.

Thought Leadership

We develop insightful analysis and thematic primers that demonstrate the materiality of sustainability issues to the investor community. In 2015, Institute research made the case for sustainable investing by demonstrating growing interest and debunking performance myths.

Sustainable Signals demonstrated the demand for sustainable investing by individual investors, particularly among millennials and women.

- 71 percent of individual investors are interested in sustainable investing.
- 84 percent of millennial investors are interested in sustainable investing.

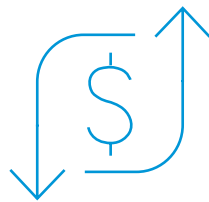
Sustainable Reality demonstrated that sustainable investing strategies usually met, and often exceeded, the performance of comparable traditional investments.

- Sustainable equity mutual funds had equal or higher median returns and equal or lower volatility than traditional funds for 64 percent of the periods examined.



The 2015 Morgan Stanley Sustainable Investment Challenge first-place team, Blue Conservation, developed an investment vehicle that aims to alleviate drought and reduce forest fire risk, while seeking market-rate returns for investors.





What We Do

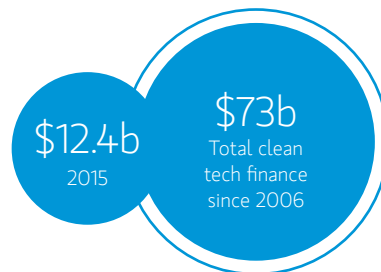
At Morgan Stanley, we apply our wealth management and capital markets expertise to make sustainability considerations integral to financial and investing activities. Our sustainable finance work helps enable our clients, investors and partners to achieve their financial goals while scaling their impacts.

Sustainable Finance

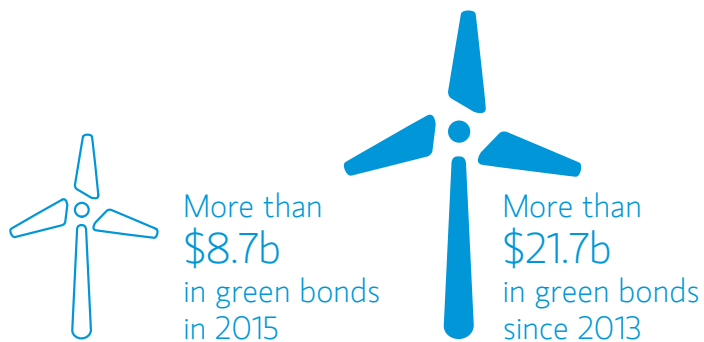
Scalable solutions are necessary in order to shift to a more inclusive, low-carbon economy. We are applying our expertise to help innovative institutions access capital and to help forward-thinking investors access opportunities.

Institutional Securities

We facilitated more than \$12.4 billion in clean tech and renewable energy financing in 2015, and more than \$73 billion since 2006.



We continue to be a leader in the global green bond market, contributing to more than \$8.7 billion in total green bond investments in 2015, including issuing our inaugural Morgan Stanley green bond, worth \$500 million, for renewable energy and energy efficiency investments.



In 2015, the Sustainable+Responsible (S+R) equity research team released "Embedding Sustainability into Valuation: A Global Framework for Analysing Environmental, Social and Governance Risks and Opportunities." Equity Research has begun to adopt the framework across multiple sectors covered in the report, with plans to continue the roll out in 2016. In 2015, analysts completed an Environmental, Social and Governance (ESG) Valuation Summary for more than 100 stocks, and some price targets were adjusted as a result.



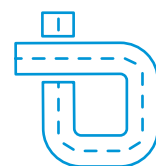
In 2015, Morgan Stanley Public Finance led 430 deals totaling \$31.6 billion, delivering essential services, infrastructure and other public goods.



Health care



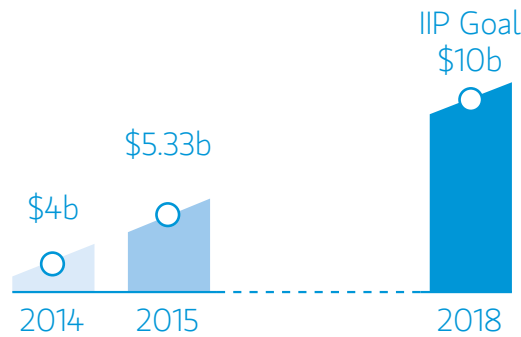
Education



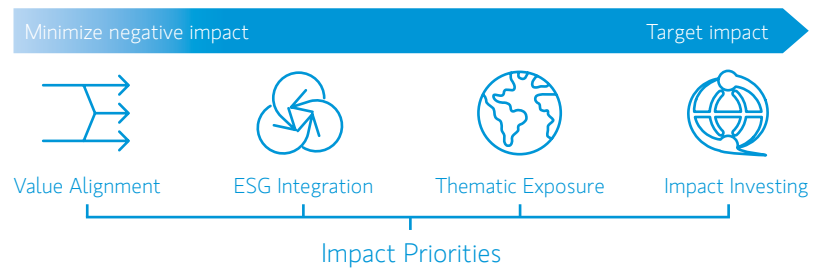
Infrastructure

Wealth Management

The Morgan Stanley Investing with Impact Platform (IIP) enables clients to generate risk-adjusted financial returns while supporting positive environmental and social impact. In 2015, the IIP continued to make progress toward our goal of \$10 billion in client assets under management by 2018, reaching \$5.33 billion through December 31.

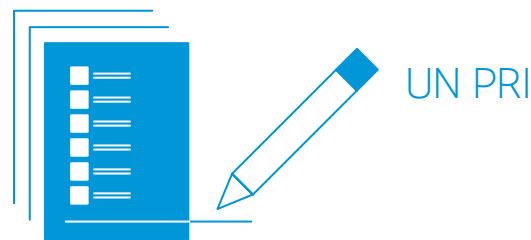


The IIP gives investors access to more than 130 fixed-income and equity products with a mix of mutual funds, exchange-traded funds, separately managed accounts and alternative investment opportunities across a spectrum of strategies that integrate positive target impacts.

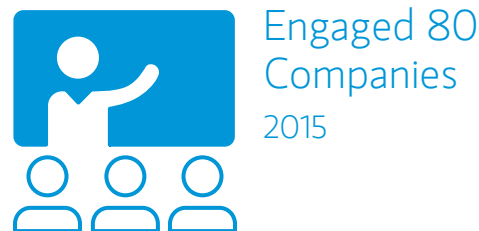


Investment Management

Morgan Stanley Investment Management is a signatory to the United Nations-supported Principles for Responsible Investment (UN PRI) Initiative, an international network of investors committed to six Principles for Responsible Investment that incorporate ESG issues into investment practices across asset classes.



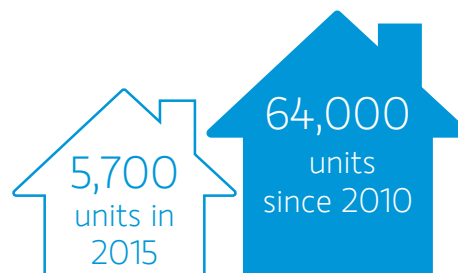
Proxy voting helps us guide portfolio companies toward responsible and ethical management practices. In 2015, the Corporate Governance Team guided proxy voting decisions by engaging with 80 companies on a range of ESG issues.



Community Development

Morgan Stanley mobilizes capital to support the development and renovation of affordable housing in vulnerable communities. Since 2010, we have invested \$10.6 billion to fund the development of 64,000 affordable housing units, creating or retaining more than 54,600 jobs.

Morgan Stanley Private Bank, National Association, received the Office of the Comptroller of the Currency's highest rating of "Outstanding" for its record in meeting the needs of the communities it serves.







How We Operate

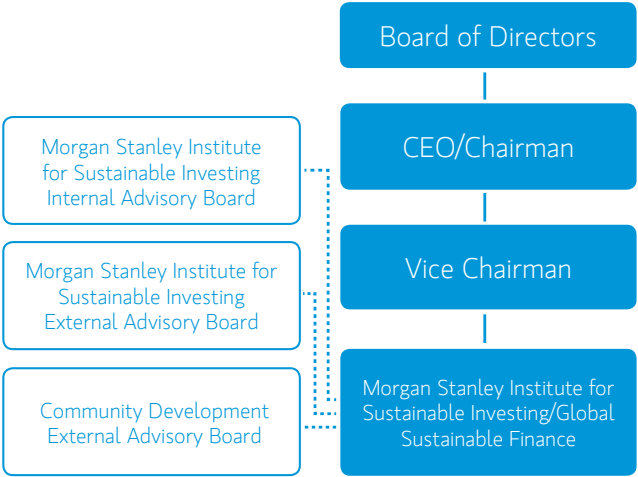
Strong governance, comprehensive risk management and operational excellence are the foundation of our sustainability strategy. Through transparent governance and rigorous risk management policies, controls and training, we meet our clients' needs, deliver value for our investors and contribute to a sound and sustainable financial system. Using the same principles that guide our sustainable finance activities, we strive to reduce the impact of our operations and supply chain.

Sustainability Governance and Risk Management

At Morgan Stanley, strong governance and environmental and social risk management are the foundation of our ability to be a leader in sustainable finance.

Sustainability Oversight

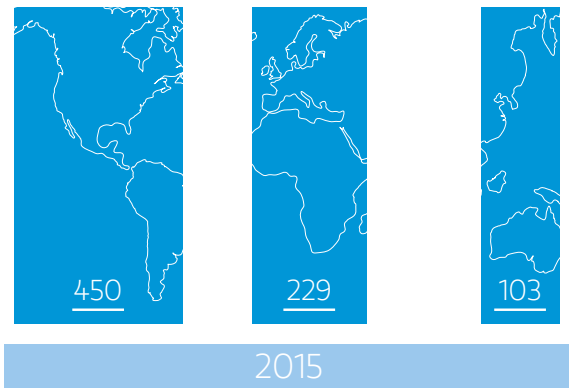
The Morgan Stanley Institute for Sustainable Investing and Global Sustainable Finance work with each part of the business to execute our sustainability strategy. Sustainability is governed at the highest level of the Firm, and Global Sustainable Finance reports to the Nominating and Governance Committee of the Board of Directors. We consult our Internal and External Advisory boards to ensure that our sustainability strategy is comprehensive, rigorous and innovative.



Environmental and Social Risk Management

Considering sustainability issues in our transactions — Environmental and Social Risk Management (ESRM) — is a critical component of our overall risk mitigation strategy. In 2015, 782 deals across 12 industries and three regions (Americas, EMEA and Asia Pacific) were referred for environmental and social due diligence.

782 deals, 12 industries, 3 regions



Mitigating Climate Change Risks

Morgan Stanley recognizes that climate change poses significant risks to the global economy and that reducing carbon emissions is a critical aspect of our response. In 2015, we issued a [Coal Policy Statement](#), which reduces Morgan Stanley's global exposure to coal mining and coal-fired power and related risks.

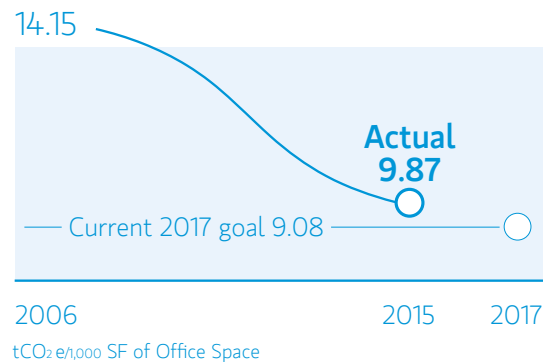


Operations

Morgan Stanley is committed to reducing the environmental impacts of our global office facilities and operations through efficiencies and clean energy investments.

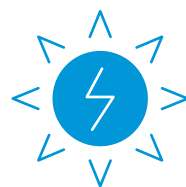
Reducing GHG

Our energy emissions goal is to achieve a 15-percent reduction in office space emissions per square foot from 2012 to 2017. Through the end of 2015, we have achieved a 7.58 percent reduction. Since we began tracking in 2006, we have reduced global average office emissions per square foot by 35.85 percent.



On-Site Clean Energy

In 2015, our Westchester campus solar array produced approximately 1 million kWh of renewable energy. Our fuel cell system, also at our Westchester campus, produced approximately 2 million kWh of clean energy in 2015.



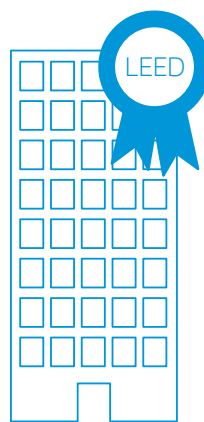
1 million kWh



2 million kWh

Rigorous Building Standards

As of 2015, we have 28 LEED certifications across our office buildings around the world, representing a total of nearly 5,000,000 square feet.



28 Certifications
5,000,000 SF



Solar array at the Morgan Stanley Westchester campus.





Who We Are

Morgan Stanley is not only thinking about sustainability as it relates to our transactions, but also as it affects our global culture and community. With employees in 42 countries, we believe that a strong culture, diverse and engaged employees and a commitment to community are essential to our success as a business.

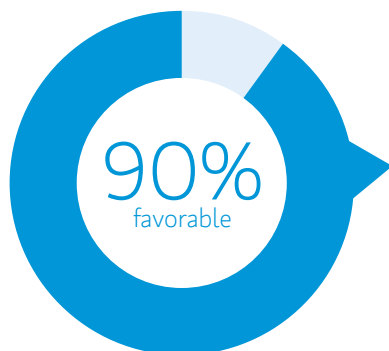
Our People

Morgan Stanley seeks to be the global employer of choice for top talent seeking to use capital to create positive change. To attract these individuals, we prioritize employee development, engagement and well-being. We also create a pipeline for diverse talent and nurture an inclusive, collaborative culture.

Collaborative Culture

We believe our culture can be our competitive advantage. In 2015, our firmwide survey on culture and values focused on ethics, risk and open dialogue. We had the highest participation we've ever had in an employee survey, and the results affirmed the strength of our culture and the importance of the firm's values.

Our biennial firmwide Employee Survey, last done in 2014, also solicits employee feedback, which helps management reinforce and strengthen our culture.



Culture Survey

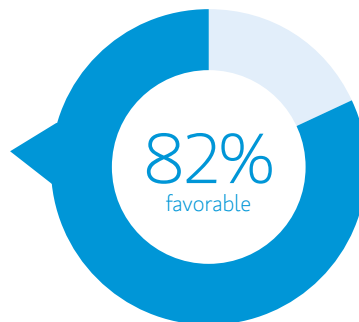
"Our values are important to the future success of the Firm."

"We are transparent and honest with clients."

"I feel comfortable escalating a risk or concern to my manager."

Employee Survey

"My job makes good use of my skills."



Employee Benefits

We expanded our Return to Work program to three new cities, added new benefits, such as our Health Advisors program and access to refinancing of employees' student loans, and launched a new training and development portal.



