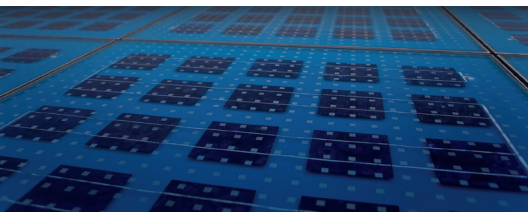


2012 Sustainability Report



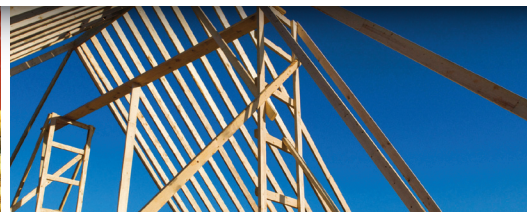
Environment

We work with the public and private sectors to finance and encourage innovation in an exciting sector that stretches from cleantech to carbon trading.



Social Finance

Morgan Stanley's social finance activities enable the provision of basic services to poor and disadvantaged communities.



Community Development

Morgan Stanley is committed to building communities in which all people have social and economic opportunity.



Public Finance

Our innovation and expertise in public finance contribute to the growth and operations of municipal, educational and cultural institutions, making communities healthier and more vibrant.

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Morgan Stanley is a global financial services firm that provides investment banking, securities, investment management and wealth management services to a large, diversified group of clients and customers, including corporations, governments, financial institutions and individuals. As of March 31, 2013, we had a workforce of more than 55,000 employees worldwide.

OUR CLIENT-CENTERED BUSINESSES INCLUDE:

Institutional Securities — provides financial advisory and capital-raising services to a diverse group of corporate and other institutional clients globally. These services include advice on mergers and acquisitions, restructurings, real estate and project finance; corporate lending; sales, trading, financing and market-making activities in equity and fixed-income securities and related products, including foreign exchange and commodities; and investment activities. In 2012, we were ranked #1 in global initial public offerings (IPOs) by Thomson Reuters and #2 in global announced mergers and acquisitions (M&A) and global equities. High-profile deals we led included the Japan Airlines IPO and Abbott Laboratories' spin-off of AbbVie.

Global Wealth Management Group — includes the retail wealth management business, Morgan Stanley Wealth Management. GWM provides brokerage and investment advisory services to individual investors and small-to-medium-sized businesses and institutions covering various investment alternatives; financial and wealth planning services; annuity and other insurance products; credit and other lending products; cash management services; retirement services; and trust and fiduciary services and engages in fixed income principal trading, which primarily facilitates clients' trading or investments in such securities. We serve our clients through a network of nearly 16,300 global representatives in 691 locations, and as of March 31, 2013, the Global Wealth Management Group had \$1.794 billion in client assets. In early 2013, Barron's named 209 Morgan Stanley Wealth Management financial advisors to its list of top 1,000 advisors, and five of the firm's financial advisors were ranked first in their respective states.

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Asset Management—consisting of Traditional Asset Management, Merchant Banking and Real Estate Investing activities, is one of the largest global investment management organizations of any full-service financial services firm and offers clients a broad array of equity, fixed income and alternative investments and merchant banking strategies. Portfolio managers located in the U.S., Europe and Asia manage investment products ranging from money market funds to equity and fixed income strategies, alternative investment and merchant banking products in developed and emerging markets across geographies and market cap ranges.

For further information about Morgan Stanley, please visit our website, www.morganstanley.com.

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ABOUT THIS REPORT

This report covers our global operations during the year ended December 31, 2012, unless otherwise stated. We explain our approach to sustainability—including the risks and opportunities—and outline our performance.

This year our reporting aligns with version 3.1 of the Global Reporting Initiative (GRI) guidelines. A GRI content index can be found on page 67. We have self-assessed the report at application level B.

Financial Information (dollars in millions)

	2012	2011	2010
Net Revenues			
Institutional Securities	\$10,553	\$17,175	\$16,129
Global Wealth Management Group	\$13,516	\$13,289	\$12,519
Asset Management	\$2,219	\$1,887	\$2,685
Net Revenues — Consolidated*	\$26,112	\$32,236	\$31,230
Noninterest Expense	\$25,597	\$26,137	\$25,032
Net Income Applicable to Morgan Stanley	\$68	\$4,110	\$4,703
Earnings (Loss) Applicable to Morgan Stanley Common Shareholders	(\$30)	\$2,067	\$3,594

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

Source: Form 10-K, December 31, 2012

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In the midst of the financial and economic upheavals of the last several years, Morgan Stanley has advanced our commitment to placing environmental, social and governance issues at the center of our business activities. We established the Global Sustainable Finance Group in 2009 to provide a focused, strategic approach to this effort. Today, having reaffirmed our

corporate strategy and taken actions to put Morgan Stanley on a path to more consistent, sustainable profitability, we remain committed to sustainability in all of its aspects.

This past year, we rearticulated our core values, which distill the essence of what matters most for Morgan Stanley—our clients, shareholders, employees and communities—and for our continued success in a world of continual change.

These values are illustrated throughout this year's sustainability report:

- *Putting clients first*—Many stakeholder engagement activities and a strengthened new product approval process actively demonstrate our commitment to acting in the best interests of clients
- *Leading with exceptional ideas*—In 2012, we launched our *Investing with Impact* Platform, enabling wealth management clients to create financial, social and environmental value. Our clean technology investment banking team engaged in advisory assignments, IPOs, and other financing transactions valued at over \$6 billion. These successes highlight our determination to identify unique opportunities and develop pioneering financial solutions that can benefit all stakeholders
- *Doing the right thing*—A strong culture of integrity, together with enhanced risk management policies and practices, including those

related to compensation, keep us focused on our pursuit of long-term shareholder value. With those practices, we seek to underscore the premium we place on honesty, collegiality and character

- *Giving back*—Innovative community development and philanthropic programs underscore a commitment to using our many resources, including intellect, capital and pro bono services, to strengthen our communities. The dedication of our employees, who last year contributed 176,000 hours to nonprofits around the globe, is exceptional

In our daily operations, too, we strive to demonstrate these values. We achieved our goal of reducing carbon emissions 15 percent from a 2006 baseline a year ahead of schedule in 2012. Our new goal calls for a further reduction of 15 percent in emissions from offices by 2017, a cumulative 37 percent reduction from 2006. The deliberate actions that led to our reduced carbon emissions have been recognized in the LEED certification attained by 21 of our buildings. Significantly, Morgan Stanley's headquarters building in New York recently received LEED Gold for Existing Buildings, acknowledging the many resource-saving initiatives we have implemented.

Throughout our 78-year history, we have built on the legacy of the exceptional individuals who founded Morgan Stanley. By remaining true to our values and aspiring to long-term sustainability, we will continue to honor that legacy while delivering lasting value to the many stakeholders whose trust and respect we value.

A handwritten signature in dark 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.

James P. Gorman
Chairman and Chief Executive Officer

Sustainability at Morgan Stanley

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As a global financial services firm, we are well positioned to contribute to sustainability through our business activities. The firm's resources and expertise facilitate access to capital and create sustainable business models that strengthen communities, provide economic opportunities and preserve environmental resources.

In addition to continuing our long-standing tradition of philanthropy, we focus on:

- *Environmental finance*: stimulating the development of a low-carbon economy
- *Public finance*: bringing capital to support health care, education, cultural institutions and other public services
- *Social finance*: promoting economic opportunity by increasing access to sustainable finance in low-income communities
- *Community development*: supporting affordable housing, employment opportunities and critical services to strengthen communities

SUSTAINABILITY GOVERNANCE

The Global Sustainable Finance Group (GSF) is responsible for the firm's sustainability strategy, reporting to senior management, the Board of Directors' Nominating and Governance committee, and an advisory council of Morgan Stanley senior executives. GSF works with business units to develop sustainable business models and products that can achieve social, environmental and financial returns, making it possible for investors and clients

to meet their goals. We strive to provide thought leadership on sustainable finance, initiating research and engaging widely to develop new thinking.

Morgan Stanley's Environmental Committee, comprised of senior leaders from across the firm, is responsible for environmental policies and commitments and for identifying business opportunities using the firm's expertise to advance sustainability-related practices.

The Morgan Stanley Community Development Advisory Board, whose members are nationally recognized community leaders from philanthropic, nonprofit and private sector organizations working in affordable housing and economic development, serves as an informal think tank for ideas on how community developers can work with Morgan Stanley to leverage the capital markets for community impact. The board provides insight about emerging opportunities where Morgan Stanley can make a difference.

COMMUNICATIONS

We communicate internally through a firmwide intranet site. The Environmental and Social Finance Forum (ESF Forum), with committees in Hong Kong, London and New York, raises awareness and engages employees. The group has more than

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1,500 employee members across the firm. Details of their activities in 2012 are covered in this report.

THOUGHT LEADERSHIP

Morgan Stanley executives engage—and play leadership roles—in industry events and organizations. Examples in 2012 include:

- We hosted a series of events in Tokyo at the annual meetings of the International Monetary Fund, World Bank and Institute of International Finance, including a conference at which nine of the firm's thought leaders commented on key economic and financial topics
- Senior economists and strategists presented to more than 400 institutional investors at our third annual global economic and strategy conference in Frankfurt
- Our quarterly publication, the *Journal of Applied Corporate Finance*, collaborated with Harvard Business School and Professor Robert Eccles to publish an issue about sustainable financial management, including articles from leading academic and corporate sustainability experts
- The head of Global Sustainable Finance participated in two World Economic Forum working groups, *Mainstreaming Impact Investing* and the *Global Council on Social Innovation*
- The firm's co-CEO of Asia Pacific and CEO of China participated in the World Economic Forum meeting in Tianjing, China, speaking about China's financial reform
- We continued the CEO+CEO Perspectives on Excellence series. The firm's Chairman and CEO, James Gorman,

joined Andrew Liveris, the President, Chairman and CEO of Dow Chemical, to discuss the U.S. skills shortage in science, technology, engineering and math. Mr. Gorman also hosted Alan Mulally, President and CEO of Ford Motor Company, for a conversation about manufacturing in the U.S., fiscal policy challenges, and the vision and execution of great leadership

- Morgan Stanley hosted the Bretton Woods Committee meeting on the future of the U.S. dollar, one of the first meetings of the Committee to take place outside Washington, D.C. A Morgan Stanley Advisory Director is chairman of the Committee's international council
- Morgan Stanley Wealth Management publishes a quarterly journal, *Perspectives in Philanthropy*, which discusses meaningful and effective forms of charitable giving

AWARDS AND RECOGNITION

- Our head of Emerging Markets Equities and Global Macro at Morgan Stanley Investment Management was selected as one of the Top Global Thinkers of 2012 by *Foreign Policy* magazine
- President Obama named Morgan Stanley's head of Global Sustainable Finance a member of the U.S. Department of the Treasury's Community Development Advisory Board
- The head of Morgan Stanley Investment Management's Long-Only Business was named to the Board of Governors of The Investment Company Institute (ICI), the national association of U.S. investment companies
- The firm's Chief Economist for Japan joined the Bank of Japan's policy board

Governance and Risk Management

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In recent years, Morgan Stanley has strengthened itself substantially through enhanced governance and risk management structures and processes, as well as by improving the financial strength of the business by raising capital, diversifying the business mix and reducing expenses.

GOVERNANCE AND COMPENSATION

The Board of Directors currently consists of 14 directors, 11 of whom are considered to be independent and 13 of whom are nonmanagement directors. One of the Executive Directors acts as both Chairman and Chief Executive, as the Board considers this to be in the best interests of the company at the current time.

The Board operates through five committees: Audit; Compensation, Management Development and Succession (CMDS); Nominating and Governance (N&G); Operations and Technology (O&T); and Risk. All committees are composed entirely of nonmanagement directors, while the Audit, CMDS and N&G committees also are composed entirely of independent directors. The Board has an independent Lead Director with certain duties as set forth in the [Corporate Governance Policies](#).

In 2010, the Board created the Risk Committee, which is explained more fully in the Risk Management section below. The Board began overseeing the performance of the Chief Risk Officer, who now reports to both the Board Risk Committee and the CEO. In 2011, the Board established an Operations and Technology Committee, whose principal mandate is to assist the Board in its oversight of the firm's operational risk, as well as operations and technology strategy, and the investments needed to support that strategy.

The CMDS Committee is responsible for reviewing and approving all compensation awarded to Morgan Stanley's executive officers, and other items such as the administration of the firm's incentive compensation plans. The CMDS Committee follows processes intended to ensure excellence in compensation governance, including, but not limited to, working with the firm's Chief Risk Officer and the CMDS Committee's independent compensation consultant to review incentive compensation arrangements to help ensure that they are consistent with the safety and soundness of Morgan Stanley and do not encourage excessive risk taking. In 2012, after considering, among other factors, Morgan Stanley's balance of fixed compensation and discretionary compensation, mandatory deferrals into both equity-based and cash-based long-term incentive programs and the risk mitigating features of awards, including cancellation and clawback provisions, the Chief Risk Officer concluded that the firm's compensation programs do not incentivize employees to take unnecessary or excessive risk and that such programs do not create risks that are likely to have a material adverse effect on the firm.

In 2008, Morgan Stanley implemented a clawback for a substantial portion of incentive compensation and, in the years since, has expanded the application of the clawback to cover both equity

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and deferred cash awards and a broad scope of improper employee behavior. To supplement the compliance and escalation processes, the firm's independent control functions take part in an enhanced, robust review process for identifying and evaluating situations occurring throughout the course of the year that could require clawback or cancellation of previously awarded compensation, as well as adjustments to current-year compensation. In addition, the CMDS Committee adopted a global incentive compensation discretion policy that increased the accountability of compensation managers for executing clawback and cancellation provisions and considering an employee's risk management activities and outcomes in making annual performance compensation decisions.

The CMDS Committee, together with the CEO, Chief Risk Officer and senior management, regularly reviews Morgan Stanley's controls regarding the year-end compensation process, which are structured to help eliminate incentives for excessive risk-taking. Consistent with the Federal Reserve Board's principles for safety and soundness, the firm's controls include (i) sizing the incentive compensation pool to more fully consider risk-adjusted returns, compliance with risk limits and the market and competitive environment; (ii) allocating the incentive compensation pool among business areas, taking into account the businesses' returns on certain financial, capital and risk metrics; and (iii) increasing, generally for more senior-level employees, the level of year-end deferrals subject to multiyear clawback and cancellation provisions.