Expanded
Return to Work
program



Enhanced health
and wellness
programs



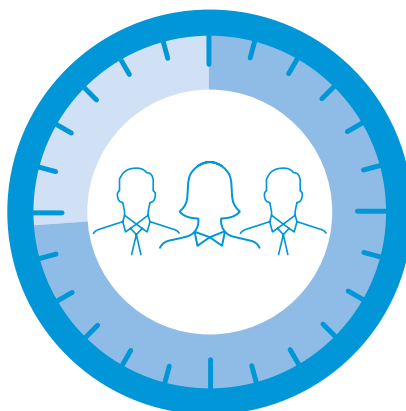
Launched training
and development
portal

Giving Back

Morgan Stanley employees make a positive impact through volunteering, giving, matching and pro bono consulting. Our Foundations help scale the work of our global partners to create long-term value where it's most needed.

Global Volunteer Month

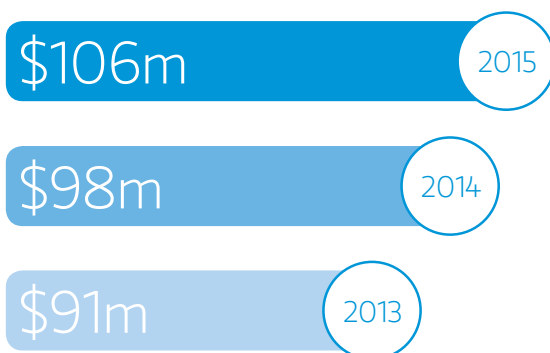
Each year, our employees dedicate their time and expertise during Global Volunteer Month. In June 2015, 74 percent of our total workforce across 530 cities participated, donating a total of 281,043 hours. Their involvement set a new record and exceeded our goal of 250,000 service hours. Since the launch of Global Volunteer Month in 2006, Morgan Stanley employees have donated more than 1 million service hours.



41,524 volunteers
281,043 service hours

Charitable Giving

In 2015, the firm and our employees donated more than \$106 million, an 8 percent jump from 2014 and continuing our growing impact over time.



Healthy Cities

Through our Healthy Cities Initiative, Morgan Stanley partners with strategic nonprofits to implement youth-focused health and well-being programs in local communities. To date, our Healthy Cities Initiative has delivered 586,592 nutritious meals, 1,228 medical screenings and safe play spaces for more than 3,000 kids.



Awards and Recognition 2015

Top 100 Women Financial Advisors: 15 spots, including the number #1 ranking for the second year in a row

Barron's (United States)*

50 Most Powerful Women in Corporate America: two spots

Black Enterprise Magazine (United States)

Top LGBT Friendly Companies

Black EOE Journal (United States)

Top Finance and Banking Companies

Black EOE Journal (United States)

2015 S&P 500 Carbon Disclosure Leadership Index

CDP (Global)

#4 on the Top 10 Employers in Hong Kong for LGBT Inclusion 2015

Community Business (Asia Pacific)

Dow Jones Sustainability North America Index

RobecoSAM and S&P Dow Jones Indices (North America)

Achievement in Corporate Social Responsibility Award

Euromoney Magazine (Global)

Best Global Investment Bank

Euromoney Magazine Awards for Excellence 2015 (Global)

#70/100 Corporate Inclusion Index

Hispanic Association on Corporate Responsibility (United States)

Top Employers

Hispanic Network Magazine (United States)

Top LGBT Friendly Companies

Hispanic Network Magazine (United States)

Top Diversity Employers

Hispanic Network Magazine (United States)

Best Places to Work 2015

Human Rights Campaign (United States)

100 percent on Corporate Equality Index 2015

Human Rights Campaign (United States)

#24 ranking on 50 Best Companies to Work for in the US

LATINA Style Magazine (United States)

Military Friendly Employer

MilitaryFriendly.com (United States)

Outstanding Corporate Supplier Diversity Award

National Minority Business Council (United States)

#4 in the Top 100 Undergraduate Employers 2015-16 for the second year in a row

Rate My Placement (EMEA)

One of Montréal's Top Employers 2015

Canada's Top 100 Employers (Americas)

100 Best Companies

Working Mother Magazine (United States)

#14 ranking for The World's Most Attractive Employers

Universum (United States)

*Source: *Barron's* "Top 100 Women Financial Advisors," June 8, 2015. *Barron's* is a registered trademark of Dow Jones & Company, L.P. All rights reserved. *Barron's* "Top 100 Women Financial Advisors" bases its ratings on qualitative criteria: professionals with a minimum of seven years financial services experience, acceptable compliance records, client retention reports, customer satisfaction and more. Financial Advisors are quantitatively rated based on varying types of revenues and assets advised by the financial professional, with weightings associated for each. Because individual client portfolio performance varies and is typically unaudited, this rating focuses on customer satisfaction and quality of advice. The rating may not be representative of any one client's experience because it reflects a sample of all of the experiences of the Financial Advisor's clients. The rating is not indicative of the Financial Advisor's future performance. Neither Morgan Stanley Smith Barney LLC nor any of its Financial Advisors pay a fee to *Barron's* in exchange for the rating.

Sustainability Disclosure Supplement

What We Do

At Morgan Stanley, we believe that addressing the opportunities and risks associated with global megatrends, such as population growth, rapid urbanization, social inequality and climate change, is good business. Through our Wealth Management, Institutional Securities and Investment Management businesses, we offer financial solutions and advisory services that help to create positive long-term benefits for clients and shareholders, as well as the environment and communities across the world. In the United States, our community development lending and investment activities seek to address issues of affordable housing, small business growth and economic development. [The Morgan Stanley Institute for Sustainable Investing](#) supports these activities through product innovation, capacity building and thought leadership.

Morgan Stanley Institute for Sustainable Investing

The Morgan Stanley Institute for Sustainable Investing (the Institute) is dedicated to accelerating the widespread adoption of sustainable investing strategies, which seek to deliver both competitive financial returns and positive environmental and social impact. The Institute partners across the Firm and with third parties to pioneer scalable sustainable finance solutions, build new sustainable investing tools and generate industry-leading insights that inform and empower investors. [\[G4-EC8\]](#) The Institute is dedicated to sustainable investing, thought leadership and capacity building.

Two advisory boards guide the Institute, providing expertise in financial services and sustainability. The internal advisory board comprises executives from across Morgan Stanley, and the [external board](#) is chaired by our CEO and includes prominent leaders from business, academia and leading nongovernmental organizations. Each board meets biannually to give feedback on our programs and strategy, and lend insight into future trends and directions for sustainable investing.

In 2015, our boards advised the Institute on upcoming sustainable investing products and strategies, environmental and social risk, and the implications of findings from thought leadership pieces. The internal and external advisory boards

weighed in on our proposed approach to coal financing and stakeholder engagement.

Sustainable Investing

The Institute develops scalable financial products that enable a range of investors to adopt sustainable investing strategies. Since we founded the Institute in 2013, we have seen significant growth in the market for sustainable investing and have strong expectations that this trend will continue. At the end of 2015, with more than \$5 billion in assets under management (AUM) on the Investing with Impact Platform, we were more than half way to our goal of \$10 billion AUM on the platform by 2018 ([see *Wealth Management*](#)). [\[G4-FS7, G4-FS8\]](#)

For more information about sustainable investing efforts by our businesses, see [Wealth Management](#), [Institutional Securities](#) and [Investment Management](#).

Capacity Building

The Institute supports programs and strategic partnerships that train and develop the next generation of sustainable investing leaders.

[The Morgan Stanley Sustainable Investing Fellowship](#) serves as a pipeline of future leaders in this rapidly changing field. In 2015, three fellows worked across the Firm on sustainable finance initiatives, including identifying new opportunities for green bonds in our Global Capital Markets group, climate change's impact on the economy in the Firm's Sustainable+Responsible Equity Research division, and sustainable real estate investment opportunities through the Institute. [G4-EC8]

Each year, we host the [Morgan Stanley Sustainable Investing Challenge](#), which gives graduate students the opportunity to develop and pitch new financial solutions to solve social and environmental challenges while demonstrating how the solution could deliver market-rate return opportunities. The 2015 Challenge attracted proposals from 380 students from 78 schools in 27 countries.

Seeing the Forest for More Than the Trees

In 2015, students from the Haas School of Business at the University of California took first place in the Sustainable Investing Challenge, with Blue Forest Conservation. They developed an innovative financial mechanism to monetize shared benefits from responsible US forest management. Their investment vehicle, termed the Forest Resilience Bond, aims to alleviate severe drought and wildfires in the western United States through pay-for-success contracts. The bond structure ties monetary value to intangible factors such as decreased wildfire risk and enhanced water quality.

Thought Leadership

The Institute develops insightful analysis and thematic primers that demonstrate the materiality of sustainability issues to the investor community. Our thought leadership work focuses on climate change and inclusive growth and 2015 highlights included:

- [Sustainable Signals](#) found that millennials are more than twice as likely as other investors to make investment decisions that target specific environmental and social impacts and to exit companies and funds that clash with their values. Female investors are two times as likely as male investors to consider social returns in addition to financial returns.
- [Sustainable Reality](#) demonstrated that sustainable investing strategies usually met, and often exceeded, the performance of comparable traditional investments.
- [The Long Term Imperative for Financial Institutions](#) argued that investors should reorient strategic planning and investment decisions around long-term thinking to create a more resilient global financial system and achieve sustainable growth. The piece was authored by Morgan Stanley's CEO for a McKinsey publication titled "Focusing Capital on the Long Term."
- A [TED Talk](#) on how capital markets can catalyze social change. The talk was delivered by the Institute's CEO at the 2015 TED@StateStreet Boston event hosted by State Street.
- [Sustainable Food: Challenges and Opportunities in Global Food Production](#), revealed inefficiencies in the global food production system and related opportunities for investors. The research was conducted by the University of Oxford and supported by Morgan Stanley.

The Institute's thought leadership work is available [online](#). [G4-EC8]

Wealth Management

Our Wealth Management business supports Financial Advisors as they provide opportunities for clients and investors to integrate their priorities and values into their investment portfolios. We are also

increasingly offering new ways for Wealth Management clients to invest in other sustainable finance products across the Firm, including green bonds and alternative investments, further leveraging our resources to scale both the demand and supply of sustainable investing products.

Investing with Impact

Morgan Stanley leverages its position as a leading Wealth Management firm to empower our clients to adopt sustainable investing approaches within their portfolios. The Morgan Stanley Investing with Impact Platform (IIP) offers products that aim to generate market-rate returns while demonstrating positive environmental and/or social impact. The IIP gives investors access to more than 130 fixed-income and equity products with a mix of mutual funds, exchange-traded funds, separately managed accounts and alternative investment opportunities. It is flexible enough to fit the varied needs of individual investors, institutions, corporations, charitable trusts, foundations and nonprofits as well as donor advised funds. In 2015, we continued to make progress toward our goal of \$10 billion in client assets under management on the IIP by 2018, reaching more than \$5 billion through December 31, up from \$4 billion at the end of 2014. [G4-FS7, G4-FS8]

The IIP is guided by our framework (see graphic on the next page), which clarifies the range of approaches investors can take to generate positive environmental and social impact. Every investment on the Investing with Impact Platform is carefully evaluated during the due diligence process to ensure its risk/return profile is aligned with its impact strategy.

Tools and Resources

As the demand for sustainable investments increases, it is important that our Financial Advisors are equipped with the tools to help their clients meet specific objectives.

We held six client-facing events, hosted internal workshops and participated in industry conferences to explain Investing with Impact capabilities to our clients and Financial Advisors.

MINIMIZE NEGATIVE IMPACT

TARGET IMPACT



VALUES ALIGNMENT



ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) INTERGRATION



THEMATIC EXPOSURE



IMPACT INVESTING

	VALUES ALIGNMENT	ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) INTERGRATION	THEMATIC EXPOSURE	IMPACT INVESTING
IMPACT PRIORITIES	<ul style="list-style-type: none"> Managing exposure by intentionally avoiding investments based on specific criteria 	<ul style="list-style-type: none"> Proactively considering ESG criteria alongside financial analysis to identify opportunities and risk during investment process 	<ul style="list-style-type: none"> Focusing on themes and sectors dedicated to solving sustainability-related domestic and global challenges 	<ul style="list-style-type: none"> Allocating to investment funds focused on private enterprises structured to deliver specific positive social and/or environmental impacts
CHARACTERISTICS	<ul style="list-style-type: none"> Differentiated by restriction criteria and degree of shareholder advocacy Not proactively seeking environmental and social impact 	<ul style="list-style-type: none"> Differentiated by ESG intergration process and degree of shareholder advocacy May also include screens 	<ul style="list-style-type: none"> Differentiated by macro-analysis, sustainability research and sector focus 	<ul style="list-style-type: none"> Differentiated by impact approach, regional focus, liquidity and impact reporting May have investor restrictions
INVESTMENT EXAMPLES	<ul style="list-style-type: none"> Mutual fund that excludes companies from buy universe (e.g., tobacco, firearms, coal-mining companies) 	<ul style="list-style-type: none"> Separately Managed Account (SMA) incorporating analysis of ESG performance into stock selection process 	<ul style="list-style-type: none"> Exchange-traded fund (ETF) tracking index of renewable energy companies 	<ul style="list-style-type: none"> A private equity fund focused on emerging consumer or project-level renewable energy investment

PUBLIC AND PRIVATE MARKETS

PRIVATE MARKETS

We also published the [Catholic Values Toolkit](#) to help faith-based individual and institutional investors identify opportunities aligned with their religious values. This toolkit helps screen out objectionable investments and identifies proactive investments with potentially positive outcomes that address environmental and social challenges facing society, all without sacrificing financial return goals.

The [Morgan Stanley Donor Advised Fund](#) allows clients to multiply the impact of charitable giving by offering the option to select Investing with Impact portfolios. For Financial Advisors, we created a Donor Advised Fund toolkit, which included Investing with Impact solutions and resources to help achieve their clients' priorities. In 2015, the Donor Advised Fund reached its billionth dollar.

Wealth Management also creates tools and solutions to support clients with specific interests in sustainable investment themes. The Sustainable Impact Model Portfolio, launched in 2015, seeks to bring ESG

transparency scores to traditional equity investing models to deliver a diversified portfolio of 20-30 public companies that emphasizes strong commitments to better community, employee and environmental outcomes.

Institutional Securities

Morgan Stanley's Institutional Securities Group (ISG) has a long history of using the scale and efficiency of capital markets to generate positive environmental and social benefits for innovative companies — through mergers and acquisitions, equity financing and debt underwriting services. We are helping finance the shift to a low-carbon economy by raising capital for clean technology companies as well as those that reduce or improve natural resource consumption. ISG's activities in 2015 generated a wide range of social returns, from capital for public infrastructure investments to "Main Street" Initial Public Offerings (IPOs). Within ISG, the

Sustainable+Responsible Equity Research team provides insight on sustainability issues regarding equity investing. [\[G4-FS8\]](#)

In the coming years, ISG investment activities will continue to evolve. For example, as the pace of the green bond market continues to accelerate, there will be a growing need for capital to help innovative start-ups scale and further integration of ESG factors into valuation decisions.

Scaling the Green Bond Market

We continue to be a leader in the global green bond market, which represented more than \$40.8 billion in funding by the end of 2015. During 2015, Morgan Stanley contributed to more than \$8.7 billion in green bond investments, including issuing our own inaugural green bond, worth \$500 million, in renewable energy and energy efficiency investments. Since 2013, we have led green bond transactions worth more than \$21 billion. [\[G4-EN27, G4-FS8\]](#)

The Morgan Stanley green bond supports a variety of existing and future projects, including a 150 MW wind farm called Route 66 Wind, and Rattlesnake Wind Energy Center a 207 MW wind project. Both are under construction in Texas. Specific project details and outcomes can be tracked on a [dedicated website](#).

The bond issuance conformed to our green bond framework for transparency, disclosure and verification of project outcomes. The framework reflects the [Green Bond Principles](#), a voluntary set of guidelines for the issuance of green bonds, of which Morgan Stanley is a founding signatory.

Green bonds we supported for other issuers in 2015 included the following:

- Morgan Stanley served as senior manager for the State of Vermont's first green bond worth \$28.52 million. The bond will fund drinking water, water quality improvement and water pollution control projects, provide financial assistance to farmers and support an environmentally friendly state office complex.
- Morgan Stanley led the first green bond for the health care industry, issued through Boston Medical Center. The \$158 million tax-exempt bond will support infrastructure redesign for the hospital to improve operational, energy and transportation efficiency. The project has set public goals to reduce the hospital's greenhouse gas emissions by 45 percent by 2020.
- We led the first green bond brought to market by a consumer goods company. We served as lead advisor on the \$415 million green bond issued by Unilever to fund projects that support the company's goal of halving its environmental impact by 2020.

Advancing Low-Carbon Sources of Energy

Morgan Stanley has made significant investments in resources to support the solar energy industry. Through MS Solar Solutions Corp. (MSSS), we provide capital and development services for solar installations and maintain strategic relationships with partners including energy developers, suppliers, installers, govern-

ment agencies and end users. Through MS Solar Holdings Inc. and MS Solar Investments LLC, we mobilize capital for solar developers.

In 2015, MSSS announced a partnership with Clean Energy Collective, a US community solar infrastructure developer, to support the installation of dozens of solar arrays in Massachusetts, creating more than 50 MW of new solar capacity in 2015-2016. We also provided new financing to AES Distributed Energy to support a 25-year project that will build and manage a 5 MW solar array in the US Virgin Islands, where fossil fuel energy prices have historically included high premiums. [\[G4-EN27\]](#)

Supporting Clean Technology Solutions

We facilitated more than \$12.4 billion in clean tech and renewable energy financing in 2015, contributing to more than \$73 billion since 2006. We support clean technologies and renewable energy through our mergers and acquisitions, debt and equity and project finance activities.

Examples of our clean technology and renewable energy transactions include:

- GCL-Poly: Sale of nonsolar power assets worth \$1.1 billion
- Hannon Armstrong: Follow on offerings totaling \$167 million
- Invenergy: Sole lender of \$200 million for construction of wind power installations
- OCI Solar Power: \$227 million sale of the 106 MW Alamo 7 solar project in Haskell, Texas, to ConEdison
- SunRun: A \$251 million IPO for the US-based residential solar provider
- TerraForm Power: Multiple transactions for the wind and solar power asset owner including the purchase of wind assets worth \$2.35 billion, several rounds of debt financing and co-leading a \$675 million IPO
- Tesla Motors: A \$642 million follow on offering.

Investing in Infrastructure and Housing

Public entities across the United States are hamstrung by budget shortages and political gridlock that hinder investing in infrastructure improvements. Yet the American Society of Civil Engineers has estimated that one in nine US bridges is structurally deficient, while school construction funding falls nearly \$270 billion short of the funds required to modernize and maintain facilities.¹

Addressing these endemic challenges, in 2015, Morgan Stanley Public Finance led 430 deals totaling \$31.6 billion in par value. Notable bond transactions included nearly \$500 million for the Los Angeles International Airport, \$860 million for the Utah Transit Authority, \$234 million for the Dallas Independent School District and \$1.9 billion for the State of California. [\[G4-FS7\]](#)

ISG also supported the issuance of \$590 million in Sustainable Neighborhood Development Bonds for the New York City Housing Development Corporation (HDC). Funds will help the corporation meet the need for 200,000 new affordable housing units over the next decade. The issuance boosted the growing social impact investment market, drawing new socially responsible and institutional investors.

Scaling Innovative Start-Ups

ISG supports the mobilization of capital for a new generation of companies that is positively influencing employees, consumers and communities, and offers smart investment opportunities for well-known players like Etsy and Fitbit.

In 2015, Morgan Stanley was lead book-runner on a \$307 million initial public offering for Etsy, an e-commerce platform and certified Benefit Corporation (B-Corp) that supports a community of entrepreneurs and artisans who sell their crafts in an online marketplace. We were also the lead bank facilitating an \$841 million IPO for Fitbit that is moving the company from a start-up to a market leader.

An Artisanal IPO for an Unconventional Company

For anyone who has visited Etsy.com, the unique culture of the start-up-turned-e-commerce leader is evident. Etsy hosts a community of artists, crafters and vintage sellers who showcase their products on the company's user-friendly platform. For many entrepreneurs and artisans, access to a global consumer base has turned a passion project into a career.

Etsy was founded in Brooklyn, NY, as a certified Benefit Corporation, which reflects a deep commitment to giving back to the community, supporting employees and protecting the environment. Etsy isn't business as usual, so Morgan Stanley knew their IPO couldn't be either.

As lead book-runner on Etsy's April 2015 \$307 million IPO, we supported a bespoke retail marketing strategy that reflected the e-retailer's values by incorporating the Etsy community and targeting "Main Street" investors. A three-day retail IPO roadshow in 45 cities and towns with active Etsy communities kicked off the IPO, which was distributed through two retail channels directed to the Etsy community and individual investors, and capped at \$2,500 per account to encourage more Main Street investing.

Reflecting on the experience, Etsy's CEO Chad Dickerson blogged that "it was crystal-clear that [investors] were interested in speaking with us about Etsy because of our distinctiveness as a business and a community. The questions we got were quite often focused on our plans to preserve what makes Etsy special as we grow."

As Etsy grows, more artists and entrepreneurs will be able to expand their economic opportunities, and investors will be able to share in their success.

Sustainable+Responsible Equity Research

Morgan Stanley Research is one of the financial industry's dominant thought leaders in equity and fixed-income investing. Our analysts, economists and strategists have earned this reputation through timely, in-depth analysis of companies, industries, markets and the world's economies. Our teams collaborate to assist Morgan Stanley clients with investment decisions, identifying opportunities across major asset classes, sectors and geographies.

As sustainability is an issue that affects sectors across the global economy, we believe that embedding ESG factors into the way we understand each sector is fundamental to sound analysis. The Sustainable+Responsible (S+R) equity research team works with the sector teams to embed ESG into the way we understand the economy as well as producing research specific to environmental and social themes.

Integrating ESG into Analysis

We know that exposure to sustainability themes can affect business performance. In fact, our S+R research team shows that firms with positive exposure to sustainability issues outperform other companies on traditional financial metrics. They also exhibit lower price volatility. With this in mind, S+R research led the further integration of ESG into financial analysis in 2015.

Our framework report, "Embedding Sustainability into Valuation: A Global Framework for Analysing Environmental, Social and Governance Risks and Opportunities," reviews material ESG factors across 29 sectors and details how those factors tie into valuation. The report led to the development of new resources for Firm analysts to incorporate ESG metrics into their valuation decisions in three pilot sectors: airlines, retail and utilities. In 2016, we will synthesize findings from the pilots and roll out resources for other sectors.

We now have examples of prices being adjusted based on the evaluation of material ESG factors. For example, Morgan Stanley Research evaluated ESG performance

of nine brands and found that we had previously underappreciated the social and environmental value of three companies: Nike, VF Corp and HanesBrands. This research demonstrates that ESG factors can influence valuation.

Research Leadership

Morgan Stanley is recognized as a leader in socially responsible investment (SRI) research. In 2015, the S+R research team published 31 reports on topics ranging from the links between global commodity markets and public health, cybersecurity, and water risks in mining. In the 2015 Extel, WeConvene and UK Sustainable Investment and Finance Association (UKSIF) SRI and Sustainability Survey, the head of S+R research was recognized for this leadership and ranked as the number two investment individual for SRI research.

Investment Management

Our Investment Management business recognizes that ESG factors can affect long-term performance of investments. We consider ESG factors such as reputation, litigation and other risk exposures into portfolio and company analysis, while closely reviewing governance practices at portfolio companies. Looking forward, we will continue to pursue opportunities to add value to clients' investment portfolios and help them meet or exceed their expectations by actively engaging with company management on issues that are viewed as material.

Considering ESG Issues

Morgan Stanley Investment Management is a signatory of the United Nations Principles for Responsible Investing (UN PRI) and the UK Stewardship Code, which represent the rapidly growing community of investors committed to responsible practices, now worth more than \$59 trillion in assets under management. Morgan Stanley has adopted Environmental, Social and Governance (ESG) Principles in keeping with the UN PRI, which our advisors consider when making and monitoring investments. [\[G4-EN27\]](#)

Engagement on ESG Issues

Proxy voting is an integral part of our investment process, helping us guide portfolio companies toward responsible and ethical management practices. Proxy voting decisions are determined in-house based on the expertise of the Corporate Governance Team. In 2015, the team engaged 80 companies on a mix of environmental, social and governance issues.

ESG Engagement Highlights

In May 2015, we met with BHP Billiton's executive leaders to learn more about their environmental and climate change strategies, which focus on reducing emissions, enhancing company resiliency and supporting effective public policies. We also supported related proposals to improve their sustainability governance practices at the company's annual shareholders meeting.

In 2015, Investment Management met with executive leaders of the Mead Johnson Nutrition Company to discuss the company's ESG practices with a focus on the supply chain. We supported efforts to improve supply chain analytics and enhance a partnership that raises awareness about congenital metabolic disorders and trains physicians in Vietnam.

Real Estate Investing

Our real estate investing teams recognize the significant value that sustainability can generate. The Prime Property Fund (PRIME), which includes office, retail, industrial, hotel and self-storage properties across the United States, manages assets worth more than \$19 billion. PRIME's sustainability strategy focuses on reducing resource consumption and greenhouse gas emissions by its real estate assets while generating positive financial returns. Currently, all office, retail mall, self-storage and apartment assets track sustainability information including energy and water consumption, waste generation and sustainable building certifications. As of the end of 2015, 61 percent of PRIME's office portfolio is LEED certified and nearly an additional 10 percent is pursuing certification,² while 74 percent of the fund's

office portfolio were eligible for Energy Star certification.³ Among our apartment assets, 17 are LEED certified with an additional 23 pursuing certification. In the 2015 Global Real Estate Sustainability Benchmark (GRESB) Survey, PRIME ranked above average for sustainability performance in its peer group and across the entire survey. [G4-EN27, G4-FS8]

Community Development

Morgan Stanley brings together investment, philanthropic and private capital to create lasting change in communities across the United States. We use our strengths as an investment bank to devise new and innovative financial instruments to help our community partners achieve their goals. Our efforts focus on affordable housing, access to health care and healthy foods and a thriving small business community.

Our Approach

The Community Development Advisory Board guides Morgan Stanley's approach and is a panel of external experts that helps us identify and create solutions to the most pressing needs affecting America's communities. In 2015, the Advisory Board, which meets twice annually, informed the development of our private equity model for affordable housing.

While the scope of our community development work extends far beyond activities recognized by the Community Reinvestment Act (CRA), we are committed to meeting our CRA obligations. In 2015, Morgan Stanley Private Bank, National Association (MSPBNA) received the Office of the Comptroller of the Currency's (OCC) highest rating—"outstanding"—for its record in meeting the needs of the communities it serves. Both the Firm's national bank subsidiaries - MSPBNA and Morgan Stanley Bank, N.A. - have now achieved this rating under the OCC's review of community reinvestment activities. [G4-SO1]

Affordable Housing

Safe, secure and affordable housing is the cornerstone of a healthy community. The need for affordable housing continues

to grow as nearly 12 million US households spend more than half their income on housing.⁴ Wages fail to keep up with increases in housing costs, particularly in urban areas. Our affordable housing partnerships currently focus on New York City and Salt Lake City, Utah, where we have a retail banking business. These partnerships are creating new models for housing organizations all over the country. Since 2010, we have invested \$10.6 billion to fund development or retention of more than 64,000 affordable housing units — 5,700 in 2015 alone. Examples include:

- **Genesis Companies:** Purchasing a line of credit to acquire, rehabilitate and preserve a portfolio of multifamily apartment properties in New York City's Harlem neighborhood. The initiative aims to secure affordable housing units by preventing conversion to market-rate housing and displacement of low-income tenants.
- **Preservation Fund:** A private equity model that helps preserve affordable housing units in California, Georgia, Michigan, New York, Ohio and Washington. Nonprofits and community development organizations are not able to raise capital as quickly as hedge funds and real estate investors, who often compete for the purchase of the same units. The Preservation Fund takes ownership of affordable housing units and transfers them to community organizations once sufficient funds have been raised.

Strong Economies

Beyond housing, thriving communities need jobs, transportation and local services. We support small businesses and transit-oriented development to meet these needs. Since 2010, our community development work has helped to create or retain more than 54,600 jobs. [G4-EC8]

Small Businesses

For many entrepreneurs and small businesses, accessing the capital necessary for launching or expanding a new business can be a challenge. In 2015, in partnership with CDC Small Business Finance, we provided almost \$19 million in Small Business Administration (SBA) 504 loans

At Home in the Community

Morgan Stanley's community development work has a long history of mobilizing capital in new and innovative ways to support the development and renovation of affordable housing in vulnerable communities.

In 2015, we announced a deal to provide \$100 million in capital to Community Housing Capital (CHC) in support of community housing organizations all over the United States. CHC, based in Decatur, Georgia, makes development loans through the NeighborWorks America network to develop or preserve affordable housing. This new line of credit, organized by Morgan Stanley, pools capital from BB&T, Carver Federal Savings Bank, Charles Schwab, Deutsche Bank, HSBC, JPMorgan Chase and Wells Fargo.

Since 2000, CHC has made more than 300 loans worth about \$380 million, which have resulted in some 13,000 new affordable housing units. [G4-EC8]

While the need for new affordable housing continues to grow, there are many areas where the existing stock of affordable housing is in dire need of repair. We provide funds to organizations that repair dilapidated housing units to benefit low-income residents. For example, the Community Development Corporation of Utah (CDCU) purchases and remodels dilapidated houses, then sells them at affordable prices, with down payment assistance, to qualified low-income buyers.

to support small businesses throughout the United States. [G4-FS14]

In 2015, we also supported small businesses in the Salt Lake City area through a lending partnership with the Greater Salt Lake Development Corporation (GSLDC). GSLDC's \$10 million loan fund is capitalized with loans from three lender partners, Morgan Stanley, Synchrony and Zions Bank. One \$2.7 million loan helped a family-owned restaurant expand their restaurant, Red Iguana 2, to serve more customers and better meet

employees' needs.

In December 2014, the SBA approved and licensed the Morgan Stanley Impact SBIC, which was formed by our Global Sustainable Finance team to promote economic development by providing debt funding to small businesses nationwide. Morgan Stanley Impact SBIC expects to invest a significant portion of its capital in businesses in low-middle income (LMI) neighborhoods or rural areas, businesses that serve LMI populations or businesses that operate in the education and health care sectors. One example from 2015 includes a \$2.5 million loan to Sundial Group, one of the fastest growing beauty companies in the United States, which manufactures and sells beauty products under SheaMoisture and Nubian Heritage brands. A Certified B-Corporation, Sundial draws on four generations of family recipes and was started after the CEO was unable to return to Liberia because of civil war.