A complete description of our current executive compensation practices may be found in our annual [proxy statement](#), which is published in conjunction with our annual shareholder meeting.

RISK MANAGEMENT

We recognize that risk management requires independent, firm-level oversight, accountability of each business segment within the firm, and clear, effective communication of risk matters to senior management. We also believe that it is vital to the success of our business activities.

We continually assess risks that could affect our business. Morgan Stanley's Board of Directors has oversight of the firm's enterprise risk management (ERM) framework, and has authorized the committees within the ERM framework to help facilitate the Board's risk oversight responsibilities.

The ERM framework incorporates risk evaluation into decision-making processes across the firm. Our policies and procedures identify, monitor and manage the significant risks involved in the activities across each business unit, as well as at the holding company level.

For example, we have enterprise-wide principles that define how we identify, measure, control and monitor the risks of Morgan Stanley and our consolidated subsidiaries. They establish that risks are interrelated and require firmwide management, and help the CEO and senior management to understand and monitor risks consistently and proactively. The principles outline the roles, responsibilities and guidelines for the risk governance and management processes that are central to maintaining Morgan Stanley's risk management standards.

Since 2009, we have made structural, financial and procedural enhancements to strengthen the firm's risk profile and risk management. Sales of businesses, restructuring and a capital

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infusion have created a more balanced business mix and have enabled us to achieve industry-leading capital ratios. Enhancements to governance, controls and infrastructure have strengthened the firm's risk discipline, and we have implemented rigorous and frequent stress-testing, significant market and credit risk limits, and regular, clear reporting to the CEO and the Board. Investments in technology have led to improved reporting and analysis, especially that related to liquidity risk. Since 2011, we have enhanced significantly the breadth and depth of our firmwide assessment of operational risk through the development of a standard Risk and Control Self Assessment (RCSA) program across the firm.

Independent, but complementary control functions, such as the Internal Audit department and independent risk management functions, facilitate efficient and comprehensive supervision of the firm's risk exposure and processes.

The Board created a Risk Committee in 2010 to oversee the risk governance structure and guidelines for market and credit risk, as well as capital, liquidity and funding levels. The committee monitors the performance of the Chief Risk Officer, who has greater independence than previously, reporting directly to both the CEO and the Board Risk Committee. The Risk Committee meets quarterly to review the firm's position and progress. We also created additional formal risk oversight committees in 2009 and 2010 and strengthened risk management policies and procedures.

Our Global Franchise Risk Policy sets out a framework to address potential risks to the franchise as a whole, including the way in which the firm is perceived by external parties such as shareholders, clients, regulators and the public. Regional

Franchise Committees monitor and manage all franchise risk, escalating issues to a Global Franchise Committee of senior management and sector specialists, as appropriate. Training helps employees to understand how to evaluate, manage and mitigate franchise risks in transactions.

For details about Morgan Stanley's risk management definitions and framework, see the [Form 10-K](#) and our [website](#).

Planning for the Unexpected — Business Continuity Planning

The safety of Morgan Stanley's employees is the first priority in planning for disasters and other potentially significant business disrupting events. To ensure that we react quickly and appropriately when a crisis hits, the firm has fully developed evacuation and life safety procedures in place. We work with federal, state and local emergency and law enforcement agencies and engage in regular testing and drills.

The Global Business Continuity Management (BCM) team is responsible for protecting the firm's assets during an event, ensuring that Morgan Stanley continues to function and meets its clients' needs and regulatory requirements. The team has established procedures to manage and control the risks resulting from disasters, and it works continually with the firm's business units to ensure that procedures are kept current. Recovery strategies include transference of business functions to other locations and regions around the globe, remote computing, and supporting work from a designated recovery site in the event an employee's primary location is inaccessible.

Hurricane Sandy and the Tohoku Earthquake and Tsunami tested Morgan Stanley's business continuity plan in the last two years. The firm and its employees responded to both events

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well—the result of having a resilient business continuity program in place and acting quickly as events occurred.

ENVIRONMENTAL AND SOCIAL RISK

The firm has formal environmental and social risk management processes and due diligence policies and procedures in place. We consider sustainability in all aspects of our business: the way we evaluate companies, transactions and risk; how we advise our clients and collaborate with our financing partners and employees; how we conduct our own operations; and how we promote and develop new market opportunities.

Our internal Global Environmental Risk Policy fosters consistency across the business units and cross-organizational functions in which environmental risk may be a factor. This policy is reviewed and updated annually. Our [Environmental Policy Statement](#) and [Statement on Human Rights](#), which

outline our commitment to specific activities and sustainability initiatives, complement the Global Environmental Risk Policy.

Environmental and social risk training is provided for those involved with these issues, mainly in Investment Banking and Capital Markets. In 2012, we also provided training to transaction teams whose work focuses on basic materials, utilities and energy. In addition, Merchant Banking and Real Estate Investing submit transactions to a formal review process that includes a review of environmental risks and their potential impacts.

We enhanced this training in 2012 to incorporate more explicitly human rights issues and coverage of our Statement on Human Rights. Our plan for 2013 includes making this training available to a broader range of business units, including Private Banking, Corporate Services, Asset Management and Commodities.

Hurricane Sandy

In the week leading up to Hurricane Sandy, BCM reviewed business units' plans to ensure that we were able to monitor employees' safety, as well as their ability to work and respond to client needs. Strategies involved positioning staff in hotels before the storm and directing them to alternative offices once it was safe to travel. While many retail branches were closed, client business was successfully rerouted to call centers. More than 20,000 employees worked remotely, logging into their desktop computers from alternate locations, including their homes, and 4,000 displaced employees used temporary office space. The firm temporarily lost the use of two facilities, but operated in business-as-usual mode throughout the event.

Tohoku Earthquake and Tsunami

When the earthquake struck Japan in 2011, approximately 1,200 employees were in the Morgan Stanley Tokyo office. All evacuated the building safely. A building inspection revealed the space suffered only cosmetic damage, and employees were permitted to work from the facility the next business day. However, they faced many challenges including continued aftershocks, power shortages, transportation disruptions and concerns of nuclear contamination. Medical radiology experts were consulted to guide the Crisis Management Team, and a temporary work area recovery site for some of the most critical business units was commissioned in Osaka to offset partially the risk of a wide-scale contamination. The temporary site was never needed for this event, and the firm continued to operate normally.

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As part of our firmwide risk management process, each in-scope business unit maintains procedures for assessing the environmental and social risks related to its business. These procedures are supported by the Environmental Risk Manager, who is an independent subject matter expert based in the Operational Risk department. Generally, the assessment of environmental and social risks associated with particular transactions or business opportunities include, but are not limited to:

- Inherent environmental risks associated with a company's activities, operations, past performance and future plans
- Risks associated with specific industries or sectors, countries of operation, business activities, and operations and management
- A company's environmental risk management framework
- Compliance with regulatory requirements, industry guidelines and international standards
- The potential impact of possible adverse events on natural resources
- Franchise and reputational risks

In assessing the risks associated with a specific transaction, we also consider a range of issues including climate change, community impact and biodiversity, human rights and occupational safety. The type of transaction, and our role in it, determines the focus of our due diligence. We highlight significant concerns about these risks during capital raising or strategic advisory assignments, and we consider any risks associated with a deal when determining whether to proceed with a transaction. As necessary, potential

transactions for which there is concern may be escalated to business unit management and the firm's Regional Franchise Committees for further consideration.

Where Morgan Stanley is acting in a lead role, we consider guidance provided by the Equator Principles and are directed by the Carbon Principles. Our Environmental Policy Statement sets out the following examples of how we will conduct business:

- *Biodiversity and sustainable natural resource management* — we conduct stringent due diligence when considering financing or investing opportunities in industrial activity that may impact natural habitats
- *Indigenous peoples*—when financing projects in indigenous territories, we aim to ensure that the project sponsor or borrower has consulted the people affected
- *International environmental agreements*—we review financing projects to ensure compliance with international environmental legal agreements
- *Mountain top removal mining (MTR)*—we will not finance companies for which a predominant portion of their annual coal production is from MTR activities
- *Pollution prevention*—we review financing projects to determine adherence to local and World Bank standards, whether they have pollution prevention plans and offer relevant training to environment, health and safety professionals

The table below shows transactions in 2012 that were submitted for environmental and social due diligence. While most of these transactions were in sectors with high inherent environmental

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risk, the table shows that bankers also request review of transactions that may have a low or moderate inherent risk, such as those involving service companies. Our Environmental Risk Manager also notes that bankers often identify environmental and social risk at the inception of transaction planning, declining deals without the advice of our environmental risk expert. Increased training and sensitivity to environmental and social risk are an essential part of this due diligence.

Transactions Receiving Environmental Due Diligence

Industry	Number of Deals
Basic Materials	25
Consumer Products	7
Communications	7
Energy	146
Financial Services	28
Health Care	1
Industrials	114
Power and Utility	26
Real Estate	23
Retail	15
Services	62
Transportation	22
Totals	476

Regions	Number of Deals
Americas	357
Asia Pacific	22
EMEA	97
Totals	476

Transactions Subject to Morgan Stanley's MTR Review Process

Total potential transactions involving MTR	8
Transactions that did not proceed	4

Ethics and Business Standards

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Our Code of Conduct is a statement of our commitment to integrity and high ethical standards in all that we do at Morgan Stanley.

ETHICAL BEHAVIOR

The Code of Conduct defines the standards of conduct that we expect from every employee and helps us make the right decisions. Our Code was recognized by the Ethisphere Institute as best in class in the financial services sector in 2012.

All employees are required to certify annually that they have read, understand and are in compliance with the policies and procedures described in the Code, as well as any specific business unit and regional policies and procedures that apply to their role. All new hires complete mandatory online training that covers key topics from the Code, and current employees are trained on relevant ethics-related topics, including prevention of money laundering, the reporting of misconduct, conflict of interest and franchise risks. In addition, we provide targeted compliance training for specific groups within the firm. This training is tracked through the firm's learning management system to ensure completion.

In 2012, we updated the Code and associated policies to emphasize our commitment to sustainability and human rights, and the obligation employees have to voice potential concerns. Revisions also further strengthened sections covering anti-money laundering and economic sanctions, responding to new laws and regulatory reform in the U.K. and U.S. and explaining the role and responsibilities of the Global Conflicts Officer (GCO).

The GCO role was created in 2011 in recognition of the importance of vigorously addressing conflicts firmwide and at

the most senior level of the organization. The GCO, a member of firm management, oversees the governance structure related to the identification and resolution of conflicts for Morgan Stanley, working across all businesses and geographic regions to address and resolve potential significant conflicts. The GCO also works with business units to review and assess business practice conflicts.

Anti-Money Laundering and Anti-Corruption

Morgan Stanley is committed to taking all reasonable measures to comply with applicable money laundering prevention laws and regulations, and to implementing risk-based policies, procedures and internal controls that are designed to prevent our products or services from being used for money laundering or other criminal activity, including the financing of terrorism. Our Global Money Laundering Prevention Policy and Compliance Program describes the guiding principles and consistent global standards for best practices designed to protect our businesses worldwide from being used to facilitate these or other illicit activities.

We prohibit all forms of bribery. In particular, we prohibit offering, promising, giving or authorizing others to give anything of value, either directly or indirectly, to any party in order to gain an unfair business advantage, such as obtaining or retaining business. We also prohibit receiving, or agreeing to receive, anything of value that results or may result in the improper performance of employees duties at Morgan Stanley. We have implemented policies and procedures that are designed to comply

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with anti-corruption laws and regulations. In addition, we provide training to all employees on anti-corruption topics.

The Board Audit Committee has ultimate responsibility for oversight of the firm's compliance program, which includes oversight of the anti-money laundering and anti-corruption programs. Compliance senior management reports to the Audit Committee at least quarterly.

Reporting Misconduct

The Code of Conduct stipulates timely reporting of ethical and business conduct concerns, and we support the aims of the U.S. Whistleblower Protection Law.

Multiple information lines facilitate the reporting of concerns. Employees are encouraged to speak to their supervisors, Human Resources representatives or a member of the Legal and Compliance Division if they feel pressured to act, or believe others are acting in ways that may violate the law, regulations or our Code and policies. If the concerns relate to the conduct of the CEO, a senior executive or financial officer, or a member of the Board of Directors, employees can report concerns to the Chief Legal Officer or the Global Audit Director.

Alternatively, employees may report potential legal, regulatory or ethical misconduct anonymously through our Integrity Hotline. All concerns are treated confidentially, as appropriate. Morgan Stanley takes allegations of misconduct seriously and prohibits retaliation for reports of misconduct made in good faith.

For more information, see [Integrity Hotline/Reporting Misconduct](#).

NEW PRODUCT APPROVAL

Morgan Stanley's Global New Product Approval (NPA) Policy is reviewed and approved annually by the firm's Board of Directors. We revised and strengthened the policy and its associated support systems in 2012, consolidating related, but disparate, policies into one firmwide policy. We also implemented a workflow technology platform to support NPA activities and retain related documentation, and enhanced the global NPA governance team to monitor and govern compliance with the programs goals and requirements more effectively. This unified, global policy sets forth a framework to evaluate risks associated with:

- New products, services or businesses initiated by the firm that are new to the marketplace or are being reintroduced, or
- Existing products that require significant modification related to how they are executed, distributed, processed or funded.

In evaluating new or modified products, we consider the potential financial, reputational and other risks to Morgan Stanley and our clients that would result from inadequate or failed processes, resources, or risk management associated with the introduction of the product. Effective NPA management reduces both the likelihood and impact of incidents and helps to mitigate risks including legal, compliance, regulatory, reputational and operational, among others.

For each new or revised product, a designated NPA Risk Manager is responsible for overseeing the entire NPA process, following the firm's NPA Policy and procedures, from identification of the product through approval, execution, and a required post-execution review.

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Overall governance of the NPA program, including the setting of policy and procedures, and monitoring compliance with stated requirements, is owned by the NPA Department and is overseen by a NPA Steering Committee. Approved activities, as well as unresolved exceptions to the policy requirements, are reported to the firm's Risk Committee on a quarterly basis. For details about the firm's enterprise risk management framework, see [Governance and Risk Management](#).

MARKETING COMMUNICATIONS

Our goal is to provide existing and potential clients with clear information about the products and advice we may offer. We have policies and processes for adherence to marketing, advertising and promotional laws, including the use of advertising locally by financial advisors. All financial advisors must use an internal clearance system to download preapproved local advertisements, as well as to request and obtain proper approvals for new advertising and marketing materials.

We are not aware of any incidence in 2012 of material noncompliance with marketing communications regulations.

PRIVACY

Protecting the confidentiality and security of client information is integral to the way we conduct business. We are committed to safeguarding the privacy of the information our clients entrust to us.

Read our firmwide [Privacy Pledge](#) and [Global Cookies Policy](#), as well as our region-specific privacy policies and statements for [Japan](#), [EMEA](#) and [Asia](#).

Training on the appropriate handling of confidential information is provided throughout the year and is distributed through various methods, such as online tutorials, emails and intranet announcements. Mandatory information security training is distributed annually to all employees and contingent workers with system access. In addition, all newly-hired employees take mandatory information security training and training related to confidential and material nonpublic information as part of their suite of required training.

In 2012, Morgan Stanley was not subject to any fines or nonmonetary sanctions for noncompliance with laws and regulations with respect to personal data.

PUBLIC POLICY

We communicate regularly with policymakers and participate in public policy debates on issues relevant to our business. The Government Relations group monitors legislative and regulatory developments that relate to how we and our clients are taxed, access capital and make investments, and how we provide guidance on wealth management.

Our Code of Conduct and related policies address political contributions by employees, and we updated our [Corporate Political Contributions Policy Statement](#) in 2012 to clarify that as a corporation, Morgan Stanley will not make any contributions in the U.S. at the federal, state or local level to candidates, political party committees or political action committees, even when permitted to do so by applicable law. Morgan Stanley is affiliated with a bipartisan federal political action committee, the Morgan Stanley Political Action Committee (MSPAC),

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which accepts voluntary contributions from employees. The MSPAC reports contributions to the Federal Elections Commission. Details are available publicly at www.fec.gov.

Morgan Stanley engages actively in the public policy process, researching, monitoring and discussing the implementation of laws and regulations that will impact our firm, our clients and our peers in the financial services industry.

HUMAN RIGHTS

Morgan Stanley is committed to supporting the protection and advancement of human rights. With operations around the world, we welcome the clarification provided by the Ruggie Guiding Principles on Business and Human Rights support and support global standards for responsible business, including equal opportunity, freedom to associate and bargain collectively, and

elimination of child and forced labor. We endeavor to exercise our influence in part by conducting our business operations in ways that attempt to preserve, protect and promote the full range of human rights such as those described in the United Nations Universal Declaration of Human Rights (UDHR).

Although we believe that governments bear primary responsibility for safeguarding human rights, we acknowledge that the UDHR applies to every organ of society and that companies can play a positive role in contributing to the support and protection of human rights. Our Code of Conduct underscores our commitment to ensuring a workplace that includes equal opportunity, dignity and respect. Our Global Franchise Risk Policy and supporting processes and committees provide for the review of potential transactions to assess, among other concerns, potential human rights issues.

Stakeholder Engagement and Materiality

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Morgan Stanley is committed to engaging with a wide range of stakeholders to understand their perspectives and respond to their concerns.

Engagement takes place in the normal course of business, as well as through dedicated channels and specific events. The feedback we receive helps us to refine priorities and develop communications. Most engagement activity is carried out through Global Sustainable Finance and Global Corporate Affairs, which includes Corporate Communications, Marketing and Community Affairs.

The most formal external engagement, including structured research, is with retail clients. Financial advisors provide our strongest connection to the retail marketplace.

In addition to communicating through conventional print and electronic media, such as our website, intranet and email, we have been a leader in the financial services industry in using social media including Twitter and LinkedIn. We began providing financial advisors access to LinkedIn and Twitter in 2012. The firm now has more than 13,000 Twitter followers. Morgan Stanley was honored with the 2012 Social Media Leadership Award for Banking presented by Knowledge@Wharton and Social Strategy. The award recognizes the firm's initiative to address regulatory issues and provide access to social media, innovating for the financial services industry as a whole.

Morgan Stanley Wealth Management (previously, Morgan Stanley Smith Barney) has conducted client "pulse" telephone interviews twice yearly since 2006. We also have a system of client experience (Voice of the Customer) surveys that are conducted monthly by mail, and a Client Advisory Council of 5,000 client

members who are surveyed through phone and Internet sessions, typically three to five times a year. This research helps us to understand whether clients feel they are receiving appropriate service and are being treated with integrity, and to take action if levels of client satisfaction fall.

In addition, our Institutional Securities and MSWM Capital Markets groups collaborate twice yearly to survey high net worth investors, financial advisors and institutional clients to gauge client views and concerns. Because the firm has strong retail and institutional platforms, we are positioned uniquely to address these groups together.

MORGAN STANLEY ON TWITTER

@MorganStanley, the firm's official corporate Twitter handle, publishes global news and information

@MS_Econ is dedicated to Research Economist commentary

@MSWM_GIC provides analyses and investment insights from Morgan Stanley Wealth Management's Global Investment Committee

@mswm_wfaf is the Women's Financial Advisor Forum

@mswm_mfaf focuses on multicultural Financial Advisors

In addition, more than 660 Financial Advisors have acquired Twitter accounts since the pilot's launch.

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In 2012, a new Customer Experience Index compiled by the research and advisory firm Forrester Research Inc., shows that Morgan Stanley Wealth Management tied for the third-highest score out of 10 named investment firms, measured on client service experience. This was even as we completed a full system conversion and major operational, account and name changes. Morgan Stanley was one of the survey's most improved brands.

Tools for Clients

To ensure that institutional clients can access information easily and at any time, Morgan Stanley has expanded its Matrix

platform with a mobile application, "Matrix Mobile." Our clients can access all of Morgan Stanley's published research, as well as trade ideas and market commentary from our fixed income trading desk. For our Prime Brokerage clients, features include cash wire approvals, access to reports and ability to view margin and risk summaries while out of the office.

We also have extensive dialogue with alumni, students, media representatives and regulators. The table below summarizes the main channels of communication in each case.

Group	Type of Engagement (in addition to routine contact)
Alumni	Morgan Stanley has an active Alumni Network that includes a dedicated website, a monthly newsletter, reunions and direct communications. Alumni and current employees have access to the Alumni Network website, which includes a variety of resources and ways for alumni to connect with each other and with the firm.
Clients and prospective clients	<p>Clients and prospective clients may access information about Morgan Stanley, as well as contact us, through the firm's website.</p> <p>We conduct client surveys, including client satisfaction telephone interviews and mail surveys. We also engage a Client Advisory Council whose members are surveyed by telephone and Internet.</p> <p>For institutional clients, we host seminars and conferences. We engage with our largest clients individually.</p> <p>To understand the views of prospective clients, we conduct brand health surveys, as well as rely on information from reputable research companies.</p>
Communities	<p>Through our many volunteer and philanthropic activities, we engage regularly with leaders in our communities, and many of our employees serve on boards of these organizations, ranging from small community-focused charities to international NGOs, such as the Wildlife Conservation Society, Feeding America, iMentor, American Museum of Natural History, Tate Museum and Safe Horizon.</p> <p>The Morgan Stanley Community Development Advisory Board acts as an informal think-tank for community development and provides feedback to Morgan Stanley on strategies, current activities and community needs. We also engage regularly with many community organizations across the U.S.</p> <p>See Philanthropy, Community Development and Public Finance for details.</p>

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Group	Type of Engagement (in addition to routine contact)
Employees	<p>Morgan Stanley's biennial employee survey gives staff an opportunity to express their opinions anonymously. Regular open-door events give employees time to speak with senior management, including the CEO.</p> <p>Within Morgan Stanley Wealth Management, we also conduct Voice of the Financial Advisor surveys twice each year, as well as field program surveys and qualitative research. This helps managers—including those at the highest levels of the firm—remain informed about issues that impact wealth management teams and clients. The surveys facilitate feedback related to such things as events, products, services and technology changes.</p> <p>Employees themselves lead many interest groups, such as the Women's Business Alliance, a Disability Taskforce, the Pride & Ally Employee Networking Group, the Working Parents Employee Networking Group, and Asian, Black and Hispanic networking groups. Employees use their community, volunteer and wellness-related activities as a way to engage with each other.</p> <p>The employee-led Environment and Social Finance Forum provides an avenue for employee participation and feedback on environmental and social issues.</p> <p>For more details, see the Employees section of this report.</p>
Financial sector, including rating and research agencies	<p>Morgan Stanley meets regularly with ratings and research agencies, such as Fitch Ratings, Moody's and Standard & Poor's. In addition, we hold quarterly calls with financial analysts in conjunction with our earnings releases. Senior executives host and participate frequently in industry conferences. We also participate in the Carbon Disclosure Project and respond to surveys from sustainability-focused analysts, including the Dow Jones Sustainability Index, Sustainalytics, MSCI and Bloomberg.</p> <p>Morgan Stanley became a member of US SIF (The Forum for Sustainable and Responsible Investment) in 2012. We are engaged actively with US SIF to support education and capacity building related to responsible investment.</p>
Governments/Regulators	<p>Morgan Stanley researches, monitors and discusses the implementation of laws and regulations that will impact Morgan Stanley, the firm's clients, and peers in the financial services industry.</p> <p>To ensure that our employees have current information and are able to participate actively in the political process, our Government Relations group periodically circulates reports on current and upcoming government and regulatory activities.</p>
Media	<p>Morgan Stanley participates actively in events such as the Bloomberg Summit, the Lincoln Center Dialogue series, and through outlets including CNBC, Bloomberg TV and various print publications. We are a leader in using social media (see page 18 in this report).</p>

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Group	Type of Engagement (in addition to routine contact)
NGOs/civil society	We work closely with diverse government, foundation and nonprofit partners through our community development and philanthropic programs. Employees frequently take leadership roles on boards of organizations, such as universities, museums and other civic entities. See the Community Development and Philanthropy sections for details.
Shareholders	<p>Morgan Stanley meets regularly with potential and current investors in its debt and equity. Additionally, Morgan Stanley regularly engages in discussions with financial analysts who cover debt and equity of brokers, banks and financial institutions. We hold quarterly, public teleconferences to present and answer questions regarding our quarterly earnings releases and semiannual, public teleconferences to present and answer questions regarding our funding, liquidity and capital position.</p> <p>Representatives of the firm's senior management present and participate in industry conferences. Morgan Stanley maintains a website with dedicated space for investors to access financial reports and press releases, as well as management presentations. The firm also makes available a telephone number and email address, so that individual debt and equity holders may contact firm representatives for additional assistance.</p>
Suppliers	<p>Morgan Stanley is actively involved with diverse supplier groups to broaden and strengthen our supplier pool. We work with our vendors to encourage diversity in our Tier 2 suppliers.</p> <p>We also engage with groups focused on best practices in supply chain management, hosted by neutral parties; these groups are designed to foster the review of suppliers, as well as development and exchange of ideas. Internally, we encourage cross-division efforts to develop our supply chain and build local businesses; an example of this is the joint event hosted by our Supplier Diversity and Wealth Management Business Development teams to strengthen relationships with women- and minority-owned businesses. See the Managing Our Supply Chain section for details.</p>

MATERIALITY

Engagement throughout the year in all the ways described here, among others, helps us to assess any changes in the material sustainability issues we need to address. In 2012, conversations

confirmed that the most material issues continue to be all aspects of risk management and governance, as well as sustainability in our operations.

Environmental Finance

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The development of markets for low-carbon technology and services requires substantial capital and financial acumen. As the world continues to transition to a low-carbon economy, we seek to apply our extensive expertise and global presence to facilitate the financing needed for a range of projects and to provide insights into these emerging industries.

We believe we can play a positive and powerful role in helping our clients and partners in the public, private and nonprofit communities to identify and create capital market solutions to environmental challenges.

FINANCING CLEAN TECHNOLOGY

Our global clean energy team spans Investment Banking, Project Finance, Capital Markets and Commodities, leading and advising in areas that include initial public offerings (IPOs), mergers and acquisitions (M&A), private placements, project finance and offtake agreements. We advise across the spectrum of renewable energy clients, as well as on next generation transportation and smart grid clients globally. Since 2006, the firm has helped clean energy companies raise approximately \$45 billion in capital to grow their businesses and find solutions to environmental challenges.

In 2012, our clean technology investment banking team intermediated more than \$6 billion in this sector through IPOs, advisory and other financing transactions. For example, Morgan Stanley was exclusive financial advisor and sole lender to

GCL Solar on the \$266 million sale of its Alpaugh solar projects to ConEd Development, and we led the \$238 million follow-on offering for Westport Innovation.

In addition to advising our clients on project debt and equity securities issuance, we deploy capital directly in support of renewable energy projects. In 2012, we financed the development and construction of 200 MW of solar projects and over 800 MW of wind projects, providing more than \$1 billion in construction financing and helping clients raise an additional \$400 million through the capital markets. Examples of our project finance activities included a \$310 million construction financing facility for the Canadian Hills wind power project in Oklahoma, and a \$635 million construction and term financing for AES Solar's 200 MW Imperial Valley Solar 1 project in California.

The firm was lead advisor to LS Power's \$466 million bank and bond financing to fund the construction of a solar energy facility in Arizona. We also provided project financing advisory services to LS Power, advising on debt and equity alternatives to optimize the transaction structure. In total, we provided financial

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structuring advisory services to clients for over 500 MW in solar projects during 2012.

COMMODITIES TRADING

Our global Commodities Group plays a leading role in developing the environmental commodities market, providing liquidity and market access to clients. We trade in markets such as the European Union's Emissions Trading System, and we deliver market emissions reductions approved under the Kyoto Protocol. We trade carbon, and we structure transactions for other environmental commodities, including sulfur dioxide, nitrogen oxide, biodiesel and ethanol.