Transit-Oriented Development

Reliable access to public transit is critical for workers to access economic opportunities, health care and education. Our strategy is to invest in partnerships and organizations that are working toward equitable transit-oriented development. We structured a \$12.5 million loan for the Bay Area Transit-Oriented Development Fund, a \$50 million public-private partnership that provides flexible financing for developers to purchase or develop affordable housing and critical service, such as childcare, near public transportation.

Healthy Communities

Housing, poverty and health are fundamentally interconnected. None of these issues can be considered in isolation, so our Healthy Futures Fund seeks to bring together public and private entities to address holistically important issues like health challenges and barriers to care in low-income communities. The Healthy Futures Fund is a joint partnership with the Local Initiatives Support Corporation (LISC) and the Kresge Foundation, and is managed by the New Markets Support Company, a LISC affiliate. Program funds support Federally Qualified Health

Centers and affordable housing, with emphasis on their co-location. One hundred million dollars in November 2015 doubled the fund, which has already extended health services to 40,000 people and supported more than 400 new affordable apartments. Healthy Futures Fund highlights include:

- **Brockton Health Center:** The new health clinic in Brockton, Massachusetts, celebrated its grand opening in September 2015. With 26 exam rooms, the new clinic will allow Brockton Health Center to expand primary health care services to an additional 6,700 patients per year. Brockton Health Center also offers a nutrition program with a demonstration kitchen to teach local residents about healthy eating habits, and shopping for and preparing fresh foods.
- **Wake Health Services, Inc.:** The new health center in Raleigh, North Carolina, is expected to be completed in February 2016 and will include medical, dental and pharmacy facilities.
- **Neighborhood Health Association:** The new health clinic in Toledo, Ohio, expected to be completed in February 2016, will provide services in family and adult medicine, urgent care, women's health, dental health and specialized care for the homeless. Additionally, the building will house a credit union, a community garden to promote fresh foods and healthy eating choices and a pharmacy that sells medications at discounts 25 to 75 percent below retail.

Building Capacity

In order for community development initiatives to be successful, we need to develop the next generation of nonprofit and community development leaders. These leaders identify needs on the ground and bring together the partners and resources necessary to execute innovative programs that help build strong communities. Our efforts to expand the capacity of local organizations are illustrated in our community development [fellowship program](#). Collaborating with the Association for Neighborhood Housing Development, the program places nine fellows from New York-area universities with high-impact

community development corporations. The students contribute expertise in real estate, urban planning and public administration, and the program thus cultivates a new generation of community development professionals. The 2015 fellows worked with the following organizations to strategically advance affordable housing: St. Nicks Alliance, Neighborhood Housing Services of New York City, Mutual Housing Association of NY, Mid-Bronx Senior Citizen's Council, Northern Manhattan Collaborative, Hellenic American Neighborhood Committee, Fifth Avenue Committee and Asian Americans for Equality.

The ADNH fellows continue to help shape the field of affordable housing long after they leave the program. At the end of 2015, 23 of 25 fellowship alumni continued to work in the field.

How We Operate

We consistently reinforce a culture of ethical business conduct to ensure that practices, procedures and decisions align with Morgan Stanley's four core values: Putting Clients First, Doing the Right Thing, Leading with Exceptional Ideas and Giving Back. Strong governance, a rigorous approach to risk management and sustainable operations address the challenges of today while creating value for the future.

Governance and Ethics

The hallmarks of Morgan Stanley's governance approach include a strong and diverse Board of Directors, a robust committee structure focused on risk management and consistent support for shareholder rights and accountability. The Morgan Stanley [Code of Conduct](#), which applies to all officers and employees, and the [Code of Ethics and Business Conduct](#), which also applies to directors, are the foundation for ethical behavior. [\[G4-56\]](#)

Morgan Stanley Board of Directors

The board has 14 directors, 13 of whom are independent according to the board's criteria. The Chairman and Chief Executive Officer (CEO) is the only director who is a member of management. The board has determined that a strong, independent lead director alongside a combined chairman and CEO best serves the interests of the company and shareholders. [\[G4-39\]](#)

In October 2015, Morgan Stanley's Board of Directors approved amendments to the company's bylaws to implement proxy access, allowing shareholders to nominate a portion of the board without undertaking a proxy solicitation. This adoption of proxy access now gives shareholders additional influence in board decisions. More information on proxy access can be found in our [Proxy Statement](#).

Morgan Stanley is committed to board diversity. Directors come from varied international and racial backgrounds, and there are currently three women on the board. [\[G4-LA12\]](#)

The board also seeks members who offer a broad spectrum of experience and expertise as well as distinguished reputations. In 2015, Morgan Stanley enhanced the leadership of the board by bringing in three new directors with unique skills for an evolving company strategy:

- Nobuyuki Hirano brings risk oversight experience as the President and CEO of Mitsubishi UFJ Financial Group, Inc., and the President and CEO of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
- Perry Traquina brings significant wealth management and securities experience

as the Former Chairman, CEO and Managing Partner of Wellington Management Company LLP.

- Alistair Darling brings strong leadership experience, as well as insight into both the global economy and the global financial system. He is a member of the House of Lords in the British Parliament and formerly served as a member of the House of Commons.

The Board of Directors comprises five key standing committees: [\[G4-34\]](#)

- Audit
- Compensation, Management Development and Succession (CMDS)
- Nominating and Governance (N&G)
- Operations and Technology
- Risk.

All committees consist of nonmanagement directors. Only independent directors sit on the Audit, CMDS and N&G committees. In order to take optimal advantage of the directors' diverse skills-sets, the board generally favors the periodic rotation of committee assignments and committee chair positions following terms that are approximately three to five years.

More information on our Board Committees can be found in our [Proxy Statement](#).

Strengthening Compensation Practices

We strive to reward high-performing employees with competitive compensation. This includes competitive incentive awards, including vesting, deferred payment and cancellation and clawback provisions. Executive compensation is structured to promote sustained shareholder value creation by emphasizing discretionary variable annual performance payments and long-term incentives with specific financial targets.

The CMDS Committee is appointed by the Board of Directors to discharge the board’s responsibilities relating to compensation of the Firm’s executive officers and to oversee plans for management development and succession. They aim to balance several objectives: attracting and retaining top talent, rewarding sustainable performance, aligning employees’ and shareholders’ interests and limiting excessive risk-taking.

[G4-34, G4-51, G4-52]

The Committee’s robust controls over incentive compensation include:

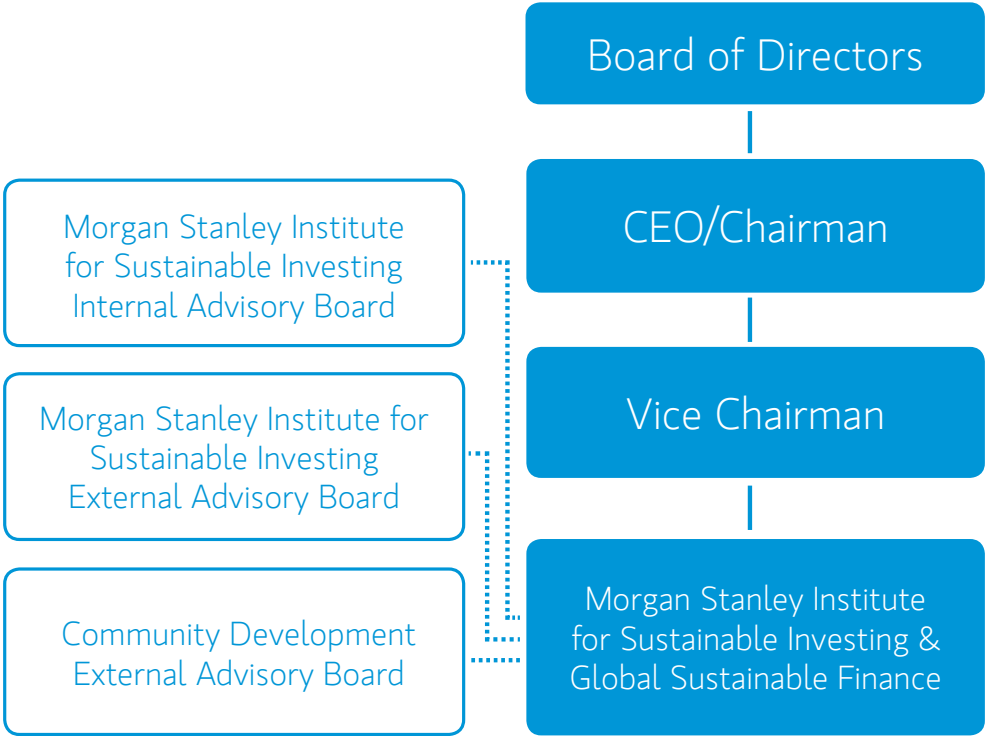
- Sizing the incentive compensation pool to reflect risk-adjusted returns and compliance with risk limits as well as the market and competitive environment
- Considering the performance of each business when allocating the incentive compensation pool, based on financial metrics including return on capital
- Reviewing incentive compensation programs each year to ensure that they are consistent with the safety and soundness of the Firm and do not incentivize excessive risk-taking
- Delivering a substantial portion of compensation in multiyear deferrals subject to clawback and cancellation provisions for more highly compensated employees.

Please see our [Proxy Statement](#) for additional information about our compensation policies.

Sustainability Governance

Sustainability is governed at the highest level of the Firm, which exemplifies both its importance to our business, as well as our collaborative culture at Morgan Stanley. The Morgan Stanley Institute for Sustainable Investing and Global Sustainable Finance (GSF) work with each part of the business to execute our sustainability strategy. GSF reports to the Nominating and Governance Committee of the Board of Directors. GSF also consults our Internal and External Advisory Boards to ensure that our sustainability strategy is comprehensive, rigorous and innovative. Our Vice Chairman chairs our Internal Advisory Board and our CEO and Chairman chairs our External Advisory Board. [G4-34, G4-35, G4-36, G4-43, G4-45]

Sustainability governance structure



Promoting High Ethical and Business Standards

We require that employees uphold our core values at all times, and we reinforce this message frequently through communications from senior management and training. The standards we embrace and expect to see upheld are defined in our Code of Conduct, which also provides guidance for ethical decision-making. All employees, including management, must certify annually that they have read, understood and complied with the Code. [G4-56, G4-HR2]

The Board of Directors has charged the Culture, Values and Conduct Committee with overseeing Morgan Stanley's culture program. The Committee's responsibilities include establishing Firmwide standards and overseeing initiatives relating to culture, values and conduct, including developing training and enhancing performance, promotion and compensation processes as well as the framework to measure and report results.

Acting Against Money Laundering and Corruption

We take all reasonable measures to avoid involvement in money laundering and to provide mandatory awareness training for employees. Risk-based policies, procedures and internal controls are in place to prevent our products and services from being used for money laundering, criminal activity or terrorism. [G4-SO4]

Morgan Stanley's Global Anti-Corruption Policy prohibits all forms of bribery. Employees may not give or receive anything of value, directly or indirectly, to gain an unfair advantage in obtaining or retaining business.

Reporting Misconduct

The Code of Conduct requires employees to report any ethical concerns to their supervisors, Human Resources or the Legal and Compliance Division. We take allegations of misconduct seriously and prohibit any retaliation for reports of misconduct made in good faith. Any concerns relating to the conduct of the CEO, a senior executive or financial officer or a member of the board can be reported directly to the

Chief Legal Officer or the Global Audit Director.

Our Integrity Hotline is also available for employees to report confidentially any legal, regulatory or ethical misconduct. The Global Head of Litigation and the Audit Committee receive a report each quarter describing allegations made through the hotline and their resolution. [G4-57, G4-58]

Safeguarding Privacy

Protecting the confidentiality and security of client information is integral to our business protocol worldwide. Our data capture, storage and sharing procedures comply with or exceed industry and legal standards for data security and client privacy.

The Chief Privacy Compliance Officer oversees compliance aspects of our privacy program, including helping to ensure compliance with legal, regulatory and business requirements. This role also improves policies, procedures, monitoring, testing and other controls across the Firm.

See our [Privacy Pledge](#).

Respecting Human Rights

Morgan Stanley is committed to being a responsible corporate citizen and to supporting the protection and advancement of human rights through our business activities and our supply chain. Our Code of Conduct underscores our values and our commitment to ensuring a workplace that includes equal opportunity, dignity and respect. We also support global standards for business conduct, including the International Labour Organization (ILO) core standards, the UN Guiding Principles on Business and Human Rights and the UN Universal Declaration of Human Rights. [G4-15, G4-HR4, G4-HR5, G4-HR6, G4-HR10]

Morgan Stanley's [Statement on Human Rights](#) outlines the Firm's strong commitment to respecting and supporting the protection and advancement of human rights. This commitment also reduces risk to both our reputation and to the reputations of our clients. Human rights concerns are included in the risk factors

we consider when reviewing prospective transactions, as required by our Global Franchise Risk policy. [G4-HR1]

We also support human rights through responsible sourcing with suppliers ([see Sustainability in the Supply Chain](#)) that demonstrate strong social and environmental responsibility practices. [G4-LA14]

Contributing Responsibly to Public Policy

Morgan Stanley participates in public policy debate on issues relevant to our business, our shareholders, clients and employees. The year 2015 brought sweeping proposals affecting financial advisory relationships, bank capital rules, the US tax code, global trade and our overall regulatory environment. Morgan Stanley engaged with US policy makers and regulators on these and other financial services issues of significance and importance to our Firm, shareholders, clients and employees.

Advancing Sustainable Investment

In advance of COP 21, Morgan Stanley, the nonprofit Ceres and six other major US banks issued a [joint statement](#) calling for cooperation among governments in reaching a global climate agreement. The statement calls for clear, stable policy frameworks that are needed to accelerate and further scale investments in climate solutions. [G4-16]

Morgan Stanley also announced its support of the Department of Labor's decision to enhance the ability of Employee Retirement Income Security Act (ERISA) fiduciaries to consider ESG factors as part of their investment process. As a result, these investors, including certain financial advisors and pension plans, will now be able to fully integrate environmental, social and governance factors as part of their broader fiduciary duty to pursue investment results. This new direction from the Department of Labor is a major boost for sustainable investing. [G4-15]

Corporate Political Contributions

By law, corporations cannot contribute to federal candidates, but can sponsor a political action committee, funded solely through voluntary employee contributions, to support congressional candidates.

In the US, Morgan Stanley sponsors the bipartisan Morgan Stanley Political Action Committee (“MSPAC”), a federal political action committee registered with the Federal Election Commission. MSPAC assists Morgan Stanley’s efforts in the political process by helping to elect Congressional candidates who are philosophically aligned with policies that support a vibrant financial services industry. Morgan Stanley does not make corporate contributions in the United States at the federal, state or local level to candidates, political party committees, ballot committees or political action committees. We publicly report to the Federal Elections Commission as required by law. In 2015, no contributions were made on behalf of the MS PAC. [G4-S06]

Stakeholder Engagement

We engage our stakeholders throughout the year on sustainability issues relevant to their interests, sharing our views and progress. In turn, we use their feedback to improve our performance and generate new ideas for products and services that support our sustainability and business strategy. [G4-25, G4-27].