Through MS Solar Solutions (MSSS), the Commodities Group provides capital and development services for solar projects using strategic relationships with various industry participants including developers, suppliers, installers, government agencies and end-users.

In 2012, MSSS and strategic partners installed 12.2 MW of solar on municipal and low income properties throughout California and Arizona and created MySolar, a residential solar lease facility that is providing an initial \$50 million in funding for residential solar installations in California and Arizona. The MySolar program installed 1.3 MW of solar in 2012. In addition, MSSS' Canadian affiliate completed 24 installations, totaling 8.6 MW, on commercial buildings in the greater Toronto area.

EQUITY RESEARCH

Our clean technology equity research team covers solar, light-emitting diodes (LEDs), biofuels, electric vehicles, smart meters

and environmental services. Since the group was formed in 2010, it has been recognized across Wall Street for its innovative thought leadership.

We regularly publish papers and equity research reports to enhance market awareness on specific issues. In 2012, reports included:

- *'Green is Good?' The Potential of Bioplastics*. This cross-industry piece reviewed the potential for green chemicals and drivers for growth in the industry
- *Lighting a Bright Spot, TVs a Dark Spot*. The Veeco Instruments report discussed key investment debates, including 2013 LED equipment outlook and the company's competitive positioning
- *Solar Development—a Double-Edged Sword*. This piece covered MEMC Electronic Materials' relative underperformance and growth outlook in the face of challenging solar market conditions

REAL ESTATE

Morgan Stanley finances environmentally sustainable construction projects, such as efficiency improvements in new and existing buildings. Our real estate investing business considers environmental factors in its investing and asset management strategies, recognizing that energy audits and efficiency upgrades can positively impact returns on investment, as well as sustainability.

In addition, increasing energy efficiency helps to create jobs, reduce emissions and preserve affordability by reducing energy bills for residents. Morgan Stanley partners with community development organizations and local governments, using our financial expertise to promote financing models that bring

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the benefits of energy efficiency to tenants, owners, investors and governments.

THOUGHT LEADERSHIP

We regularly bring together investors, policymakers, NGOs, and environmental thought leaders to share lessons and promote innovative solutions to environmental challenges. This includes participating in industry conference panels, exploring joint research and supporting the work of groups focused on climate change and energy poverty. Morgan Stanley is:

- A founding member and participant of the [U.S. Partnership for Renewable Energy Finance](#) (USPREF), which seeks to enhance understanding of renewable energy finance policies
- An advisory panel member of the [Climate Bonds Initiative](#), which is examining how the private sector can provide large-scale financing to the clean infrastructure and technology sectors

- A board member of the [International Emissions Trading Association](#) (IETA)
- A founding partner of the [Global Alliance for Clean Cookstoves](#), a public-private partnership that seeks to foster the distribution of 100 million clean-burning stoves by the year 2020
- A strong supporter of the World Resources Institute (WRI) and its Markets and Enterprise program. In 2012, Morgan Stanley sponsored the development of training materials that will allow clean energy entrepreneurs in India to work with networks of village entrepreneurs to pool ideas and resources. Morgan Stanley's support also will allow for the creation of a set of best practices for clean energy entrepreneurs to set up rural franchising models based on the experiences of large Indian organizations. Morgan Stanley is an active member of the WRI Corporate Consultative Group

Canadian Hills — Financing Wind Power

Morgan Stanley led debt financing for Canadian Hills, a 298 MW wind power project near El Reno, Oklahoma, that began operations in December 2012. The \$470 million project has long-term power purchase agreements for all of its output with Southwestern Electric Power, Oklahoma Municipal Power Authority and Grand River Dam Authority. The deal included a \$310 million construction financing facility (\$290 million construction loan and a \$20 million five-year letter of credit facility). Morgan Stanley also provided \$360 million in bridge financing commitments.

Sydney Desalination

The firm was lead advisor and lender to a consortium — Ontario Teachers Pension Plan, and two of Hastings Fund Management's funds, Utilities Trust of Australia and The Infrastructure Fund — that acquired the 50-year lease of Sydney Desalination from the government-owned Sydney Water. The AU\$2.3 billion proceeds will allow Sydney Water to pay down debt and invest in infrastructure projects across New South Wales.

Sydney Water believes desalination could eventually meet up to a third of Sydney's needs.

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MySolar

Morgan Stanley Solar Solutions created MySolar, a financial company that provides funding for residential solar leases. The initial \$50 million tranche of funding was placed with major integrators of solar systems for homes in Arizona and California.

MySolar is expected to grow into one of the largest residential solar investment programs in the U.S., helping to save consumers millions of dollars in electricity payments, creating thousands of solar jobs and avoiding carbon dioxide emissions from conventional power generation.

China Longyuan Power

Morgan Stanley provided \$775 million of hybrid debt and equity financing for China Longyuan Power, Asia's largest wind power generation company. The firm acted as sole ratings advisor and joint bookrunner for Longyuan's \$400 million perpetual bond issuance, as well as joint global coordinator for Longyuan's \$375 million primary equity offering. These two transactions follow Longyuan's landmark \$2.6 billion initial public offering in 2009, Asia's largest ever renewable financing, in which Morgan Stanley acted as sole global coordinator.

SunPower

Morgan Stanley acted as sole financial advisor to SunPower in the sale of its Antelope Valley I and II solar projects to MidAmerican Solar for a total consideration of \$2.0 to \$2.5 billion. The projects will have a combined capacity of 579 MW upon completion of construction. This deal represents the sale of the world's largest permitted solar photovoltaic power development and highlights Morgan Stanley's clean energy finance leadership.

Investing with Impact

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Many individuals and institutions want to invest in a manner that is consistent with specific beliefs and values, such as avoiding companies that profit from tobacco and alcohol or concentrating on those that provide environmental benefits like reducing climate change. To this end, we launched the *Investing with Impact* initiative in 2012.

Led by the firm's Global Sustainable Finance team, it is a cross-divisional effort to develop and deploy commercially-focused products that offer positive environmental and/or social impacts.

The concept of integrating social and environmental impact into investment decisions is not new, but its growing importance has led to greater opportunities for investors. Nearly one in nine dollars under professional management in the U.S.—more than \$3.3 trillion—follows investment strategies that consider corporate responsibility and societal concerns.¹

Our *Investing with Impact* Platform offers Morgan Stanley Wealth Management (MSWM) clients access to many investment opportunities spanning public and private market products. It is designed to meet the needs of individuals, foundations, endowments, pensions, faith-based institutions and corporations. Thematic thought pieces, white papers and educational materials strengthen the service that financial advisors can provide their clients.

In addition to a number of tools designed to help advisors and clients meet financial and societal goals, the Platform contains more than 80 products which target positive impact such as

environmental or social benefits without sacrificing financial return potential.

Products include exchange-traded funds, mutual funds, separately managed accounts, unit investment trusts and private equity opportunities. It covers a wide range of investment strategies and emphasizes traditional investment considerations such as market outlook, industry prospects, company fundamentals and management's ability to achieve objectives.

The *Investing with Impact* Framework categorizes funds by type and impact. The Framework encompasses four approaches: values alignment; environmental, social and governance (ESG) integration; sector exposure; and impact investing. Values alignment offers screening for elements the investor wishes to avoid. In subsequent approaches, the orientation becomes increasingly specific, overt and explicitly integrated in the product offerings.

This new Platform represents the first phase in Morgan Stanley's effort to meet clients' desires for investing with impact opportunities. Our long-term vision and goal is to build a dynamic offering that continues to respond to the desires of all of our stakeholders—clients, shareholders, communities and employees.

¹ U.S. SIF: The Forum for Sustainable and Responsible Investment, Report on Socially Responsible Investing Trends in the United States, 2012

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Investing with Impact Framework

	Values Alignment	Environmental, Social and Governance (ESG) Integration	Sector Exposure	Impact Investing
	Minimize Negative Impact			Target Specific Positive Impacts
Impact Priorities	<ul style="list-style-type: none"> Screen by interests and values. Avoid investments in potentially “objectionable” companies and industries Not actively seeking environmental and social impact 	<ul style="list-style-type: none"> Identify managers that target companies whose approach to environmental, social or governance issues creates value differentiation 	<ul style="list-style-type: none"> Focus on themes and sectors targeting specific environmental or social changes 	<ul style="list-style-type: none"> Participate in investment funds that focus on providing capital directly to private enterprises structured to effect positive social or environmental change
Characteristics	<ul style="list-style-type: none"> Public equity and debt Differentiated by screening criteria and degree of shareholder advocacy 	<ul style="list-style-type: none"> Public equity and debt Differentiated by manner of ESG integration and degree of shareholder advocacy 	<ul style="list-style-type: none"> Public equity and debt Differentiated by industry or sector focus 	<ul style="list-style-type: none"> Private equity and private debt May have investor restrictions Differentiated by integration of financial thesis and mission Might offer social and/or environmental reporting
Investment Examples	<ul style="list-style-type: none"> A mutual fund that excludes tobacco or firearms companies 	<ul style="list-style-type: none"> A mutual fund that includes ESG analysis as part of its investment process 	<ul style="list-style-type: none"> An exchange-traded fund (ETF) composed of clean energy stocks 	<ul style="list-style-type: none"> A private equity fund focused on emerging consumers or project-level renewable energy investment

Public Finance

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Capital markets play a key role in the growth and operations of municipal, educational and cultural institutions. Public debt offerings help to pay for new highways, hospitals, schools, water and sewer systems, museums, mortgages for first-time homebuyers, student loans and environmental improvements.

Many financings help state and local governments develop infrastructure, creating new jobs and supporting those that already exist. With government and other organizational budgets increasingly stressed, finding efficient and creative financing is especially important to minimize the burden on taxpayers.

Morgan Stanley's innovation and expertise in public finance have made us one of the top four national municipal underwriters. In 2012, we led the negotiated sale of 205 public financings totaling approximately \$23 billion.

For information about our affordable housing initiatives, please see [Community Development](#).

IMPROVING HEALTH CARE

Morgan Stanley provides investment banking services to nonprofit and government health care organizations in the U.S. In 2012, Morgan Stanley raised \$3.7 billion for hospital building and M&A.

The firm was senior manager on a \$468 million bond financing for Stanford Hospital & Clinics, which is the primary teaching

affiliate of Stanford University. The bonds were issued to fund the construction of the new Stanford Hospital with a capacity of approximately 580 patient beds. The new hospital will support patient care, practitioner and staff productivity, and environmental sustainability. Morgan Stanley's marketing effort resulted in fixed-rate pricing at some of the lowest rates ever for a health care borrower.

Morgan Stanley was also senior manager for a \$495 million bond offering for Inova Health. The bond proceeds will help finance Inova's \$850 million campus improvement project and repay outstanding variable rate bonds to achieve a lower fixed spread. The project includes a new 11-story patient tower, renovation of the existing patient tower, a new women's hospital and a garage.

INCREASING OPPORTUNITIES FOR HIGHER EDUCATION

For the last 20 years, the firm has been a key player in higher education funding, helping institutions in the U.S. access the capital markets to build and improve research facilities, dormitories and classrooms. We provide advice to guide

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institutions through the process of obtaining a credit rating, and we assist with financial planning and forecasting.

In 2012, Morgan Stanley was senior manager in 40 bond issues for higher education institutions, raising approximately \$3.4 billion.

The firm served as senior manager on a \$200 million transaction for Washington University in St. Louis. A portion of the proceeds financed a new facility for the Olin School of Business, renovations on the main Danforth Campus and construction of the new Siteman Cancer Center.

We were also senior manager on a \$58 million bond offering for Inter American University of Puerto Rico. This was the first bond financing for the university since it last issued insured bonds in 2004. The proceeds refunded outstanding bonds, which generated \$2.85 million in savings. The proceeds also financed capital improvement projects on three separate campuses.

SUPPORTING CULTURAL INSTITUTIONS

Morgan Stanley raises financing for cultural institutions such as the Lincoln Center for the Performing Arts, the Art Institute of Chicago, the Smithsonian Institution and the Whitney Museum of American Art. In 2012, the firm served as senior or sole manager on financings for four nonprofit institutions totaling almost \$290 million—more than any other firm in the industry during this time.

These financings included two transactions totaling almost \$100 million for the Art Institute of Chicago. The proceeds were used to refund outstanding debt, generating savings of \$5 million, which provided the organization with needed operating capital and enabled it to fund a portion of its unfunded pension obligations.

IMPROVING WATER AND SANITATION

Our extensive experience structuring U.S. state revolving funds positions us to help local governments finance improvements to their water and sewer systems while lowering their borrowing costs and reducing the burden on taxpayers.

In 2012, Morgan Stanley served as senior manager on several of these public debt offerings, including:

- *Citizens Energy*—\$192 million First Lien Wastewater Utility Revenue Bonds, issued to fund the costs of necessary improvements and additions to the authority's wastewater system
- *District of Columbia Water and Sewer Authority*—\$441 million Subordinate Lien Revenue Bonds and Subordinate Lien Multimodal Revenue Bonds, issued in part to pay a portion of the costs of improvements to the authority's water and wastewater system
- *State of Texas*—\$150 million Water Financial Assistance Bonds, issued to increase the funding of the Financial Assistance Account used to provide help for eligible water assistance projects

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INDUSTRY LEADERSHIP

Complementing our leadership in underwriting tax-exempt debt, Morgan Stanley is an active participant in all areas of the municipal sector. The firm is a member of many industry organizations, including the Municipal Securities Rulemaking Board and the Securities Industry and Financial Markets Association's (SIFMA) Municipal Division. Members of our Municipal Securities Division participate in various trade organizations including the Municipal Bond Club of New York and the National Federation of Municipal Analysts.

A senior member of Morgan Stanley's Public Finance team was elected as Chair of the SIFMA Municipal Division in 2012 and will lead advocacy for municipal underwriting policy with regulators and with members of the U.S. Congress. Another employee chairs the SIFMA Municipal Finance Legal Advisory Committee.

Community Development

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Morgan Stanley is committed to increasing economic and social opportunity for people in underserved urban and rural communities. We do this through a combination of capital, financial expertise and leadership.