Corporate Affairs, which comprises Corporate Communications, Marketing and Community Affairs, ensures open and transparent dialogue with our stakeholders, including investors, clients, employees, nongovernmental organizations, suppliers, the media and regulators. In addition, GSF and our Risk team solicit stakeholders’ points of view on specific environmental and social issues. The Institute shares the Firm’s sustainable investing ideas and insights through ongoing thought leadership work. [G4-24]

In December 2015, Morgan Stanley became a member of BSR, a global nonprofit organization that works with

its network of more than 250 member companies and other partners to build a just and sustainable world. We began plans with BSR to host our inaugural stakeholder roundtable meeting in 2016. [G4-16, G4-26]

Clients

Putting clients first is one of our four core values, and understanding their perspective is critical to our success. We regularly seek feedback on client satisfaction and the strength of our brand through client surveys and polls. Senior Morgan Stanley managers cultivate relationships with the leadership teams of our largest clients, particularly in our Institutional Securities Group, to ensure we meet their business needs and service expectations. [G4-PR5]

Employees

Our ability to execute our sustainability strategy depends on the knowledge and enthusiasm of our employees. We regularly share Firm progress and updates, and invite employees to get proactively involved through the Environmental and Social Finance (ESF) Forum. The forum is a network of regional, employee-driven groups that bring in speakers, coordinate volunteer activities and host events to nurture a culture of sustainability. Activities are designed not only to educate employees about our sustainability efforts, but also to provide learning opportunities for applying their own skills to maximum impact at work and at home.

Communities and NGOs

Ongoing dialogue with NGOs and the communities where we operate is essential to our transparent approach to sustainability. For example, in September 2015, Morgan Stanley signed a joint statement with five other banks through the nonprofit organization Ceres to support cooperation among governments to reach a global agreement at the 2015 United Nations Framework Convention on Climate Change meeting in Paris.

We also included nonprofit stakeholders in the development of our Coal Policy Statement, which will steer our investment activities toward cleaner energy sources and reduce financing for coal mining and coal-fired power plants. We

plan to report on these efforts annually.

Government and Regulators

The Federal Reserve Bank of New York elected James P. Gorman, Chairman and Chief Executive Officer of Morgan Stanley, as a Class A director representing Group 1, which consists of member banks with capital and surplus of more than \$1 billion. Gorman was elected in 2015 and will serve a three-year term beginning January 1, 2016. The directors of the Reserve Banks act as an important link between the Federal Reserve and the private sector, ensuring that the Fed’s decisions on monetary policy are informed by actual economic conditions.

Risk Management

The Firm’s risk management philosophy is based in the pursuit of risk-adjusted returns through prudent risk taking that protects its capital base and franchise. This philosophy is implemented through the Enterprise Risk Management (ERM) framework with five key principles: integrity, comprehensiveness, independence, accountability and transparency. To help ensure the efficacy of risk management, which is an essential component of the Firm’s reputation, senior management requires thorough and frequent communication and the appropriate escalation of risk matters.

The fast-paced, complex and constantly evolving nature of global financial markets requires that the Firm maintain a risk management culture that is incisive, knowledgeable about specialized products and markets, and subject to ongoing review and enhancement. [G4-2]

Risk Governance

The board is responsible for oversight of risk management and for related policies, fulfilling this responsibility through the Board Risk Committee, Board Audit Committee, Board Operations and Technology Committee.

The Board Risk Committee is composed of nonmanagement directors and assists the Board in its oversight of the following top priorities:

- Enterprise Risk Management
- Major risk exposures of the Firm, including market, credit, operational, liquidity, funding, reputational and franchise risk
- Risk appetite statement, including risk limits and tolerances
- Capital, liquidity and funding
- Performance of the Chief Risk Officer.

The Audit Committee is composed of independent directors and oversees the following:

- Integrity of Morgan Stanley's consolidated financial statements
- Compliance with all legal and regulatory requirements and system of internal controls
- Risk management and risk assessment guidelines, including major legal and compliance risk exposures
- Qualifications, independence and performance of the Firm's independent registered public accounting firm, independent auditor and head of internal audit.

The Operations and Technology Committee of the Board is composed of nonmanagement directors and is responsible for addressing operations and technology risks through the development of, and investment in, appropriate responsive strategies. Risk exposures covered include information security, cybersecurity and business continuity.

Enterprise Risk Management (ERM) Framework

The ERM framework integrates the diverse roles of risk management into a holistic enterprise structure and facilitates the incorporation of risk assessment into decision-making processes across the Firm. The framework mandates evaluation of risk in each business unit and at the firm level, assigning clear responsibilities and guidelines for maintaining risk management standards.

Franchise risk relates to the perception of Morgan Stanley by external parties, including our shareholders, clients, regulators and the public. Potential triggers

include environmental, human rights and other social issues, client integrity, money laundering, economic sanctions and corruption. Our Global Franchise Risk Policy addresses these risks, provides guidance to employees and describes appropriate risk-escalation procedures. Regional Franchise Committees also monitor and manage potentially significant franchise risk.

Risk Culture

We support a robust risk culture by ensuring that policies, procedures, roles and responsibilities are well understood. We reinforce this understanding through in-person and online training and development programs.

The new Culture, Values and Conduct Committee, formally launched in 2015, also focuses on fostering a strong risk culture. It measures progress and reports to the Risk Committee and coordinates with other relevant governance committees.

Our compensation policies, evaluated by the Chief Risk Officer, actively discourage excessive risk-taking. They set minimum standards for the use of discretion in incentive compensation awards and they guide managers on the application of compensation adjustments, cancellation or clawback policies.

See our [Form 10-K](#) for more details.

Managing Risk in Marketing and Sales

Policies and processes related to marketing activities are managed by each business and are subject to supervisory review in accordance with applicable promotion laws and regulatory obligations. We manage risks in marketing and sales by enforcing the following guidelines:

- Communications to clients and the public must be fair and balanced, without exaggerated or misleading statements.
- Employees must use approved marketing materials and messaging systems when conducting the Firm's business.
- Financial Advisors are subject to supervision procedures and must follow a compliance manual that is aligned with

our sales practice standards, as well as all applicable laws and regulations.

- Risk and Compliance personnel review trading account activity for potential sales practice issues. Branch offices are inspected annually.
- All employees who hold a securities license or registration must maintain and refresh it through continuing education programs and mandatory in-house training.
- Customer complaints are monitored by each business unit, escalated in accordance with relevant policies, and responded to, as appropriate, by the relevant business, legal and compliance personnel.

Sales practice and Code of Conduct violations by employees may be escalated for review and possible disciplinary action, which may include cancellation of compensation awards and termination of employment. Data and summary information is filed with our regulators.

Assessing Risks from New Products

Extensive risk management processes across the Firm require that we consider potential financial, legal, regulatory, reputational and operational risks to the Firm and to clients when developing new products or modifying existing ones.

A new product approval (NPA) risk manager is designated for each new or modified-product launch to oversee the process from concept to launch. An NPA steering committee oversees the entire program and reports quarterly to the Firm Risk Committee and twice a year to the Board Risk Committee.

Managing Operational Risks

Operational risk refers to the risk of loss, or of damage to our reputation, resulting from inadequate or failed processes, people and systems or from external events (e.g., fraud, theft, legal and compliance risks, cyber-attacks or damage to physical assets). We may incur operational risk across the full scope of our business activities, including revenue-generating activities (e.g., sales and trading) and sup-

port and control groups (e.g., information technology and trade processing). Legal, regulatory and compliance risk is also included in the scope of operational risk.

We have established an operational risk governance framework that addresses these risks through policies and procedures, risk assessments, risk tolerance, information risk oversight, supplier risk management and training. Our Global Operational Risk Management Policy also improves transparency for the Board Risk and Firm Risk committees and focuses on the most significant operational risks.

Primary responsibility for the management of operational risk lies with the business units and control groups. As a second line of defense, the Operational Risk Department (ORD) proactively identifies opportunities to decrease risk and determines adjustments for the impact of operational losses on capital.

ORD independently assesses operational risk according to the Advanced Management Approaches (AMA) framework for regulatory purposes, which has three components:

- Risk tolerance: a statement agreed upon by the board that articulates the acceptable level of operational risk
- Top operational risks: list of the most significant inherent risks for the Firm
- Risk monitoring and escalation: a process to ensure that risks are well controlled, within the defined level of risk tolerance.

Our Risk and Control Self-Assessment (RCSA) program enhances our ability to identify and manage operational risks through the collection of loss data. We rigorously analyze internal losses, industry events, output from scenario analyses and risk assessments to calculate operational risk capital requirements and support risk management decisions.

Regulatory Compliance

We have an ongoing process for identifying the top operational risks at Morgan Stanley to ensure that there is alignment and linkage to the Firm's risk management

principles. We identify and integrate potential vulnerabilities into capital planning to ensure that in the event of a stress loss, we have the capital to be resilient.

In July 2015, the Federal Reserve Board finalized its capital surcharge rule, to be phased in over three years, for eight global systematically important banks in the United States, including Morgan Stanley. The rule implements the Basel Committee on Banking Supervision's (BCBS) standards for the United States, which ensure that banks have an increased market loss absorption capacity through capital conservation buffers. By the end of 2015, three years early, Morgan Stanley confirmed that our capital levels currently meet and exceed both the US-specific and BCBS surcharges on a fully phased-in basis, reflecting our strong and proactive risk management approach.

Morgan Stanley completed the sale of the Global Oil Merchanting unit of its Commodities division to Castleon Commodities International LLC in 2015. The sale included a diversified international network of oil terminal storage agreements; inventory; physical oil purchase, sale and supply agreements; and freight shipping contracts. The transaction — which did not include Morgan Stanley's client-facilitation oil trading and risk management business or any of its commodities operations outside of the oil sector — leaves the Firm with a leaner and more client-focused commodities business.

Business Continuity

Our business continuity program mitigates risks at all operational levels so we can respond effectively to large-scale incidents and disasters. The safety of employees is paramount; we also consider threats to real estate and technology. We work with emergency and enforcement agencies to define and communicate evacuation and safety procedures. The Business Continuity Management team works to protect company assets and ensure we can continue to operate, meeting client and regulatory requirements as soon as possible after an incident.

The disaster recovery plan covers crisis management, business recovery, applications and data recovery and work area

recovery. It also includes analysis, training and testing. Responsive strategies include transferring business functions to other locations and regions, remote computing and supporting work from a recovery site.

Our information security program coordinates the management of information security risks and satisfies regulatory requirements. Policies are designed to protect our computers and information against unauthorized access, disclosure, modification or misuse. They cover a broad range of topics including data protection, incident response, electronic communications, remote access and portable devices.

Managing Environmental and Social Risk

Management of environmental and social risks is governed by our policies, procedures and statements on [human rights](#) and the environment, including our Global Environmental and Social Risk Policy and [Environmental Policy Statement](#). Risks must be factored into all risk evaluations of companies, transactions, operations and new market opportunities. All transactions can, in principle, expose the Firm to direct or indirect risks related to environmental and social issues. When necessary, specific risk impacts are reviewed, addressed and escalated to business unit management, regional franchise committees, the Global Franchise Committee and senior management. [G4-HR1]

In 2015, ESG risk continued to be a strong area of focus for the Franchise Committee, who reviewed, updated and endorsed the current Global Environmental and Social Risk Policy. Following this review, relevant business unit procedures and business unit-specific guidance documents were updated. These guidance documents outline specific requirements or subject-focused information, such as the process for coal transactions. Environmental and social risk also is considered in the New Product Approval process and integration of ESRM controls is evaluated as part of the Firmwide annual risk control self-assessment (RCSA) review. ESRM also conducts back-testing of mandates to assess efficacy of policies and controls. [G4-46]

Risk assessment considers a number of potential factors such as the nature of individual industries and sectors, countries of operations as well as a company's specific activities, products, performance, reputation and approach to environmental and social risk. Requirements include:

- Stringent due diligence on biodiversity and sustainable natural resource management
- Consultation by project sponsors or borrowers with any indigenous peoples affected by a project
- Compliance with international environmental legal agreements
- Prohibition of financing of companies that derive a predominant portion of coal production from mountaintop-removal mining (see Coal Policy).

- Adherence to local and World Bank standards for pollution prevention, including plans and training for environment, health and safety professionals.

Transaction teams are primarily responsible for ensuring that due diligence has been performed. As necessary, they consult the Firm's subject matter experts to obtain confirmation and/or formal due diligence. Business units rely on various approaches to fulfill this responsibility, including checklists and committee oversight. Issues can be escalated to senior management review and if not resolved, to the Franchise Committee for a final decision.

Increased awareness of environmental and social risks helps bankers identify potentially unsound deals and decline them, thus avoiding the need for escalation.

Specific and tailored presentations are given to broad audiences with regards to the Risk and Control Self-Assessment — a Firmwide requirement that all business units must undertake on an annual basis. ORD and GSF are developing a web-based training for approximately 44,000 relevant employees that will be released in early 2016.

Coal Policy

Morgan Stanley recognizes that climate change poses significant risks to the global economy and that reducing carbon emissions is a critical aspect of our response. As a financial institution, our greatest strength lies in our potential to leverage the capital markets to scale low-carbon sources of energy and other sustainability strategies. [\[G4-EC2\]](#)

Deals referred for environmental and social due diligence by industry

Industry	2013	2014	2015
Basic materials	32	38	46
Communications	9	8	2
Energy	170	180	137
Financial institutions	43	79	76
Health care	5	5	3
Industrials	145	168	158
Pharmaceuticals	16	38	54
Power and utilities	41	55	64
Real estate	27	46	59
Retail	10	18	23
Services	107	143	152
Transport	31	32	8
Total	636	810	782

Deals referred for environmental and social due diligence by region

Region	2013	2014	2015	Total
Americas	503	568	450	1521
EMEA	114	198	229	541
Asia Pacific	22	44	103	169
Total	636	810	782	2231

Transactions subject to mountaintop-removal criteria

	2013	2014	2015
Total potential transactions	9	6	0
Transactions that did not proceed	6	3	0

In 2015, we released a [Coal Policy Statement](#) that outlines our commitment to reduce carbon emissions by making alternative energy more affordable and competitive. Since 2011, we have mobilized more than \$25 billion for renewable energy and clean technologies, while significantly reducing our financing for coal mining.

Under the new policy we will continue to shift our lending and capital-raising efforts toward cleaner and renewable sources of energy and reduce the proportion of our energy financing to coal mining and coal-fired power generation.

Operations

Morgan Stanley recognizes our responsibility to contribute to a healthier and more sustainable environment. We strive to reduce our environmental impact by upholding high standards across operations, setting ambitious goals and collaborating with clients and suppliers to achieve them. Our official commitments to operational sustainability are guided by our [Environmental Policy Statement](#).

As a financial services firm, our environmental impacts largely result from our buildings, or operations. Therefore, we place high importance on the transparency of our operational impacts. Since 2006, we have reported environmental data to CDP (formerly the Carbon Disclosure Project), ensuring the accuracy of data through verification in accordance with the ISO 14064-3 standard. Morgan Stanley was included in the CDP S&P 500 Climate Disclosure Leadership Index for the sixth consecutive year in 2015. We outperformed our industry group and CDP Program average in both disclosure and performance, achieving a disclosure score of 100 and a performance rating of A-, an improvement in both categories from 2014. We achieved these scores by prioritizing energy efficiency, renewable

energy and transparency. [\[G4-15\]](#)

Rigorous Building Standards

We reduce our impact by designing our office buildings and data centers according to the highest standards, including Leadership in Energy and Environmental Design (LEED) and Building Research Establishment Environmental Assessment Methodology (BREEAM). This includes outfitting our workspaces with environmentally responsible technology, including recycled or local materials, high-efficiency lighting, office equipment and bathroom fixtures. As of 2015, we have received 28 LEED certifications, representing a total of nearly 5 million square feet. In 2015, our Somerset Data Center in New Jersey achieved a LEED Gold certification under the Existing Buildings rating system; the 370,000 square foot building was previously certified under the New Construction rating system. [\[G4-15\]](#)

In London, we applied for BREAAM and SKA certifications when renovating our Cabot Square offices. These ratings help ensure that our renovations meet high environmental and sustainability standards.

Minimizing Energy and Emissions

This year, we made further progress toward our energy and emissions-reduction goals. Currently, our goal is to reduce global average office emissions by 15 percent, on a per square foot basis, from 2012 levels by 2017. Through the end of 2015, we have achieved a 7.93 percent reduction. Since we began tracking in 2006, we have reduced global average office emissions per square foot by 31.78 percent.

We aim to achieve our goal by reducing our energy use through investments in efficiency-driven projects and the use of renewable, low- or zero-emission energy, where appropriate, for any energy use not

eliminated by efficiency improvements. We seek energy efficiency opportunities in our data centers. Since 2008, our data center energy efficiency has improved by 26.6 percent. [\[G4-EN19\]](#)

Our energy efficiency approach includes:

- Full-building retrocommissionings to ensure building systems perform as efficiently as possible
- Ongoing continuous commissioning to ensure gains are maintained and new efficiency opportunities are identified
- Installing variable frequency drives to optimize energy use in equipment like motors and pumps
- Upgrading aging UPS and HVAC systems to increase efficiency and ensure system reliability
- Installing occupancy sensors and upgrading light fixtures to reduce energy needs.

We are also in the process of replacing existing fluorescent lights with more efficient LEDs. We have completed LED retrofits in several New York locations and will continue to rollout into 2016. Once complete, these retrofits will reduce the Firm's annual energy use by approximately 5.2 million kilowatt hours (kWh), which will reduce our annual greenhouse gas emissions by 1,662 metric tons CO₂e. We are also committed to ongoing upgrades of aging infrastructure to new, more efficient systems as they reach the end of their lifecycles.

Energy Reduction Compliance in the UK and Europe

The Firm's UK offices and data centers are participants in the UK's Carbon Reduction Commitment, which ensures financial accountability for the emissions associated with the UK Portfolio.

In the UK, Morgan Stanley also complies with the European Union's Emissions Trading Scheme (EU ETS). For our 2015 reporting requirements, our emissions and procedures were verified by a third party and will be declared to the EU ETS by March 2016 in advance of purchasing and surrendering the emissions by April 2016.

In 2015, we prioritized our compliance with the European Union's Energy Efficiency Directive (EED), known in the UK as the Energy Savings Opportunity Scheme (ESOS), requiring regular audits and demonstration of energy efficiency management. The Firm successfully participated in Phase 1 of ESOS legislation, which entailed having energy audits completed for our locations at 20 Bank Street and the Croydon Data Centre. In 2016,

we will be reviewing the recommendations for energy efficiency to identify suitability for implementation.

In preparation for our compliance with ESOS phase 2 and EED Article 8 over the next four years and beyond, we will be piloting an ISO 50001 Energy Management System (EMS) at 20 Bank Street for potential rollout across our UK and EU sites. Having this system in place automatically ensures compliance for ESOS and EED Article 8.

Finally, Morgan Stanley in the UK is a participant in the voluntary reporting scheme, The Carbon Trust Standard. Original certification was achieved in 2010 with subsequent successful re-certifications in 2012 and 2014. The current

certificate expires at the end of March 2016, with recertification for a fourth time targeted for completion at the end of April 2016.

Clean Energy

In addition to improving the energy efficiency of our spaces, we have also installed renewable on-site generation systems at our Westchester campus in New York.

Our 720 kW solar photovoltaic array produces approximately 1 million kWh of carbon-free power each year and can supply up to 25 percent of the building's demand during peak production hours. In 2015, the array saved an estimated 352 metric tons of CO₂e.

Energy use [G4-EN3, G4-EN4, G4-EN6]

	2013	2014	2015
Total direct energy use (MMBtu)	458,547	464,586	508,431
Total direct energy use by source (MWh)	136,387	136,157	149,006
Natural gas – stationary	94,957	93,774	103,674
Jet fuel – mobile	30,391	35,383	40,277
Diesel – stationary	6,071	5,398	4,139
Diesel – mobile	2,027	0	0
Gasoline – mobile	940	1,601	917
Total indirect energy use (MMBtu)	2,420,863	2,225,131	2,102,288
Total indirect energy use by source (MWh)	709,485	660,914	616,120
Purchased Electricity	671,843	629,128	588,521
Purchased Cooling	25,208	18,715	15,621
Purchased Steam	12,434	13,071	11,977

Totals may not add up due to rounding.

Greenhouse gas emissions¹ [G4-EN15, G4-EN16, G4-EN17, G4-EN19]

	2013	2014	2015
Normalized office² emissions (tCO₂e/thousand square feet)	10.31	9.98	9.87
Total direct energy use by source (MWh)	450,993	449,290	425,495
Scope 1	30,598	31,257	33,871
Scope 2	321,436	300,711	272,721
Scope 3	98,960	117,322	118,903
Total emissions by region (tCO₂e)	450,993	449,290	425,495
Americas	224,719	212,995	188,015
Europe	69,755	64,534	66,833
Asia	49,843	45,849	41,729
Travel	106,677	125,912	128,919
Total emissions by activity (tCO₂e)	450,993	449,290	425,495
Travel	106,677	125,912	128,919
Data center	156,760	149,693	122,689
Office	187,556	173,685	173,887

¹ We have adjusted the data reported in previous years to align with the GRI's new dual accounting standard. Emissions figures presented here are calculated using the market-based approach.

² Excludes travel and data center emissions, as well as Scope 3 downstream leased asset emissions.

Totals may not add up due to rounding.

Our 250 kW fuel cell operates around the clock, runs on natural gas and produces approximately 2 million kWh of power each year. In the event of a local grid outage, the fuel cell system will continue to feed the building with 200 kW of emergency power, increasing the resiliency of our facilities.

In 2016, we will install a 750 kW Fuel Cell at 1585 Broadway in New York City. The fuel cell project is expected to be fully operational in 2016 and will be the first high-rise project of its kind, demonstrating that despite space constraints, generating clean energy is possible in dense cities.

of our real estate. Where we have control over waste disposal, we have contracted with vendors to separate recyclable waste off-site, even where nonrecyclables are comingled.

The London campus continued to send zero waste to landfill. In 2015, the offices recycled 58 percent of the total waste collected, with the remainder sent for incineration to produce energy. [G4-EN23]

Reducing Water, Chemicals and Waste

We aim to save water and reduce waste, and we promote recycling. Most offices have dedicated recycling bins, but we do not always have control over the waste-handling arrangements in the leased spaces that make up the majority

Waste: owned buildings in New York

	2015	2014	2013	2012
Total waste (metric tons)	2,295	2,128	1,837	1,815
Recycled Waste	864	712	718	753
Composted Waste	112	165	105	95
Waste sent to Landfill	1,319	1,251	1,014	967

Totals may not add up due to rounding.

Sustainability in the Supply Chain

Every purchasing decision we make is an opportunity to strengthen our sustainability efforts. At Morgan Stanley, this means holding suppliers accountable for respecting human rights and choosing to do business with those who are equally committed to social, ethical and environmental sustainability and adhere to the highest industry standards. As suppliers are an extension of our business, they are also subject to our Code of Conduct.

Our Board Risk Committee oversees our Global Outsourcing and Sourcing Policy, while our Operational Risk Department oversees our Supplier Management Program. The Supplier Management Program, which enables us to assess and evaluate vendor risk, is an important avenue for pursuing responsible growth and reduced corporate risk. [G4-12, G4-LA14, G4-SO9, G4-EN32]

Increasing Supplier Diversity

Small businesses are the engine of growth in our economy. Minority- and women-owned businesses are a critical component of growth and Morgan Stanley leverages its purchasing power to support them wherever possible.

Diverse spending is reviewed every quarter to identify opportunities for improvement. Overall spending with diverse suppliers in 2015 was \$307 million including Tier 1 and Tier 2 spend. This represents 5.7 percent of the estimated procurement spend eligible for diverse suppliers, meeting our 5 percent overall goal and a 17 percent increase from 2014. [G4-EC9]

“Diversity is fundamental to our culture and role as a global leader...We understand that diverse partnerships, diverse stories and diverse ideas are important. We truly care about enhancing the communities in which we live and work.”

– Shendora Pridgen, Executive Director, Global Head of Supplier Diversity at Morgan Stanley

The Firm is a member of several US supplier diversity groups including: the Women’s Business Enterprise National Council, the National Gay and Lesbian Chamber of Commerce, the National Minority Supplier Development Council, the New York & New Jersey Supplier Development Council, the United States Pan Asian American Chamber of Commerce, and the Women Presidents’ Educational Organization. The Firm’s Supplier Diversity Manager discussed our program in several meetings, including the Medgar Evers College Panel Discussion, where she discussed how women are charting new pathways to success, and a Supplier Diversity & Wealth Management Event, where she networked with women- and

minority-owned businesses. We also are corporate members in WEConnect International, which certifies women-owned businesses in the UK and we are now establishing a program in Europe. [G4-16]

Morgan Stanley Wins Outstanding Corporate Supplier Diversity Award

In 2015, we were honored to win the National Minority Business Council’s (NMBC) Outstanding Corporate Supplier Diversity Award for our Supplier Diversity Program. Launched in 1998, our Supplier Diversity Program supports women and minority-owned businesses.

Who We Are

Morgan Stanley is successful because of our talented, diverse and engaged employees. Giving back to the community is a cornerstone of our culture. Our employees make positive impacts through charitable giving and volunteer programs, as well as through the Morgan Stanley Foundations.

Employees

Morgan Stanley’s collaborative and client-focused culture is guided by the Firm’s four core values: putting clients first, doing the right thing, leading with exceptional ideas and giving back. Every day, as our employees uphold these values and strive for excellence, they secure the Firm’s long-term success.

As an employer of more than 55,000 people in 40 countries, we understand the importance of cultivating a diverse, professional and supportive culture. We do that by investing in top talent, engaging our employees and prioritizing their development and well-being.

Employee Engagement

Communicating regularly with our employees is essential to how we operate and foster a supportive, inclusive envi-

ronment. We encourage open, honest feedback from employees through town hall meetings, open door sessions with senior managers, informal lunches, the 360° feedback program and a biennial employee engagement survey, which allow us to capture employees’ sentiments and address concerns.

This culture contributes to our employees’ desire to stay with Morgan Stanley for the long term. Year-over-year voluntary turnover rates have generally remained flat and within expected ranges. [G4-LA1]

Strengthening Our Culture

In 2015, we dedicated much of our talent agenda to furthering our culture across the entire employee base. Efforts included Firmwide Managing Director conferences and dialog on culture and team conduct, feedback from confidential employee surveys and leader-led “culture conversations”

emphasizing ethical decision-making. Additionally, we continued to integrate culture themes into major talent-development processes, including promotion criteria and performance evaluations, particularly at senior levels. Adherence to our core values is embedded in our culture and is a key factor when making pay and promotion decisions. In 2015, we included conduct as a factor in the documentation required for employees who are material risk takers (MRTs). MRTs are employees who, as part of their role or function, can take or influence risk that is material to a business unit or Firm.

Attracting, Retaining and Developing Talent

Morgan Stanley’s dedication to our core values helps us attract and retain the best talent. Our 2015 global campus recruiting campaign — “What Will You Create?” — invited candidates to consider who they will become and the impact they will have through a career at Morgan Stanley. The campaign was built on the momentum of “Capital Creates Change,” the Firm’s global marketing campaign that underscores Morgan Stanley’s strategic impact by featuring our work and its effect on our clients.

Voluntary turnover rates by region (%)

Region	2013	2014	2015
Asia Pacific	12	13	12
EMEA	12	13	12
North America	11	10	10

“Our success depends on the diversity, innovation and intellectual curiosity of our people and our ability to attract and recruit the very best talent. By illustrating who we are and what we do, we’re helping the next generation understand how a career at Morgan Stanley means endless possibilities for making a difference.”

—Jeff Brodsky, Chief Human Resources Officer

In addition to ongoing informal feedback, our Performance Evaluation process allows employees at all levels to give and receive constructive feedback on their performance and development. This formalized feedback not only supports professional development among employees, including managers, but also helps the Firm identify and reward high-performing individuals. [\[G4-LA11\]](#)

Morgan Stanley has a clear and well-defined “pay for performance” philosophy that permeates our culture and motivates our employees. As part of the Firm’s commitment to attract and retain top talent, we regularly evaluate pay practices to ensure we continue to compensate employees competitively and in consideration of Firm, divisional and individual performance.

Our culture of apprenticeship and mentoring the next generation makes on-the-job professional development a key component of what we do. Employees learn each day while working together

in highly collaborative teams, through meaningful client and mentor interactions or management support. Additionally, Morgan Stanley upgraded the Employee Development Portal in 2015, a website with on-demand professional, management and leadership-centered resources. Combining an existing inventory of articles, e-courses and videos with a continuously refreshed catalogue of new material — from sources like *Harvard Business Review*, Big Think, Ted Talks, Forbes and Intuition — the portal is self-directed and easily accessible anytime for individualized learning. [\[G4-LA10\]](#)

Leadership & Culture Award

Outstanding leadership is essential to shaping the actions and decisions that drive our culture. Each year, Morgan Stanley awards the John J. Mack Leadership & Culture Award to a small number of exemplary employees who go above and beyond their day-to-day responsibilities to inspire their colleagues. These leaders, with a variety of backgrounds and experiences, share a common drive to strengthen the Firm and the communities in which they live and work. Their leadership truly exemplifies our culture and values. In 2015, five employees received a \$5,000 award to donate to a charity of their choice:

- **Charles F. Burke, Executive Director, Investment Management, New York**
- **Raul Costa, Managing Director, Risk Management, Budapest**
- **April Tam Smith, Executive Director, Institutional Equity Division, New York**
- **Lori Villegas, Senior Vice President, Wealth Management, Baltimore**
- **Caroline Wong, Executive Director, Corporate Affairs, Hong Kong.**

Engaging Employees in Sustainability

In the weeks leading up to the historic climate change agreement at the 21st session of the United Nations Conference of the Parties (COP21) in December 2015, hundreds of Morgan Stanley employees in Asia, India, the UK and United States participated in events that raised awareness about sustainability and how to integrate sustainable practices into their lives.

Events ranged from cleaning beaches and rivers to learning about B Corps, for-profit companies certified to meet rigorous standards of social and environmental performance, accountability and transparency.

These engagement opportunities were part of the Firm’s annual Sustainability Month, which was hosted by the Environment and Social Finance Forum, an employee-led volunteer group with more than 1,500 members globally and guided by the Firm’s Global Sustainable Finance Group.