Working in partnership with U.S. government agencies, philanthropic institutions, nonprofit organizations and community groups, we seek to improve the lives of low- and moderate-income people and families, bringing strength and vitality to local communities. We generate lasting social and economic benefits through affordable housing—including in rural areas—small business development, disaster relief and programs to strengthen communities.

Morgan Stanley's community development strategy focuses on transactions and initiatives that address gaps in the market. Our initiatives are designed to produce measurable social outcomes, help preserve and protect the environment, and use profitable sustainable business models that aim to ensure a continued flow of capital for community investment. We build relationships and partnerships that endure, building on successes and benefiting our partners and communities.

Since 2006, Morgan Stanley has committed more than \$7.8 billion to community development initiatives.

AFFORDABLE HOUSING

Quality affordable housing is essential for communities to thrive, and it is often unavailable to people in low- and moderate-income neighborhoods. We provide loans to developers and work with Community Development Financial Institutions (CDFIs) and housing finance agencies to help build, rehabilitate and maintain this housing. Since 2006, our involvement led to the construction or rehabilitation of more than 38,000 affordable housing units and the creation of more than 47,000 jobs. In 2012, we underwrote \$1.19 billion in municipal and state bonds for affordable housing.

In New York City, multifamily properties in and around low- and moderate-income neighborhoods fell into physical or financial distress as a consequence of the bursting of the housing bubble. Deteriorating buildings create difficult living conditions for building residents and contribute to neighborhood decline. Morgan Stanley is helping to rescue these buildings by working with mission-oriented developers who involve community-based and tenant organizations in the turnaround efforts. Using Morgan Stanley capital, the developers are working toward

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restoring the buildings to long-term financial health, making them safer and keeping them affordable for tenants.

In 2012, Morgan Stanley capital helped rehabilitate 10 buildings containing 305 affordable housing units. This also contributed to the creation of more than 430 construction jobs. Morgan Stanley looks forward to continuing its commitment to helping rescue New York City distressed multifamily buildings in 2013. (see pages 35 and 36 of this report)

RURAL DEVELOPMENT

Inner cities tend to be the focus for much housing development activity. Rural areas, however, also suffer from inadequate housing, but they are often overlooked by city-based financial providers. Morgan Stanley works in tandem with smaller, local financial partners to ensure that these rural communities receive much-needed financing.

In 2012, projects included a \$4.7 million construction loan for 72 apartments in El Centro, California, located in a county with approximately 5,000 applicants on a waiting list for assisted housing. Upon completion, the apartments will be rented to low- and moderate-income families within this largely agricultural community. Eighteen units will be set aside for individuals and their families who are currently homeless or are at risk of homelessness.

Morgan Stanley also made a construction loan to fund 33 apartments for low- and moderate-income families in Parlier, California, a small, rural city in which the majority of residents work in agriculture.

Several 2012 construction loans financed affordable housing for low-income seniors in California, including the following:

- \$3.1 million for 50 new apartments in the small rural community of Oakdale
- \$2.2 million for 54 studio units in Calexico, an agricultural community with high unemployment and low average incomes
- \$3.2 million to build 62 apartment units in Dinuba, a small agricultural community

STRENGTHENING COMMUNITIES

Affordable housing and other important community needs often overlap. Integrated solutions can provide greater impact and generate transformative results for the individuals and families who live in neighborhoods where such solutions are applied. We have continued our work with partners who are focused on developing affordable housing and community services for communities located near transit hubs. The \$50 million Transit Oriented Affordable Housing Fund, launched in 2011 in the San Francisco Bay Area with a consortium of government, foundation, corporate and nonprofit agencies, continues to attract high-impact projects within the nine-county Bay Area; deployment of that fund has been vigorous and we expect it to be fully distributed in 2013.

Working with the Local Initiatives Support Corporation (LISC) and the Kresge Foundation, Morgan Stanley launched the Healthy Futures Fund, which aims to help sever the link between poverty and poor health. Morgan Stanley is investing \$63 million in equity and \$24 million in loan capital as part of an innovative

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\$100 million development fund that connects affordable housing with community-based health services.

The Healthy Futures Fund will provide financing for the development of more than 500 affordable rental units with integrated health services and eight federally qualified health centers that will serve an estimated 75,000 people in communities hit hard by economic decline. It will leverage tax credits, grants, loans and guarantees to encourage collaboration between housing developers and community health care providers.

A \$325,000 loan to Artspace, a nonprofit developer that creates affordable living and workspace for artists, nonprofits and cultural organizations in Salt Lake City, will finance affordable housing development while enhancing the City's cultural and business communities simultaneously. The loan will fund predevelopment costs for Artspace's sixth mixed-use, affordable housing development, creating approximately 33 residential units targeted to low- and moderate-income families. The development will include roughly 14,000 square feet of street-level commercial space for artist studios, nonprofits and local small businesses. Projects like Artspace act as catalysts to revitalize neighborhoods and spur further positive development.

ECONOMIC DEVELOPMENT

Morgan Stanley and LISC partnered to form an innovative Small Business Loan Fund (SBLF) which combines the benefits of the U.S. Treasury's New Markets Tax Credit Program with the U.S. Small Business Administration's 504 Loan Program, each

administered by different federal agencies. The fund provides growth capital to support commercial expansion and job creation for small businesses in communities with economic challenges.

Morgan Stanley provided \$10 million in debt and equity capital to launch SBLF, and LISC supported the effort with New Markets Tax Credits to bring private investment into low- and moderate-income neighborhoods or neighborhoods in financially underserved or distressed areas.

The SBLF's first loan was to Specialized Services Company in Phoenix, a family-owned utility contractor that will refinance existing debt to increase cash flow, buy new equipment and hire additional staff. The SBLF intends to provide additional loan funding to help revitalize troubled neighborhoods in both rural and urban areas.

DISASTER RELIEF

Reflecting the firm's commitment to supporting local communities when disaster demands an immediate response, Morgan Stanley committed up to \$75 million to support replacement housing in communities devastated by Hurricane Sandy, through an expansion of the Rebuilding Local Economies Fund (ReLEF), bringing the fund's total amount to \$200 million. A joint effort with National Equity Fund, Inc. (NEF), ReLEF launched in 2011 to finance affordable housing for low-income residents of 27 states who lost homes and jobs due to extreme storms that hit the Midwestern, Southern and Northeastern U.S. When the fund is invested, it will have supported the

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development of approximately 1,500 housing units and aided in the creation of thousands of new jobs.

COMMUNITY GRANTS

Through our grant program, Morgan Stanley seeks to build the capacity of nonprofit organizations. The nonprofit community development sector is vibrant and historic. Yet in a time of dwindling resources, these organizations have seen their resources strained, as all are being asked to do more with less. Building the capacity of these organizations will help ensure the long-term viability of the critical groups.

This aim is reflected in the 2012 launch of the Morgan Stanley/ ANHD Community Development Fellowship Program, which is designed to foster significant community projects, increase the capacity of New York City's neighborhood-based community development organizations, and create a pipeline of next-generation community development leaders. The program pairs eight graduate students (Fellows) from the top planning, development and public administration programs in local universities with eight community development corporations (host organizations). While in their second year of studies, the students take on leadership roles in challenging community projects such as the development of green affordable housing, affordable housing for artists or community centers.

The fellowship program is a partnership with the Association for Neighborhood and Housing Development (ANHD), a

membership organization of more than 90 nonprofit neighborhood housing groups serving low- and moderate-income New Yorkers.

Demonstrating our focus on innovation, the firm's Commodities Solar group donated a 5kW solar power system to the Northern Manhattan Improvement Corporation (NMIC). The installation was implemented on NMIC's Lead Safe House in Washington Heights, which provides families with temporary housing, counseling, education and advocacy. NMIC has all rights to the system, including the electricity generated from it.

RECOGNITION

In 2012, NeighborWorks America recognized Morgan Stanley as one of the "Most Generous Social Investors of 2010 and 2011." NeighborWorks America is a Congressionally chartered, national nonprofit that focuses on affordable housing and community development. The award recognized the firm's \$20 million lending facility to Community Housing Capital (CHC), NeighborWorks America's affiliated capital corporation, addressing an urgent need at CHC, which was facing the imminent loss of an important loan-funding source. The Morgan Stanley loan replaced the needed funds, influencing other institutions to commit their capital at a crucial juncture.

In its most recently released community development report, ANHD ranked the firm first among wholesale banks, although Morgan Stanley's community development program in New York City had been in operation for just six months at the time

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ANHD conducted its review. The report stated that ANHD is “very impressed” with the bank’s level of commitment.

The U.S. Environmental Protection Agency gave the Bay Area Transit-Oriented Affordable Housing Fund (TOAH) an honorable mention at the 2012 National Award for Smart Growth Achievement, recognizing TOAH’s role in public-private partnership to build

healthy communities. Morgan Stanley invested in the \$50 million fund in 2011. Morgan Stanley views transit-oriented development as an important tool to address the needs of the working poor and to revitalize underserved regions. A paper on transit-oriented community development planning was released by Morgan Stanley and the Low Income Investment Fund (LIIF) in 2012.

California FreshWorks Fund

Morgan Stanley partnered with NCB Capital Impact, The California Endowment, and other lenders and funders to create the California FreshWorks Fund in 2011. More than 23 million Americans living in low-income areas lack supermarkets within reasonable distance of their homes, and 1.7 million of those live in California. They are less likely to consume fresh fruit and vegetables and, as a result, face higher risks of diet-related diseases such as cancer, diabetes and heart disease.

The FreshWorks Fund raised more than \$250 million to invest in grocery stores and other types of healthy food retailers in low- and moderate-income communities where residents have limited access to fresh, healthy food. Morgan Stanley loaned \$15 million for the first tranche of the fund.

The FreshWorks Fund is addressing the need for fresh food in areas with limited access, such as:

- Inner city areas where today only convenience stores with limited groceries exist
- Rural areas, sometimes even in agricultural communities where fresh foods are grown, but no distribution centers or retail establishments make fresh, healthy food available

In 2012, the FreshWorks Fund invested over \$31 million in 11 projects that are creating or expanding access to healthy food in underserved communities. These include:

- A new, full-service supermarket serving the Five-Cities area of San Luis Obispo County, California
- A worker-owned cooperative grocery in Oakland, California
- A new, full-service supermarket in a vacant, blighted building in Inglewood, California

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Affordable Housing in the Bronx

In 2012, Morgan Stanley made several loans to finance housing renovations of distressed multifamily buildings in Bronx, New York, managed by Workforce Housing Advisors (WFHA), a mission-oriented, for-profit affordable housing developer.

In one case, interim financing of \$7.5 million will kick-start renovation of four multifamily buildings constructed in the early 20th century and which contain 121 units that have deteriorated significantly. These buildings have been notorious for code and health and safety violations, and they were in the top 10 of the New York City housing department's list of the 200 most-distressed properties. The previous owners had accumulated significant liens and unpaid municipal charges before losing the buildings through foreclosure. Living conditions were deplorable.

WFHA has taken ownership of the buildings in partnership with a nonprofit housing development entity. The interim financing provided by Morgan Stanley allowed WFHA to pay down the municipal arrearages and prepare to renovate the buildings. Full reconstruction will begin in 2013.

The firm provided a \$4.6 million construction loan to support the acquisition and rehabilitation of five additional physically and financially distressed multifamily buildings in the Bronx. The properties had also suffered from overleveraged owners, resulting in deterioration and high vacancy rates, which led to the owners eventually abandoning the buildings. WFHA partnered with a community development corporation and worked with the New York City Department of Housing Preservation and Development to rescue the buildings and formed a joint venture with WFHA. The properties will have 79 units for low-income families and 2,900 square feet of retail space.

Morgan Stanley and WFHA supported the renovation of an iconic Bronx property, financed with a \$5.9 million construction loan. The 18-story 1960s property is known as the birthplace of hip-hop. DJ Kool Herc, a former tenant, is said to have launched hip-hop at a party held in the building's community center. WFHA acquired the property after the previous owner defaulted on a mortgage. Rehabilitation will include energy efficiency improvements as part of a complete upgrade. It will provide 102 affordable units.

Morgan Stanley recently provided financing for the acquisition and substantial rehabilitation of eight multifamily buildings that contain 409 residential units, which are covered under a Section-8 Housing Assistance Program contract. We have also provided a credit facility for the construction of two multifamily buildings that will contain approximately 200 units of affordable housing for families with household incomes between 58 percent and 80 percent of the Area Median Income; 20 percent of the units will be reserved for formerly homeless families, and the project will include commercial space and parking.

Utah Fund of Funds

In a bid to stimulate economic growth and diversity of businesses, the state of Utah created a \$300 million fund to support venture capital companies and private equity funds that invest in growth businesses. The Fund of Funds has already seeded more than 50 Utah companies and created thousands of jobs by investing over \$1 billion. The financial crisis in recent years has threatened the continued success of this approach. Morgan Stanley stepped in with a \$55 million term loan and \$10 million revolving loan fund to counter the critical shortage of seed and venture capital resources. The lines of credit will increase venture capital equity investments in emerging, expanding and restructuring enterprises to create new jobs and promote a well-trained workforce.

Social Finance

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Morgan Stanley's social finance activities leverage the firm's capital markets expertise to improve access to basic goods and services for underserved communities. We facilitate the flow of capital between investors and the businesses that deliver these services to generate both financial and social returns. In this way, we aim to increase opportunities for communities to tackle poverty.

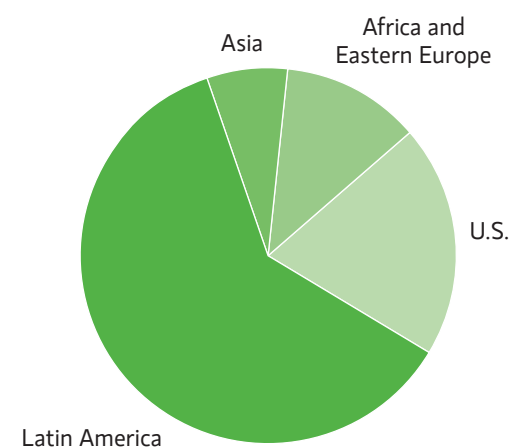
We work closely with investors seeking to allocate capital to the social finance sector, applying our experience to position the industry as one that provides attractive investment opportunities with both social mission and commercial value proposition.