Supporting Networking

Networking is essential to an employee’s career development. Employee networking groups are Firm-sponsored organizations that foster professional development and employee engagement through year-round programming. Employees learn more about the Firm, connect with colleagues across business units, share ideas, participate in volunteer activities and advance the Firm’s culture of inclusion. Morgan Stanley sponsors these employee networking groups:

- Asian Employee Networking Group
- African Caribbean Business Alliance
- Black Employee Networking Group
- Disability Taskforce
- Family Network
- Latino Employee Networking Group
- Multicultural Employee Networking Group (Wealth Management)

- Net EastAsia
- Net SouthAsia
- Net-Eire
- Pride and Ally Employee Networking Group (Lesbian, Gay, Bisexual and Transgender)
- Veterans Employee Networking Group
- Women's Business Alliance
- Women's Employee Networking Group (Wealth Management).

Diversity

Morgan Stanley is committed to building a diverse workforce and inclusive culture that supports and celebrates employees with unique ideas and diverse backgrounds at all levels of our workforce. Our Employee Code of Conduct prohibits any form of discrimination or harassment on the basis of any characteristic that is protected by law and holds all Morgan Stanley employees to the highest standard of conduct. We foster a work environment that provides all employees with equal opportunity and respect.

Recruiting and Developing Diverse Talent

By cultivating diverse talent at the highest levels of the Firm, including the Operating and Management Committees, we are fostering growth for diverse team members. Additionally, we strategically recruit diverse top talent by building a strong pipeline of junior talent through targeted programs that provide students with necessary professional development tools for long-term success:

- The Richard B. Fisher Scholarships grants financial awards and summer internships to outstanding black, Hispanic, Native American and LGBT college sophomores and juniors.
- Sponsors for Educational Opportunity places underrepresented multicultural college students in internships across various industries.
- The Early Insights Program educates students who are female, black, Hispanic, LGBT or veterans about the financial services industry and Morgan Stanley.

- Return to Work creates career re-entry opportunities for skilled professionals through a 12-week paid internship. Since its inception in 2014, more than 60 percent of participants in New York and London have received permanent job offers from the Firm. In 2015, the program expanded to Hong Kong and Mumbai.

These programs are showing results. Nearly 50 percent of Financial Advisor Associates hired in 2015 were from diverse backgrounds.

Creating an Inclusive Community

Celebrating diversity through collaborations and events is a priority of the Firm. For example, throughout February 2015, Morgan Stanley celebrated Black History Month in the United States with a series of discussions on the power of authenticity and relationships in driving career success. Senior employees, career experts and media personalities offered perspectives on communicating shared experiences and embracing one's identity on the path to leadership.

Our support of lesbian, gay, bisexual and transgender (LGBT) talent is exemplified by our commitments, activities and recognitions throughout 2015: [\[G4-16\]](#)

- Morgan Stanley signed a historic US Supreme Court amicus brief in favor of the decision to legalize marriage equality. Signed by 378 other organizations, the brief presented the business argument for corporate support of nationwide same-sex marriage.
- Morgan Stanley hosted Out Leadership's fifth annual Out on the Street leadership summit, a day of events that brought together senior leaders from across financial services to focus on the progress and challenges that remain in realizing full LGBT equality. There were more than 300 participants, and events included panel discussions, keynotes and fireside chats with senior executives, including Chairman and CEO James Gorman and other members of the Firm Operating Committee.
- Morgan Stanley was recognized as one of the top five employers at the Hong

Kong LGBT Workplace Inclusion Index awards lunch, receiving a Gold Standard for overall performance and community business outreach.

Supporting Women's Careers

Morgan Stanley demonstrates our commitment to female talent at every career stage through development, engagement and philanthropic initiatives across the Firm and in the communities where our employees live and work.

The Firm's Women's Business Alliance (WBA) is a strategic business-driven initiative that integrates, encourages and promotes career development, cross-business connectivity and idea sharing across the Firm through programming and networking events. The WBA has more than 5,000 members globally, with chapters in New York, London, Glasgow, Hong Kong, Tokyo and other cities.

In 2015, the Morgan Stanley Women's Working Group launched an Open Doors Series: Conversations with Women Leaders at Morgan Stanley. This initiative connects mid-level women with a senior woman in an intimate, small-group setting.

In addition to Firmwide programs, several divisions have specific efforts to support the hiring, retention and promotion of women. For example, in 2015, Morgan Stanley's Institutional Securities Group launched ISG Connects, a six-month program that matches senior leaders as mentors to a select group of high-performing employees, helping them navigate pathways to sponsorship. So far, more than 100 women globally have participated in mentee training with their managers and mentors.

In March 2015, Morgan Stanley brought together more than 300 female clients from the investment and corporate worlds for our eighth Executive Women's Conference in New York. The clients represented more than \$3.5 trillion in market capitalization and \$22 trillion in assets under management.

External organizations including *LATINA Style* and *Working Mother* mag-

United States workforce diversity 2015 [G4-10, G4-LA12]

	Black or African-American (%)	Hispanic or Latino (%)	Asian (%)	American-Indian or Alaskan Native (%)	Native-Hawaiian or Pacific Islander (%)	Two or More Races (%)	White (%)
Executives, Senior Officials & Managers	1.8	2.8	8.3	0.1	0.0	0.4	86.7
First & Mid-level Managers	5.2	5.4	20.1	0.2	0.1	1.1	67.9
Professionals ¹	2.6	4.5	9.2	0.2	0.1	1.1	82.4
All Others ²	9.3	9.6	6.7	0.3	0.4	1.6	72.1
2015 Total	4.9	6.0	11.3	0.2	0.2	1.2	76.3
2014 Total	5.0	5.7	10.8	0.2	0.2	1.1	77.0
2013 Total	4.7	5.4	10.5	0.1	0.1	0.9	77.8

¹ Includes EEO-1 category Sales Workers.

² Includes EEO-1 categories Technicians, Administrative Support and Service Workers.

azines recognized our efforts. In addition to those awards, women across the Firm were acknowledged for their professional achievements, exemplifying our commitment to building a diverse workforce and an inclusive culture that supports female talent. In 2015, female employees made up 38 percent of our global workforce, and women comprised 21 percent of promotions to Managing Director during the year.

Developing and Advancing Multicultural Talent

We are committed to developing exceptional individuals to shape and strengthen our business and bring value to our clients. We offer multicultural leaders challenging opportunities, career develop-

ment programs, networking opportunities, coaching and access and exposure to senior management.

- Multicultural Professional Development Series (MPDS): The Multicultural Professional Development Series is intended to develop and engage junior Black and Hispanic talent. Through a series of engaging professional development sessions and interactions with Morgan Stanley leaders, the program participants will develop the skills and build networks that are essential for career success.
- Leadership Engagement and Development Program (LEAD): A six-month program for Black and Hispanic VPs

and EDs to focus on skills and development, building networks and leadership skills.

- Wealth Management Multicultural Leadership Summit: A unique summit for our diverse Financial Advisors that offers peer mentoring, business development and networking opportunities.

Engaging Multicultural Talent

We have a number of efforts in place to connect our employees and create a greater sense of engagement with the Firm, ultimately allowing individuals to perform to their highest potential. The Firm's ENGs foster an environment of inclusiveness through speaker series, professional development opportunities, networking events, community outreach, and volunteering activities. ENGs with a multicultural focus include:

- Asian Employee Networking Group
- Latino Employee Networking Group
- Wealth Management Multicultural Networking Group
- African Caribbean Business Alliance (EMEA)
- Net SouthAsia (EMEA)
- Net EastAsia (EMEA).

Female employees by region [G4-10, G4-LA12]

(% of workforce)	2014	2015
Asia Pacific	34	36
EMEA	33	35
Japan	39	42
North America	38	38
Global	37	38

Supporting Working Families

Morgan Stanley supports working parents through a variety of programs including the Family Network, which provides resources and support on topics including elder care, adoption, work-life integration and stress management. The Family Network offers a quarterly webinar series tailored to parents preparing for paid parental leave.

The Firm also expanded its partnership with Girls Leadership, a nonprofit that teaches girls how to be more self-confident, express themselves and create change in their world. In October 2015, the Firm and Girls Leadership co-hosted a series of interactive weekend workshops for Morgan Stanley mothers, fathers, other primary caregivers and their daughters.

Morgan Stanley Named to Working Mother Magazine's 100 Best Companies List

Supporting women's careers is a top priority at Morgan Stanley. In 2015, Working Mother magazine recognized Morgan Stanley as one of its "100 Best Companies," for the 14th time for our leading family-friendly programs and work-life efforts in the United States

"Creating a workplace environment that enables working parents and caregivers to support their families while doing their jobs and managing their careers says a great deal about Morgan Stanley as an employer."

– Tom Nides, Vice Chairman

Female employees by level of employment in the United States [G4-10, G4-LA12]

	Female %
Executives/Senior Officials & Managers	17.9
First/Mid-level Managers	35.6
Professionals ¹	22.5
All Others ²	74.5
2015 Total	38.7
2014 Total	38.6
2013 Total	37.9

¹ Includes EEO-1 category Sales Workers.
² Includes EEO-1 categories Technicians, Administrative Support and Service Workers.

Female employees promoted to Managing Director [G4-LA12]

	2013	2014	2015
% of promotions	27	22	21

Supporting Employee Health and Well-being

The professional success of our employees depends on their health and well-being. To help employees and their families enjoy a high quality of life, in both their personal and professional lives, the Firm provides employees with a variety of tools and resources.

In 2015, we launched Employee Offers, our comprehensive benefits site, in the United States. It will roll out in Asia in 2016. This one-stop-shop gives employees access to about 250 Firm programs — from comprehensive health care resources and financial support for adoption to access to financing at discounted rates, childcare options and lactation and Lamaze classes to discounted travel, free museum access and more. The website is user friendly, updated regularly, hosts videos and guides employees in making the most of our offers. About 75 percent of employees have visited the site, with an average of 6,000 employees visiting monthly.

Several new offerings were introduced in 2015, including:

- US employees now have an expanded menu of medical plan options, including a new consumer-driven health plan with tax-advantaged Health Savings Accounts. The addition of this offering was a response to employee demand and lets employees plan for current and future health care expenses.
- Given the complexities of health care in the United States, the Firm's team of Health and Wellness Advisors help employees understand their benefits options and identify the best programs for them and their families.
- We expanded our complimentary expert medical second opinion program to include employees' adult children, parents and parents-in-laws, and introduced a new partner: 2nd.MD.
- We offer a program for employees, their spouses and children to refinance student loans at exclusive discounted rates with SoFi.

Our wellness benefits and programs continue to support our employees' vitality. In 2015, we hosted more than 60 wellness events in the United States alone, attended by 12,500 employees. Additionally, we continued to offer basic health training and resources, such as individualized ergo-

conomic office-assessments, stress management advice and onsite Wellness Centers in the New York metro area, which feature full-time health care providers, physical therapists, fitness facilities and complementary health coaching. We are also committed to ensuring that our employees do not experience injuries in the workplace. [G4-LA7]

Giving Back

For nearly 80 years, Morgan Stanley has worked with individuals, families, businesses and institutions — using our intellectual capital to help our clients solve complex problems.

Through our philanthropic efforts, we bring the same dedicated approach to help strengthen local communities – combining the Firm’s talent and resources to create meaningful, lasting social impact through innovative solutions. The Firm and our employees provide more than \$106 million, annually, to nonprofit organizations across the United States and around the world. [G4-EC8, G4-SO1]

The Morgan Stanley Foundation

The Morgan Stanley Foundation supports local communities and nonprofit organizations through targeted local grants, unique programs and employee engagement. We focus our efforts around four major areas:

- Improving the health and well-being of children through philanthropic partnerships and investments in pediatric care
- Engaging employees by encouraging and rewarding volunteerism
- Creating access and opportunity in the financial services industry for students

from diverse and underserved communities

- Supporting the Firm’s response to natural disasters and other tragedies.

Global Alliance

Morgan Stanley’s Global Alliance demonstrates the Firm’s promise to give back and act with generosity. With commitments of more than \$128 million and more than 40 partners globally, the alliance has actively worked in our communities for more than 40 years to give children the healthy start they need for lifelong achievement.

The program works with leading nonprofits that have had quantifiable success improving children’s well-being. Through a multidisciplinary approach — thought leadership, funding and direct volunteer engagement — we work with these partners on long-term projects, creating excellence together that ensures continuity of services and sustainable outcomes.

Healthy Cities Initiative

The Healthy Cities Initiative is a long-term partnership with strategic nonprofits to implement youth-focused health and well-being programs in local communities. Since its launch in 2014, the program has served communities in Chicago, Illinois; Newark, New Jersey; Oakland, California; London, UK; and Cleveland, Ohio. Most recently, it expanded to New Orleans, Louisiana.

Morgan Stanley Healthy Cities integrates wellness, nutrition and play — the fundamentals children need for a healthy start. To date, this initiative has delivered a total of 586,592 nutritious meals, 1,228 medical screenings and safe play spaces for more than 4,000 children and their families.

Pediatric Mobile Medical Clinic

Medically underserved children living in neighborhoods on Chicago’s South and West sides now benefit from increased access to health care with a new state-of-the-art Children’s Health Fund mobile medical clinic. This “doctor’s office on wheels” was made possible through a generous grant from the Morgan Stanley Foundation and will be operated in partnership with University of Chicago Medicine and Comer Children’s Hospital.

Launched in November 2015, the pediatric mobile medical clinic will provide thousands of children with access to high quality care, expected to result in more than 1,400 medical encounters each year across Chicago. The new mobile medical clinic is part of the Morgan Stanley Foundation’s support for the Children’s Health Fund’s Urban Health Initiative, which helps children across the United States live healthier lives.

Grow Clinics

Through a \$2 million partnership with a network of US Grow Clinics, Morgan Stanley helps provide specialty medical, nutritional and social services, as well as dietary assistance to children diagnosed with Failure to Thrive syndrome primarily due to poverty. Now in its tenth year, the partnership has provided comprehensive care to more than 8,000 babies and toddlers in Boston, Massachusetts; Chicago, Illinois; Houston, Texas; and Los Angeles, California.

Responding to Global Challenges

In 2015, we maintained our commitment to helping communities affected by natural disasters. In April, Nepal experienced a magnitude 7.8 earthquake, its worst natural disaster in 80 years. Less than three weeks later, another earthquake and its aftershocks added to the chaos, claiming thousands of lives, injuring thousands more and leaving tens of thousands homeless. In response, the Firm offered a dollar-for-dollar employee gift-matching program to provide up to \$100,000 to support the American Red Cross in their efforts to provide short-term emergency

Charitable giving

	2013	2014	2015
	\$91M	\$98M	\$106M

relief throughout the region, including shelter and food. In just the first week, 629 employees raised more than \$64,000.

In September 2015, the Morgan Stanley Foundation announced a grant of \$100,000 to the International Rescue Committee (IRC) to provide aid for the global refugee crisis. The IRC helps people whose lives are shattered by conflict and disaster survive, recover and gain control of their future, with a focus on assisting refugee populations.

Seventy-five percent of the grant was earmarked for Syrian refugees, while the remaining 25 percent benefited other global issues, including the continued diaspora of refugees from Myanmar. The funds support IRC in providing critical assistance to Syrian refugees in Greece, Iraq, Jordan, Lebanon, Syria and Turkey. The services include health, education, family and child protection, water and sanitation.

Morgan Stanley has supported IRC since 2010 and IRC was a participant in the 2014 Strategy Challenge.

Global Volunteer Month

Each year, our employees around the globe donate their time and expertise during Global Volunteer Month. In June 2015, our tenth annual program, 41,524 employees across 530 cities donated a total of 281,043 hours, exceeding our goal of 250,000 service hours. Since the launch of Global Volunteer Month in 2006, Morgan Stanley employees have donated more than 1.6 million total hours.

Recognizing Employees

We celebrate employees who volunteer their time throughout the year through funding and formal recognition. In 2015, we continued to support the employees who gave back:

- **Volunteer Incentive Program (VIP):** Since 1993, the Morgan Stanley Foundation has supported hundreds of nonprofit organizations through the VIP. Full-time permanent employees in the United States who volunteer with eligible organizations may apply to receive VIP grants of up to \$2,000 for two

nonprofits per year. The Foundation awards nearly \$3 million in VIP grants annually to more than 900 charities in 972 cities across 49 states.

- **Matching support:** Employees who give through Firm fundraising efforts are eligible to receive up to \$4,000 in Charitable Spending Account matching funds through our Annual Appeal program. In 2015, 25,000 employees helped raise more than \$43.5 million through the Annual Appeal.

2015 Volunteer Highlights

- **Total number of volunteer hours in 2015: 573,000**
- **More than 74 percent of employees globally participated in Global Volunteer Month across 530 cities and 41,524 employees donated a total of 281,043 hours, exceeding our goal of 250,000 hours**
- **\$106 million in Firm and employee philanthropic giving, representing an 8 percent jump from 2014**

Strategy Challenge

The seventh annual US Strategy Challenge, in which top performing Morgan Stanley employees provide pro bono strategic advice to nonprofits, culminated in June 2015 with a competition at the Firm's headquarters. The Challenge utilizes the expertise of the Firm's employees and put their analytical skills and strategic thinking to work with nonprofits.

Over a 10-week period, 36 employees partnered with nine organizations to provide 8,000 hours of services, a market value equivalent of about \$1.2 million, based on standards developed by the Taproot Foundation.

The New York-based Headstrong Project, which helps veterans recover from posttraumatic stress disorder and related conditions, came in first place, followed by the New York Center for Autism Charter School and the Grace Institute, which provides tuition-free education and business training to economically disadvantaged women.

Over the past seven years, the Strategy Challenge has delivered more than 56,000 hours, valued at about \$8.6 million, to 90 nonprofit organizations. This figure, however, does not capture the additional value that the actual recommendations and strategies bring to the nonprofits through productivity improvements, new revenue streams and more efficient business models.

In May 2015, Morgan Stanley also concluded the second annual UK Strategy Challenge, in which five London-based nonprofits benefited from the expertise of 25 employees. Collectively, participants donated 3,000 hours, spending time researching, analyzing data and developing a set of recommendations. The UK competition winners were Rays of Sunshine Children's Charity and ThinkForward, which supports successful school to work transitions for young adults.

¹ "2013 Report Card for America's Infrastructure," American Society of Civil Engineers.

² Based on gross asset value, at ownership.

³ Energy Star certification is achieved with a score of 75 or higher.

⁴ "Projecting Trends in Severely Cost-Burdened Renters: 2015-2025." Enterprise Community Partners and the Harvard Joint Center for Housing Studies. <http://www.enterprisecommunity.com/resources/ResourceDetails?ID=0100886>.

Global Reporting Initiative G4 Index

General Standard Disclosures

G4-1 A Letter from Our CEO, page 4

Organizational Profile

G4-3 Morgan Stanley

G4-4 2015 Form 10-K, page 1

G4-5 1585 Broadway, New York, NY 10036

G4-6 2015 Form 10-K, page 23

[Global Offices](#)

Who We Are, pages 41-47

G4-7 Morgan Stanley is publicly traded on the New York Stock Exchange

G4-8 2015 Form 10-K, page 1

G4-9 2015 Form 10-K, page 1

2015 Form 10-K, page 23

2015 Form 10-K, pages 122-126

Who We Are, pages 41-47

G4-10 Who We Are, pages 43-45

G4-11 Approximately 2 percent of our contingent employees are represented by unions or work councils

G4-12 How We Operate, page 40

G4-13 All significant changes to the organization are reported in the 2015 Form 10-K

G4-14 Morgan Stanley does not employ the precautionary approach to environmental issues

G4-15 How We Operate, pages 32-33

How We Operate, pages 37-40

G4-16 How We Operate, page 32

How We Operate, page 33

How We Operate, page 40

Who We Are, page 43

Identified Material Aspects and Boundaries

G4-17	This report covers all entities included in our 2015 Form 10-K
G4-18	Report content and aspect boundaries are guided by the results of a materiality assessment conducted in 2014
G4-19	All material aspects are included in this index
G4-20	Please refer to disclosures on management approach for descriptions of each aspect's relevance to Morgan Stanley's business and stakeholders
G4-21	Please refer to disclosures on management approach for descriptions of each aspect's relevance to Morgan Stanley's business and stakeholders
G4-22	No information in this report has been restated unless described in the text
G4-23	There are no significant changes to scope or aspect boundaries from our previous reports

Stakeholder Engagement

G4-24	How We Operate, page 33
G4-25	How We Operate, page 33
G4-26	How We Operate, page 33
G4-27	How We Operate, page 33

Report Profile

G4-28	Calendar year 2015 representing January 1, 2015, through December 31, 2015
G4-29	Calendar year 2014
G4-30	Annual
G4-31	sustainability@morganstanley.com
G4-32	This report has been prepared in accordance with the GRI G4 Core guidelines
G4-33	Morgan Stanley's global environmental data is verified by Bureau Veritas North America to the ISO 14064-3 standard. In the UK, our offices and data centers are certified by the Carbon Trust

Governance

G4-34	How We Operate, page 30 How We Operate, page 31
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Ethics and Integrity

G4-56	How We Operate, pages 30-33
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Specific Standard Disclosures

Economic Disclosures

Economic Performance			
G4-DMA	2015 Form 10-K Who We Are, pages 46-47		
G4-EC1	2015 Form 10-K Who We Are, pages 46-47		
G4-EC2	2015 Form 10-K, pg 19 CDP Report How We Operate, pages 36-37	Morgan Stanley does not report the cost of activities taken to manage the risk or opportunity	The information is subject to specific confidentiality constraints

Indirect Economic Impacts			
G4-DMA	2015 Form 10-K What We Do, pages 27-29		
G4-EC7	What We Do, pages 22-23 What We Do, pages 27-29 Who We Are, pages 46-47		
G4-EC8	What We Do, pages 22-23 What We Do, pages 27-29 Who We Are, pages 46-47		

Environmental Disclosures

Energy	
G4-DMA	CDP Report How We Operate, pages 37-40 This aspect has been externally assured: see G4-33
G4-EN3	How We Operate, pages 37-39
G4-EN4	CDP Report How We Operate, pages 37-39
G4-EN6	CDP Report How We Operate, pages 37-39

Emissions	
G4-DMA	CDP Report How We Operate, pages 37-40 This aspect has been externally assured: see G4-33
G4-EN15	CDP Report How We Operate, pages 37-39
G4-EN16	CDP Report How We Operate, pages 37-39
G4-EN17	CDP Report How We Operate, pages 37-39
G4-EN18	CDP Report

G4-EN19	CDP Report How We Operate, pages 37-39		
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Effluents and Waste

G4-DMA	How We Operate, pages 37-40		
G4-EN23	How We Operate, page 39	Morgan Stanley does not report total weight of waste for all locations	The information is currently unavailable

Products and Services

G4-DMA	What We Do, pages 22-23 What We Do, pages 24-26		
G4-EN27	What We Do, pages 24-25 What We Do, pages 26-27	Morgan Stanley does not quantify the environmental impacts of all products and services offered	The information is currently unavailable

Supplier Environmental Assessment

G4-DMA	How We Operate, page 40		
G4-EN32	How We Operate, page 40	Morgan Stanley does not quantify the percentage of new suppliers screened using environmental criteria	The information is currently unavailable

Social: Labor Practices and Decent Work Disclosures

Employment

G4-DMA	Who We Are, pages 41-46		
G4-LA1	Who We Are, page 41	Morgan Stanley does not report the total number and rate of new hires or total number of employee turnover by age group, gender or region	The information is currently unavailable

Training and Education

G4-DMA	Who We Are, pages 41-42		
G4-LA10	Who We Are, pages 41-42		
G4-LA11	Who We Are, pages 41-42	Morgan Stanley does not report the percentage of employees by gender and category who received a performance review	The information is currently unavailable

Diversity and Equal Opportunity

G4-DMA	Who We Are, pages 41-46		
G4-LA12	Board of Directors How We Operate, page 30 Who We Are, pages 43-45	Morgan Stanley does not report employee age diversity	The Standard Disclosure or part of the Standard Disclosure is not applicable

Labor Practices Grievance Mechanisms

G4-DMA	How We Operate, page 32
G4-LA16	Morgan Stanley did not receive any grievances related to labor practices in 2015

Social: Human Rights Disclosures

Investment

G4-DMA	Statement on Human Rights How We Operate, pages 30-33 How We Operate, pages 33-37		
G4-HR1	How We Operate, page 32 How We Operate, pages 35-36	Morgan Stanley does not quantify the number or percent of investment agreements and contracts that undergo human rights screening	The information is currently unavailable
G4-HR2	How We Operate, page 32	Morgan Stanley does not report the total number of hours of employee training on human rights policies	The information is currently unavailable

Freedom of Association and Collective Bargaining

G4-DMA	Statement on Human Rights How We Operate, page 32
G4-HR4	How We Operate, page 32

Indigenous Rights

G4-DMA	Statement on Human Rights How We Operate, page 32
G4-HR8	Morgan Stanley was not involved in any violations related to rights of indigenous people within our direct operations.

Supplier Human Rights Assessment

G4-DMA	Statement on Human Rights How We Operate, page 32		
G4-HR10	How We Operate, page 32	Morgan Stanley does not quantify the percentage of new suppliers screened using human rights criteria	The information is currently unavailable

Human Rights Grievance Mechanisms

G4-DMA	Statement on Human Rights How We Operate, page 32
G4-HR12	Morgan Stanley is not aware of grievances filed in relation to human rights.

Social: Society Disclosures

Local Communities

G4-DMA	What We Do, pages 27-29 Who We Are, pages 46-47		
G4-SO1	What We Do, page 27 Who We Are, pages 46-47	Morgan Stanley does not quantify the percentage of operations with implemented local community engagement, impact assessment and development programs	The Standard Disclosure or part of the Standard Disclosure is not applicable
FS13	What We Do, pages 27-29 Morgan Stanley does not have a significant retail banking presence		
FS14	What We Do, pages 27-29		

Anti-Corruption

G4-DMA	How We Operate, pages 30-33		
G4-SO3	All of our business units are analyzed for risks related to corruption		
G4-SO4	How We Operate, page 32 Our Code of Conduct applies to all employees, governance body members and suppliers		

Public Policy

G4-DMA	How We Operate, pages 32-33		
G4-SO6	www.fec.gov How We Operate, page 33		

Anti-Competitive Behavior

G4-DMA	2015 Form 10-K		
G4-SO7	2015 Form 10-K, pg. 24-32		

Compliance

G4-DMA	2015 Form 10-K		
G4-SO8	2015 Form 10-K, pg. 24-32		

Product Responsibility Disclosures

Product and Service Labeling

G4-DMA	How We Operate, pages 30-33 How We Operate, pages 33-37		
G4-PR4	2015 Form 10-K, pages. 24-32		
G4-PR5	How We Operate, page 33	Morgan Stanley does not report the results of customer/client satisfaction surveys	The information is subject to specific confidentiality constraints

Marketing Communications

G4-DMA	How We Operate, page 34		
G4-PR6	Morgan Stanley does not sell banned or disputed products		

Marketing Communications

G4-DMA	Privacy Pledge How We Operate, page 32		
G4-PR8	In 2015, Morgan Stanley did not receive any fines or sanctions for noncompliance with laws and regulations on personal data handling		

Compliance

G4-DMA	2015 Form 10-K		
G4-PR9	2015 Form 10-K, pg. 24-32		

Product Portfolio

G4-DMA	Environmental Policy Statement What We Do, pages 22-29 How We Operate, pages 35-36		
G4-FS6	2015 Form 10-K What We Do, pages 22-29	Morgan Stanley does not report the value of the portfolio for each business line as a percentage or total of on-balance sheet assets	The information is subject to specific confidentiality constraints
G4-FS7	What We Do, pages 22-23 What We Do, page 23 What We Do, page 25		
G4-FS8	What We Do, pages 22-26		

Audit

G4-DMA	Morgan Stanley does not formally audit implementation of ESG policies and procedures. Our internal audit function monitors all policies and procedures relevant to the Firm		
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Active Ownership

G4-DMA	Morgan Stanley has a Proxy Voting Policy. Morgan Stanley Investment Management also has an ESG approach document
G4-FS10	Morgan Stanley Investment Management Corporate Governance team engages with 80 companies on ESG issues
G4-FS11	How We Operate, pages 35-36

Disclosure

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Equity securities' prices may fluctuate in response to specific situations for each company, industry, market conditions and general economic environment. Companies paying dividends can reduce or cut payouts at any time.

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.

International investing entails greater risk, as well as greater potential rewards compared to U.S. investing. These risks include political and economic uncertainties of foreign countries as well as the risk of currency fluctuations. These risks are magnified in countries with emerging markets, since these countries may have relatively unstable governments and less established markets and economics.

REITs' investing risks are similar to those associated with direct investments in real estate; lack of liquidity, limited diversification, and sensitivity to economic factors such as interest rate changes and market recessions.

Please note that there is currently no standard definition of green bond. Without limiting any of the statements contained herein, Morgan Stanley Smith Barney LLC makes no representation or warranty as to whether this bond constitutes a green bond or conforms to investor expectations or objectives for investing in green bonds. For information on characteristics of the bond, use of proceeds, a description of applicable project(s), and/or any other relevant information about the bond, please reference the offering documents for the bond.

Alternative investments often are speculative and include a high degree of risk. Investors could lose all or a substantial amount of their investment. Alternative investments are suitable only for eligible, long-term investors who are willing to forgo liquidity and put capital at risk for an indefinite period of time. They may be highly illiquid and can engage in leverage and other speculative practices that may increase the volatility and risk of loss. Alternative Investments typically have higher fees than traditional investments. Investors should carefully review and consider potential risks before investing.

Private Funds (which include hedge funds and private equity funds) often engage in speculative investment techniques and are only suitable for long-term, qualified investors. Investors could lose all or a substantial amount of their investment. They are generally illiquid, not tax efficient, and have higher fees than many traditional investments.

The investor should note that funds that invest exclusively in one sector or industry involve additional risks. The lack of industry diversification subjects the investor to increased industry-specific risks.

Investment returns will fluctuate so that an investor's shares when redeemed may be worth more or less than original cost. Investors should carefully consider the investment objectives and risks as well as charges and expenses of a mutual fund or exchange traded fund (ETF) before investing. To obtain a prospectus, contact your Financial Advisor or visit the fund company's website. The prospectus contains this and other information about the mutual fund or ETF. Read the prospectus carefully before investing.

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