SUPPORTING GLOBAL MICROFINANCE

Morgan Stanley is committed to harnessing capital markets to encourage responsible investments in global microfinance, and we support microfinance institutions (MFIs) and other organizations that provide loans and other financial services to communities that are traditionally excluded from the mainstream financial sector. We act as an intermediary, providing financial advisory services and connecting MFIs with global capital markets. Morgan Stanley has cumulatively participated in microfinance transactions worth more than \$800 million since 2006 through direct financing and advisory services. Our projects and investments in this sector have included mergers and acquisitions, structured finance vehicles, debt issuances, equity private placements, venture capital investments and the management of a local currency debt portfolio. A core focus of

our work in microfinance is innovation, and we are proud that each of our transactions has represented a key milestone for the industry.

Morgan Stanley Social Finance Transactions 2006-2012
Geographical Distribution (Approximately \$840 million)



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MEETING THE NEEDS OF U.S. UNDERBANKED COMMUNITIES

Morgan Stanley is committed to using its resources to develop programs to provide underbanked consumers in the U.S. with high-quality products. The 2011 FDIC Underbanked Report estimated that 28 percent of U.S. households—68 million adults—were underbanked. We are using investments, grants and capital markets advisory to test new business models, as well as incubate and scale new businesses that address gaps in financial services in underserved communities.

In 2012, Morgan Stanley continued its work with Accion East and Online (formerly, ACCION USA), a leading provider of microcredit to small business owners in Boston, New York, Miami and across the country. First, we gave grant support to continue the organization’s “stretch loan” guaranty program. This initiative creates greater access to business capital for entrepreneurs who have the financial capacity to take on a loan but lack the credit experience. Since its launch with Morgan Stanley support in 2010, the guaranty program has allowed Accion to provide over \$550,000 in business loans to 65 entrepreneurs, creating or retaining 219 jobs in low- to moderate-income communities. Additionally, in response to Hurricane Sandy, our supplemental grant funds enabled the organization to expedite loan requests from clients recovering from the effects of the hurricane. With this support, Accion has deployed more than \$600,000 in business capital and \$89,000 in matching grants to 48 affected business owners. These funds are providing working capital that was lost after the storm due to disrupted contracts and business operations, enabling owners to repair storefronts, replenish inventory and meet other immediate needs.

Morgan Stanley continued its partnership with Neighborhood Trust Financial Partners (NTFP, formerly, Credit where Credit is Due) through grant support for the organization’s Employer Solution Program. This innovative initiative, developed as a result of NTFP’s participation in the 2010 Morgan Stanley Strategy Challenge, delivers a package of financial education and services to low-income workers at their places of employment. The program continues to focus on the workplace as a promising place to help the working poor, taking advantage of the immediate link the employer can provide to critical products such as direct deposit.

THOUGHT LEADERSHIP AND EMPLOYEE ENGAGEMENT

Morgan Stanley continues to support research initiatives and events that provide investors and other key stakeholders with insights on important social finance topics. In 2012, we announced a partnership with the Center for Financial Services Innovation (CFSI) and Core Innovation Capital to develop a three-part research series on investment opportunities that improve access to quality products and services for underbanked consumers in the U.S. In November 2012, CFSI and Core Innovation Capital published the first report—the 2011 Underbanked Market Sizing Study. The results of the study indicate that underbanked adults in the U.S. cumulatively used 22 financial product types and generated transaction volume and revenue of \$682 billion and \$78 billion, respectively, in 2011. By framing the depth and breadth of the underbanked marketplace, this research can play a key role in attracting entrepreneurs and investors to support the development of responsible, innovative

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products and services that meet the needs of underbanked communities. Future reports will focus on key investment trends, M&A activity and capital flows in the underbanked sector.

In 2012, a number of internal events examined innovative approaches to financial services delivery:

- More than 150 people attended an event at our New York headquarters highlighting new ways to assess the credit worthiness of households excluded from mainstream credit due to limited financial history and lack of a traditional credit score
- A discussion with Women's World Banking (WWB) highlighted the organization's groundbreaking program that uses storylines embedded within popular soap operas to encourage women in the Dominican Republic to build savings and become better money managers

We continue to address our employees' interest in using business skills to drive positive social and/or environmental change. The Morgan Stanley Environment and Social Finance Forum, a 1,500 member employee-driven volunteer group, promotes

awareness of environment and social finance issues by organizing networking and volunteering opportunities. Now active across Asia, the U.K. and U.S., the program's key 2012 social finance highlights include:

- More than 40 Morgan Stanley employees took part in volunteering workshops with the microfinance nonprofit FINCA U.K. at our London headquarters. These sessions were designed to educate participants about the primary microfinance products (credit, insurance and savings) and stimulate discussion and ideas for the evolution of FINCA's Village Banking model
- Employees from our Technology Investment Banking and Finance Divisions in New York volunteered with Citizen Schools for 10 weeks to teach 7th graders at the Bronx Writing Academy about microfinance. They used the curriculum developed by One Hen Inc., which introduces children to microfinance and entrepreneurship, inspiring them with the story of "One Hen: How One Small Loan Made a Big Difference"

Employees

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Morgan Stanley employs more than 55,000 people in 43 countries. Our success is driven by the talent and excellence of these people, their relationships with our clients and their commitment to the firm. Our goal is to attract and retain the brightest talent by offering competitive rewards and helping them achieve their professional potential. Employing a diverse workforce helps us understand different markets and produce innovative solutions that meet clients' needs.

ENGAGING EMPLOYEES

We encourage two-way dialogue to help us understand employees' concerns and improve their understanding of the firm's priorities.

Morgan Stanley's intranet, Lunch 'n' Learn sessions, and business unit and town hall meetings foster open, ongoing dialogue. Morgan Stanley Today is an online portal that publishes news about activities around the firm and links to research and events. Members of the senior management team host weekly "open door" sessions and the CEO hosts one each month. Any employee can ask questions of senior management in the quarterly Open Forum—a global teleconference. We also provide clear mechanisms for employees to raise concerns, as described in the [Ethics and Business Standards](#) section of this report.

Morgan Stanley values the contributions and opinions of employees. In our 2012 biennial survey, employees responded:

- 81 percent believe the firm's values are important to the future of the firm
- 79 percent believe Morgan Stanley makes good use of their skills and abilities

We also engage employees through nontraditional means. Our annual photo competition is a different form of engagement that reinforces employees' connection to the firm's values. Under the title "See the Exceptional," our 2012 competition asked employees to submit photos that reflect values of exceptional leadership, innovation, agility, compassion or generosity. More than 200 employees submitted 1,100 entries. Employees from across the firm and around the globe submitted more than 11,500 votes; they then determined a winner from 10 finalists. The winning photo, "Tour de Valee," was taken by a senior vice president and portfolio manager who had been hiking the Haute Route in Switzerland. Finalists' photos are showcased in offices around the world and are used in Morgan Stanley's print and online materials.

Engagement on sustainability topics takes place through the Environment and Social Finance Forum (ESF), a global employee network with 1,500 members. Details of ESF Forum activities are reported in several sections of this report.

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LEARNING AND DEVELOPMENT

We are committed to developing employees at all levels. The Talent Development Process, our firmwide performance review process, is the main mechanism through which we identify development opportunities. In 2012, we revised the Talent Development Process to achieve more frequent and candid feedback and clearer identification of development needs. All employees, except for consultants and contingent workers, participate in our Talent Development Process.

The firm offers learning solutions relevant to the needs of the business and employees at every level. Internal programs range from a general introduction to the firm and coverage of specific products, to leadership induction programs for Vice Presidents and Executive Directors. We deliver the programs through a range of approaches from “low-touch,” such as self-study material, to “high-touch” classrooms sessions, providing flexibility in what, when and how much information employees are exposed to at a time.

For example, *Morgan Stanley as a Business* provides an overview of the firm and how each business area generates revenue, and is targeted to individuals who are new to the firm. More specific learning comes through the financial products curriculum platform, which uses webcasts, e-learning modules and other supporting materials to explain the characteristics of individual products.

We invest in management and leadership development, giving managers the resources to help develop and retain talent, and to strengthen skills among current and future leaders across the firm. A two-day conference for newly promoted managing

directors includes sessions covering leadership skills and business unit strategies and also provides an opportunity to celebrate their success.

Through the Morgan Stanley Leaders Program, we develop, retain and engage high performing Managing Directors. Participants gain insight into Morgan Stanley strategy, exposure to senior management and networking opportunities through a two-day global conference, targeted executive coaching, communications workshops as well as small group meetings with the Management Committee.

We also support employees who successfully complete external courses through our tuition reimbursement program. Courses that will assist in an employee’s career development and are approved by his or her manager may receive reimbursement of tuition fees up to a maximum of \$10,000 per year.

REWARD AND RECOGNITION

We offer our employees competitive compensation and benefits to reward performance and discourage excessive risk-taking.

We offer a total compensation package that may be comprised of a comprehensive suite of health and welfare, retirement, long-term incentive and wellness benefits. Additionally, discounted benefits are available at group rates and often may be paid through convenient payroll deductions. Benefits may vary by country and are comparable to those offered by other financial services companies in the local marketplace.

We recognize exceptional performance in many ways at all levels. At the firm level, the John J. Mack Leadership Award recognizes employees who go above and beyond their day-to-day

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responsibilities to reinforce our culture of excellence, show outstanding leadership and embody the firm's values. In 2012, we honored four recipients from various businesses, regions and corporate titles, all of whom demonstrate leadership and commitment to their communities. Additionally, each year eligible employees at all levels displaying exceptional performance and contributions are considered for promotion.

DIVERSITY AND INCLUSION

Diversity and inclusion is a business imperative and we maintain zero tolerance for all discriminatory practices, including harassment. By valuing diverse perspectives, we can serve clients better and help employees fulfill their professional potential. A corporate culture that is open and inclusive is fundamental, and we build that culture through diversity training, stimulating constructive dialogue about issues such as diversity, cross-cultural awareness

and workplace harassment. We also ensure that our buildings are accessible to individuals with physical limitations.

Our diverse workforce is built through recruitment and development practices, together with specific support programs, including partnerships with organizations that find employment opportunities for the disabled and diverse candidates. See also [Supplier Diversity](#) and [Philanthropy](#).

Global Gender Diversity in 2012

	Female (%)
Management positions (Advisory Directors, Managing Directors, Executive Directors and Vice Presidents)	21
Total employee workforce	37

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U.S. Workforce Diversity 2012

	White (%)	Black or African American (%)	Hispanic or Latino (%)	Asian (%)	American-Indian or Alaskan Native (%)	Native-Hawaiian or Pacific Islander (%)	Two or More Races (%)	Women (%)
Executives /Sr. Officials and Managers	88.6	1.7	2.8	6.7			.2	15.4
1st/Mid-level Managers	71.5	4.8	5.2	17.5	.1	.1	.7	34.4
Professionals	61.9	4.8	4.8	26.8	.1	.1	1.5	36.4
All Others*	83.6	4.7	5.4	5.1	.3	.2	.8	41.0
Total	78.2	4.6	5.2	10.7	.2	.1	.8	38.2

*Includes EEO-1 categories technicians, sales workers, administrative support and service workers

Recruitment

We develop relationships and participate in events with diversity organizations such as the Sponsors for Educational Opportunity, Hispanic Scholarship Fund, National Association of Black Accountants, Out for Undergraduate Business, Grace Hopper Celebration of Women in Computing, and American Corporate Partners. We offer academic scholarships and summer internships to Black, Hispanic, Native American, and Lesbian, Gay, Bisexual and Transgender (LGBT) students. Internship programs are also available for women and other diverse undergraduate and MBA students.

To increase the pipeline of diverse candidates, we offer Early Insights programs for diverse undergraduate and MBA students

so that they can explore the financial services industry, the firm's businesses and culture, and have an opportunity to be considered for multiple internships.

Career Development

Our programs foster employees' business acumen and career development, and our networking groups support inclusion across business units. We enhance the quality and content of many of our programs by partnering with organizations such as Center for Talent and Innovation, Women's Bond Club and The Council of Urban Professionals.

Programs such as *Cracking the Code* use workshops to provide women vice presidents with opportunities to build skills and

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advance their careers. The Investment Banking Division hosts an annual Executive Women's Conference that brings together its senior women and senior female executive clients to strengthen relationships and expand their networks. Throughout the year, Morgan Stanley hosts programs for new women managing directors, executive directors and vice presidents.

Within Morgan Stanley Wealth Management, we have a number of programs aimed at promoting development, retention and diversity, while also helping financial advisors develop skills that may strengthen their client relationships. The Women's Business Exchange and Multicultural Business Exchange are each three-day, skills-based conferences. They provide a forum for diverse financial advisors and field sales management to share ideas, personal experiences and new approaches to building successful careers at Morgan Stanley.

Through the Morgan Stanley Leaders Program, we develop, retain and engage high performing Managing Directors. Participants gain insight into Morgan Stanley strategy, exposure to senior management and networking opportunities through a two-day global conference, targeted executive coaching, communications workshops and small group meetings with the Management Committee.

We sponsor networking groups across the firm in each region and within business units. In Asia Pacific, employees may participate in the LGBT group and the Women's Business Alliance. In EMEA, groups include the African and Caribbean Network and Disability Taskforce. Asian, Black and Hispanic groups are among those employees can join in North America. Our Diversity and Inclusion [website](#) publicizes activities and initiatives across the firm.

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Women's Business Alliance Expands in Asia

Events in Beijing and Mumbai in 2012 celebrated the expansion of the Women's Business Alliance (WBA) to India and China. The WBA provides networking and professional development programs for women at all levels. The co-CEO of our Asia Pacific region and CEO of our China operations hosted both events and highlighted the importance of developing female talent. Our COO for India told the Mumbai participants, "I would like us to make the WBA a catalyst for forging closer personal and professional alliances and to leverage each other for professional enhancement," inviting senior women to volunteer to mentor women colleagues.

Celebrating Multicultural Heritage

The Latino Employee Networking group and the Morgan Stanley Wealth Management Multicultural Employee Networking group celebrated Hispanic Heritage Month in North America with a series of events offering business and career development and engagement opportunities. Events included a panel of Latino Vice Presidents discussing key success factors, and a fireside chat between Chief Financial Officer Ruth Porat and Rosie Rios, Treasurer of the U.S. Government.

The Black Employee Networking group celebrated Black History Month in February featuring discussions on sustainability, government and arts, while celebrating the value that diversity and inclusion bring to the firm's workforce and clients.

Events included a Lunch 'n' Learn session in which employees discussed the firm's collaboration with leaders in community banking, government, philanthropy and venture capital. The conversation focused on how to identify and invest in commercially attractive and policy-relevant business opportunities. In a "fireside chat," CNN contributor and political strategist Donna Brazile discussed her career path, goals and perspectives on today's political environment.

Out on the Street in Europe

Employees participated in the inaugural *Out on the Street: Europe Summit* in 2012, focusing on the role of the financial services industry in advancing LGBT equality in Europe. The event examined comparisons across European countries and between Europe and the U.S., where Out on the Street began with the support of Morgan Stanley and five other banks. A managing director from our Technology & Data group appeared on a panel of straight allies who discussed engaging allies to create an inclusive workplace.

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SAFETY, HEALTH AND WELL-BEING

Our policies and practices aim to ensure that employees avoid injury and stay healthy. The firm's intranet site publishes policies, procedures and information, and all new employees are encouraged to familiarize themselves with these materials. We provide a range of resources to help create a safe working environment, including programs to address ergonomic and other stress-related issues. For example, when employees experience pain related to their desk setup, we work with ergonomists to evaluate employee posture and work stations to recommend steps needed to resolve the problem.

Because our employees are mostly office-based, they face few direct safety risks. However, natural disasters such as Hurricane Sandy in the U.S. in fall 2012 damaged several of our work sites. Working with a variety of safety engineers and experts, we ensured that all workplaces were safe and free of contamination before allowing our employees to return to their work locations.

A Global Wellness Committee comprised of regional HR leaders is responsible for creating a culture of health. A wide range of programs address physical and emotional health, working parent and family concerns and the need for flexibility at times of personal or family crisis. We offer counseling and support related to fitness, nutrition and health management. In New York, our headquarters, we provide six on-site health centers, two on-site physical therapy centers and two on-site fitness centers.

Our wellness programs vary by region to address concerns and challenges unique to each location and culture. In London, for example, the program is made up of four key parts, designed

to provide employees with practical tools and the foundation to make positive lifestyle changes in both their personal and professional lives:

- Body Matters is committed to engaging employees to think about specific physical health issues, such as, nutrition, fitness, cancer awareness and women's and men's health
- Mind Matters focuses on emotional and mental well-being, providing educational seminars and practical solutions to some everyday challenges, including issues related to sleep, relaxation, resilience and managing pressure
- Family Matters offers educational seminars and highlights the firm's family-friendly benefits for employees with dependant care responsibilities
- Money Matters is committed to encouraging employees to think about their financial health by engaging them to proactively manage their finances and providing practical tools on key items such as budgeting, mortgages and credit scoring

These programs support employees in going beyond the basics of health to improve the quality of their personal and professional lives, taking control of their health and well-being and that of their families. In 2012, we hosted more than 250 events across the firm with over 8,500 participants.

Family support is especially important and benefits offered include adoption assistance, discounted day care, parenting and child development programs. We provide generous benefits, including maternity leave (varies by country), paternity leave, flexible work arrangements when appropriate to the employee's

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type of work, onsite pregnancy classes and quiet rooms. A wide range of support is available for working mothers, including courses on the care of newborn babies, and seminars and counseling for personal issues.

We offer seminars on managing stress and create specialized programs to respond to department needs. In 2012, we brought in registered nutritionists and provided webinars on managing change and on relaxation techniques for business units where employees were under a tremendous amount of stress.

For employees confronted with a crisis such as unexpected loss, we offer special counseling services at no cost. Immediately after Hurricane Sandy, for example, our employee assistance program was available 24 hours per day to help employees deal with the trauma of the storm, as well as locate temporary housing, identify back-up child care options and find federal, state and local disaster recovery assistance. Following the school shooting in Newtown, Connecticut, we set up on-site counseling and provided individual support for employees who were affected by the event.

The firm recognizes the importance of a healthy balance between personal and professional life, and we are committed to offering the flexibility to help employees find that balance.

When employees leave Morgan Stanley during workforce reductions, we strive to ensure that their departure is handled compassionately and that they have the resources to manage their transition. Employees receive a severance package which includes outplacement services and career counseling.

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Philanthropy

Central to Morgan Stanley's culture is the belief that we should use our diverse talents and resources to solve critical problems, whether through our business activities or our community engagement. Our efforts in 2012 were concentrated on bringing together vital funding with employee ingenuity, hard work and strategic thinking.

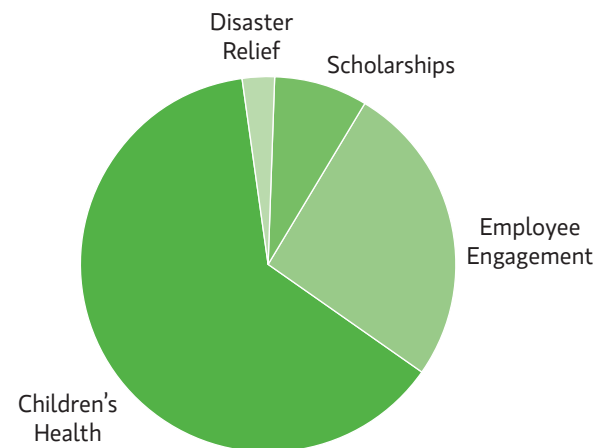
Morgan Stanley has supported the communities where we live and work for more than 50 years, through the Morgan Stanley Foundation, the Morgan Stanley International Foundation and our many hours of volunteer efforts. These activities have included major initiatives, such as the Morgan Stanley Global Alliance for Children's Health, which continues to advocate for children's well-being around the world. We are committed to providing assistance after disasters, such as Hurricane Sandy in 2012. Employees' involvement—through their time, money and expertise—augments the firm's financial support and cements the connection between Morgan Stanley and our communities.

2012 Highlights in Numbers

- More than 21,000 employees volunteered 176,000 hours in 500 cities in 25 countries
- Board skills training was provided to 150 firm leaders
- Donations from Morgan Stanley and its employees totaled over \$82 million
- Strategy Challenge provided more than 10,000 hours of pro bono strategic advice to 15 nonprofit partners, valued at over \$1.2 million

- Morgan Stanley was named one of America's top 10 most community-minded S&P 500 companies in *The Civic 50*

Morgan Stanley Foundation and Morgan Stanley International Foundation 2012 Giving by Category



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GLOBAL ALLIANCE FOR CHILDREN'S HEALTH

For more than 40 years, the firm and its foundations have focused our community involvement on innovations in pediatric care and helping to eliminate preventable death and disease in young children. Collectively called the Morgan Stanley Global Alliance for Children's Health (the Alliance), our efforts have dedicated more than \$120 million to create centers of excellence and deliver critical health care to underserved children. With a specific focus on addressing the root causes of preventable death and disease in younger children, our attention over the past few years has concentrated heavily on improving children's nutrition and access to care.

Centers of Excellence

Morgan Stanley Children's Hospital

The Alliance's flagship is Morgan Stanley Children's Hospital of New York-Presbyterian (MSCH). Created through the generosity of the firm and its employees, the hospital remains a beacon of our work in the community and is one of the top pediatric hospitals in the world. In 2012, more than 1,000 Morgan Stanley employees volunteered time to projects at the hospital. We also continued our 10-year effort to provide the hospital with a loaned staff member. Called the Morgan Stanley Ambassadors program, the firm provides a third-year analyst at full pay to work on special projects for the hospital over a 12-month period. In 2012, our Ambassador was assigned to the hospital's COO and worked on critical initiatives to improve patient throughput and reduce length of stay, as well as an inter-disciplinary team effort to streamline and standardize asthma treatments across the facility.

Beijing-New York Exchange Program

The Morgan Stanley Foundation is funding a five-year initiative to provide roughly 90 Beijing-based pediatric specialists with advanced training through an exchange program with Morgan Stanley Children's Hospital of New York-Presbyterian. The first participants arrived in New York in the summer of 2012 to begin their studies. As part of their three-month fellowship, the physicians observed patient care, participated in multidisciplinary clinics, observed and experienced leading technologies, accessed labs and medical research of the Columbia University School of Medicine and gained knowledge of the American health care system, including structure, theories and financing. In addition, the visiting physicians provided instruction in alternative medicine to the staff at Morgan Stanley Children's Hospital.

Great Ormond Street Hospital

The Morgan Stanley Clinical Building at London's Great Ormond Street Hospital opened in 2012 after employees, with support from the firm, raised £11.5 million in five years. The new building provides modern heart and lung, kidney and neurosciences centers and four operating rooms. The firm's contributions also helped the hospital buy an Angio Bi-Plane machine, which provides three-dimensional imagery during surgery and will be used in operations on over 2,000 children each year.

In 2011, the firm's London employees voted to focus fundraising efforts on a two-year partnership with Kids Company. Since then, employees, the firm and the Morgan Stanley International Foundation together have raised £1.6 million, enabling the

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organization to break ground on the Morgan Stanley Heart Yard in London. The Heart Yard will provide a permanent center for Kids Company's therapeutic work with vulnerable inner-city children.

Direct Care Initiatives

Globally, through grassroots efforts, we work to solve the immediate health issues of underserved communities, focusing on the causes of preventable death and disease in children under five years of age. In addition to large-scale special programming, we support an extensive network of national and local organizations that benefit the health of children in the communities where we live and work.

Since 2009, we have focused on finding solutions to food insecurity globally. Through partnership with local programs like MEND (Mind, Exercise, Nutrition, Do It) and Magic Breakfasts in London, St. James Settlement in Hong Kong and Second Harvest Japan, Morgan Stanley seeks ways to increase access to healthy and nutritious food for children.

Key to this effort has been our three-year partnership with Feeding America, which aims to expand access to healthy food for millions of children in the U.S. Since the partnership began in 2009, the Foundation has committed \$13 million to support programs nationwide. In 2012, we made an additional four-year commitment that will help Feeding America deliver nearly 10 million healthy meals and 50 million servings of fruit and vegetables to children across the country. Approximately 3,000 employees contributed volunteer time to the organization, increasing the impact of our donations. In 2011, our associates

worked with Feeding America as part of the firm's annual [Strategy Challenge](#). As a result of that engagement, Feeding America is now saving \$10 million annually.

Additional Activities in 2012 Include:

We entered into our seventh year of funding Grow Clinics that annually serve more than 1,000 children suffering from medical complications associated with malnourishment, primarily due to poverty. In addition to annual funding for four clinics in the U.S., the firm's employees participate in regional activities and an annual Valentine's Day Drive to support the centers.

We have continued to build on our partnership with Children's Health Fund (CHF), supporting mobile medical centers that provide access to quality medical care for children in Chicago, New York and San Francisco. In the first year of the program, more than 3,000 children received more than 12,000 health care visits by physicians, dentists and mental health care providers.

In Hungary, we made a two-year commitment to the Everyone Eats program, which is run by the Children's Catering Foundation. Through this program, the foundation provides food to low-income children on weekends and during school holidays, when they would otherwise go hungry.

Education and Employment

The firm invests in students from disadvantaged backgrounds, supporting programs that inspire talented young people, especially with opportunities to develop careers in financial services.

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For nearly 20 years, the Foundation has supported scholarships and internships for minority business students through our Richard B. Fisher scholars program. Since its inception, this program has given more than 400 students education and real-world experience in the financial services sector; in 2012, 36 students participated in the program. To expand the number of students we reach, we partnered with A Better Chance, American Indian College Fund, Hispanic Scholarship Fund, Prep for Prep, the Posse Foundation and Sponsors for Educational Opportunities in 2012.

In the U.K., the firm funded the Prince's Trust xl program which works to re-engage disaffected young people and give them essential skills for work or education. Morgan Stanley employees volunteered at the xl clubs to give practical support.

Morgan Stanley has worked with the SIFMA Foundation for many years to fund and coach students in the national Stock Market Game (SMG), which is now used by more than 20,000 schools across the U.S. The game simulates the global capital markets to teach students financial literacy and help them understand economics, math and the foundations of investing and saving. To enhance SMG, SIFMA Foundation introduced the InvestWrite national essay competition, which extends students' classroom learning with a written challenge to address real-world financial issues and situations. More than 300 Morgan Stanley employees across the U.S. volunteer as InvestWrite judges annually.

We hosted an event for Scholarship America at which families affected by the September 11 attacks learned about college

applications and the availability of scholarships. The session covered how to select schools and how to complete successful applications.

For the last two years, Morgan Stanley analysts have organized a monthly job shadow program for students from the Fresh Air Fund, which works with children from low-income urban communities and provides them with new experiences. In addition, in 2012, our Bank Resource Management unit hosted over 50 Fresh Air Fund students for a trading floor tour and panel discussion on careers in the financial services industry.

Since 2005, Morgan Stanley has worked closely with the East London Business Alliance (ELBA) to offer young people employability support, including work experience placements, mentors and, where suitable, the opportunity to apply for vacant positions. In 2012, we provided funds to match the local authority's support for Project MOST, which aims to provide access to sustainable employment with our suppliers and other local employers.

DISASTER RELIEF

Annually, the number of global disasters has increased, and Morgan Stanley has worked diligently to prepare itself to help communities respond. The year was notable for the continuing aftermath of the 2011 earthquake and tsunami in Japan, for Hurricane Sandy, which directly affected a significant number of our own employees in the U.S., and the Sandy Hook Elementary School shootings.

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Continued Efforts in Japan

In Japan, the firm and employees continued to focus on improving life for people living in the regions impacted by the natural disaster. Volunteers helped plant 6,000 seedlings and cared for young trees, to replace conservation forest damaged by the 2011 tsunami—part of a decade-long reforestation process. Our annual charity appeal in Japan raised the equivalent of \$252,000, including the firm's matching donation. The beneficiaries included community service organizations in the quake-hit region, such as a psychological care facility for children who lost their parents in the disaster.

Response to Hurricane Sandy

The firm responded swiftly to Hurricane Sandy. In the first week after the storm, the firm launched a partnership with the American Red Cross, pledging \$1 million in support and committing as much as \$2.5 million in matching support for employee giving towards the efforts. Internally, we launched programs to help employees who were affected directly, including providing services such as transportation and counseling, and a direct funding program for those left homeless by the disaster.

The following week, we committed \$75 million to support replacement housing in devastated communities through an expansion of the [Rebuilding Local Economies Fund](#) created in 2011. In addition, the Morgan Stanley Foundation committed \$400,000 to state relief organizations, split between the Hurricane Sandy New Jersey Relief Fund and Empire State Relief Fund. The banking business also gave practical support, allowing rebates for ATM fees and fee waivers for affected clients

with over-limit accounts and bounced checks. Home loan clients affected by the hurricane were eligible for disaster relief including payment forbearance.

The Morgan Stanley community was affected personally by the shootings at Sandy Hook Elementary School in Newtown, Connecticut, in December 2012. Three colleagues each lost a close family member, while two other colleagues' wives were teachers in the school and were unharmed.

We reacted swiftly to provide support and solace both through formal channels and personal gestures. Some of these are outlined in the [Employees](#) section of this report.

As a firm, Morgan Stanley committed \$150,000 to charities helping victims and the larger community. We established a Newtown Tragedy Fund through the Morgan Stanley Foundation to support families of the victims and members of the Sandy Hook community with services such as grief and mental health counseling. More than 3,000 employees globally added their donations to the firm's, contributing directly to support our families and the Sandy Hook community.

By early 2013, the Morgan Stanley Foundation had begun releasing funds related to the tragedy. The first two grants totaled more than \$230,000 and focused on mental health care and training. They were given to The Yale Childhood Study Center's Childhood Violent Trauma Clinic and the Fairfield County Community Foundation's mental health programs.

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EMPLOYEE COMMUNITY ENGAGEMENT

Employees' enthusiasm, passion and commitment to serving their communities continue to be driving forces in the firm's charitable efforts. We encourage employees to learn about causes and contribute their time, skills and money, and we support the generosity of engaged employees with grants, matched funding and recognition.

To encourage more frequent and deeper volunteering, particularly more impactful skills-based and pro bono efforts, the firm offers a structured continuum of programming to employees to facilitate engagement.

Our broadest initiative is Global Volunteer Month, held each June, which encourages all employees to give at least one hour of their time during the month. More than 21,000 employees participated in our 2012 program, delivering more than 176,000 hours of service in over 500 cities globally.

To deepen that engagement, in 2012, we launched our Year-Round Volunteer Program. This suite of projects, including significant skills-based opportunities, uses consistent partnership to create deeper connections between the firm, our employees and local charities. In New York, each division adopted a charity to work with throughout the year, supporting at least one team project per quarter and offering multiple opportunities for individual employees to use their skills towards the charity's mission. Nationally, we worked closely with Feeding America and the SIFMA Foundation to create partnerships between our local retail branch network and local food banks and economic education programs. Over 70 retail branches created local partnerships through this initiative, delivering thousands of hours of impact.

Morgan Stanley's Risk division provides an example of the year-round effort in action. Through the Risk Philanthropy Committee, the division worked with P.S. 33-Chelsea Prep, a New York elementary school, on a number of volunteer projects throughout the year. Employees spent time in the school encouraging literacy, including a special event on Read Across America Day celebrating the birthday of Dr. Seuss. During Global Volunteer Month, employees helped students from the school's art club create paintings interpreting life in the city, which are displayed in the lobby of our headquarters.

As a founding sponsor of A Billion + Change, a campaign in the U.S. to promote pro bono service, we hosted an event to coincide with International Corporate Philanthropy Day highlighting best practice within international corporate volunteering. Morgan Stanley has recruited five companies to the campaign, contributing to the target of activating 500 companies. Our own signature pro bono initiative is the [Strategy Challenge](#).

We also launched our Nonprofit Leaders Program, which provides resources for our most senior professionals to improve their nonprofit leadership skills and increase their nonprofit involvement.

Employee generosity does not end with volunteer commitment. Our employees also provide generous funding in their communities. Through Morgan Stanley's giving campaigns, employees contributed more than \$35 million to causes globally.

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EMPLOYEE INCENTIVES

While we believe that results of our giving are our best reward, Morgan Stanley offers a series of recognition and financial incentives to encourage employees to participate in pro bono and philanthropy programs.

One of the most unique of these is our ticker. Annually, we run the names of all volunteers on the electronic ticker sign on the Morgan Stanley headquarters building—giving employees the chance to see their name in lights on Broadway.

Our Charitable Spending Accounts provide a financial incentive. Employees who contribute to the firm's Annual Appeal receive up to \$4,000 in matched funding, which they can donate to any U.S. charity. Our Foundation also operates a Volunteer Incentive Program

(VIP), which provides grants to charities at which employees volunteer. In 2012, we gave \$3.2 million through VIP. The total granted since the program began in 1993 is nearly \$40 million.

Volunteers from the firm's Operations division worked at the Community Kitchen & Food Pantry in Harlem, preparing and serving food. Other divisions provided career advice and support and worked with several children's organizations.

- In Chicago, 120 employees worked with community members and the nonprofit KaBOOM to create the first playground in one school's 100-year history
- More than 650 clients and employees took part in the firm's third annual Mumbai walkathon, raising the equivalent of \$40,000 for cancer research and education

The 2012 Strategy Challenge

Our signature pro bono initiative provides teams of high-performing employees to give strategic advice to a group of nonprofits. In 2012, we selected a total of 15 organizations in Chicago, New York and San Francisco to participate in the Strategy Challenge. Each organization received eight weeks of strategic advisory services from a four-member team. The teams, each advised by a senior managing director, developed strategies to tackle key issues facing each organization. Team members in turn received training in leadership, problem solving and other key skills.

The teams presented their recommendations in front of a panel of judges that consisted of experts from both the private and nonprofit sectors. The firm's Chairman and CEO presented awards to the top-three teams and their client organizations. The first-place

team worked with the Union Settlement Association, a nonprofit in the East Harlem neighborhood of New York, which serves more than 13,000 low-income residents annually through effective early childhood, youth and adult education, as well as senior and mental health programming. The Morgan Stanley team helped the Union Settlement Association create an innovative approach to significantly expand enrollment for the nonprofit's English as a Second Language program and to address the large unmet need for these services.

Other organizations involved in the Strategy Challenge ranged from education to microfinance to social services, with a strong representation from charities working with children and youth. Since its inception, Strategy Challenge teams have provided 49 organizations with over 22,500 hours of pro bono service, with an estimated value of \$3.4 million.

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- More than 1,000 employees across the U.S. donated items for babies and children in our Warm Their Hearts drive. The books, toys and supplies such as baby food went to our Children's Hospital Child Life program and Grow Clinics, which are part of the Global Alliance for Children's Health
- More than 200 employees volunteered with Student Sponsor Partners (SSP), a nonprofit that works with at-risk students in New York. Morgan Stanley employees provided mentoring and tuition, and in 2012, SSP honored our co-president of Institutional Securities with its Founders Award
- Morgan Stanley's Glasgow office partners with Yorkhill Children's Hospital. The partnership involves the firm's

employees through volunteer and fundraising projects. In 2012, the Morgan Stanley International Foundation provided a grant to support the Childhood Obesity Service at Yorkhill (COSY) project. Based in the hospital, the program aims to reduce childhood obesity by working with overweight children and their families

- For the second year running, Morgan Stanley Hong Kong's Environment and Social Finance Forum supported the International Coastal Cleanup Challenge—a six-week effort to clear coastline and inland waterways of refuse. More than 50 employees removed 131 kilograms of trash from a popular beach area in the southeast of Hong Kong

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Morgan Stanley aims to be a leader in the efficient use of energy and sustainable materials. We are determined to run our operations in a sustainable manner and we continually strive for improvement in managing and reducing our environmental footprint.

MANAGING OUR IMPACTS

Our [Environmental Policy Statement](#) outlines sustainability goals and values and is implemented by our [Environmental Committee](#).

- Morgan Stanley was an early signatory to the Carbon Disclosure Project (CDP), an institutional investor-led nonprofit organization that collects and publishes energy and greenhouse gas emissions data from corporations. Each year, we disclose emissions data from our corporate real estate portfolio and corporate air travel. In 2012, Morgan Stanley was included in the CDP's S&P 500 Carbon Disclosure Leadership Index (CDLI) for the third consecutive year
- In 2012, Morgan Stanley also became a signatory to the CDP water disclosure initiative. We fully support the goal of driving better measurement, transparency and understanding of water issues and using that data to inform decision makers in both the public and private sectors
- We ensure the accuracy of our data through external verification. Bureau Veritas, a third-party assurance provider, audits our global CDP submission in accordance with the ISO 14064-3 standard. In 2012, our U.K. offices and data centers were recertified by the Carbon Trust

Green Buildings

We have a set of nonnegotiable, internal environmental standards for all our new construction and renovation projects. The standards encourage high-efficiency lighting and office equipment, the use of recycled or local materials, low volatile organic compounds, high efficiency bathroom fixtures that reduce water use, and lighting controls such as occupancy sensors. In 2012, we evaluated 232 projects against these standards. Since 2006, Morgan Stanley has invested more than \$12 million in capital projects intended to improve the efficiency of operations and use of energy in its New York offices alone.

We are guided by external certifications or rating systems such as Leadership in Energy and Environmental Design (LEED). In 2012, two buildings in our real estate portfolio achieved LEED certification, bringing the total to 21 offices around the world. LEED certified buildings include all our call centers, our Hong Kong headquarters, and our India headquarters in Mumbai that is LEED Platinum—the highest level.

In 2012, our office in Englewood, Colorado, received a LEED Silver rating. We also achieved LEED for Existing Buildings certification for the first time at our office at 522 Fifth Avenue

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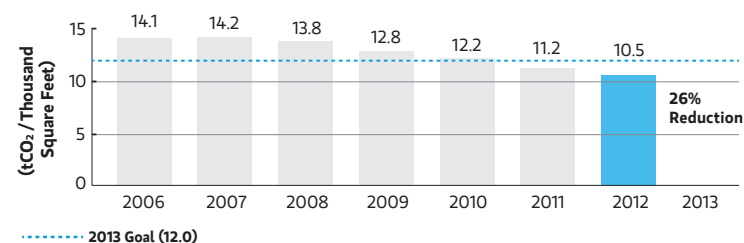
in New York. We took a multifaceted approach, making improvements in energy efficiency, water efficiency, effective resource use and indoor environmental quality. We improved the building's Energy Star score from 53 in May 2008 to 75 at the completion of the LEED process, a 41 percent improvement, making the building more efficient than 75 percent of similar buildings in the U.S. The building also reduced water use by 20 percent beyond the already stringent minimum standards set by LEED. In addition, we addressed the use of consumable items, adopting a sustainable purchasing policy covering low-mercury lamps, durable goods and consumable items. We created a green cleaning program specifying "Green Seal" certified cleaning products and minimizing volatile organic compounds. Finally, we earned an innovation credit by completing a study of the costs associated with the sustainable building practices that were implemented. The costs were generally minimal in comparison with the benefits, demonstrating both the financial and environmental benefits of sustainability.

In 2012, Morgan Stanley pursued certification under LEED for Existing Buildings for our worldwide headquarters in Manhattan, which was built in 1988. The building, which obtained its Energy Star rating in 2012, has an energy use profile in the top 25 percent of all office buildings surveyed under the Energy Star program. This is significant given the exceptional population density of the building and heavy technology load due to trading operations. The building also saves water by using efficient restroom fixtures, and 55 percent of waste water is diverted for recycling. The building achieved LEED Gold in early 2013.

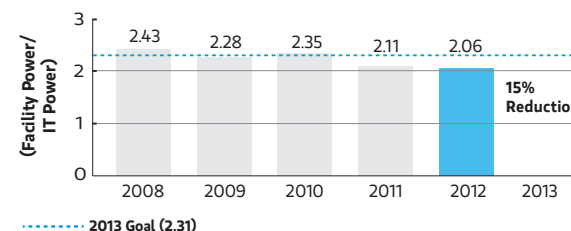
ENERGY AND CLIMATE

We surpassed our carbon emissions and power usage effectiveness (PUE) targets ahead of schedule and have set new targets.

Normalized Office Emissions



Data Center Power Usage Effectiveness



In-line with best practice, we are resetting the baseline year to 2012. Our new targets for 2017 are a further 15 percent reduction in emissions per square foot from offices and a further 5 percent improvement in the PUE of data centers—both from the new 2012 baseline. Achieving these targets will represent a 37

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percent decrease from 2006 for office emissions and a decrease of 19 percent since 2008 for the PUE.

We will continue to reduce our footprint by improving efficiency in offices and data centers, and by using renewable energy. [Employees](#) are actively involved in these improvements, often driving changes that help us to achieve our emissions and PUE goals.

Renewable Energy

In 2012, we began work on a large photovoltaic solar array at the Morgan Stanley owned and occupied office campus in Purchase, New York. The system will provide over one million kwh of renewable energy annually. This is enough to provide 25 percent of the building's energy use at peak production, and it is expected to reduce annual carbon emissions by approximately 400 metric tonnes. This will be the first installation of this scale in the area and we hope it will provide a model for other sustainability conscious members of the community. We anticipate that the project will be completed and operational by fall 2013.

Office Energy Efficiency

We achieved our targeted emission reductions through a comprehensive retro-commissioning program in which we completed more than 100 energy efficiency projects such as replacing older equipment, installing new equipment to complement our existing infrastructure and optimizing our operations to maximize efficiency.

The first step to further improvement is ensuring that we do not lose the gains we have already made. To this end, we have implemented a continuous commissioning program, which constantly monitors thousands of data points from our buildings to make sure they remain optimal and analyzes this data to identify new opportunities.

Other energy efficiency projects in 2012 were:

- Feasibility studies of fuel cell, micro turbine and solar thermal projects
- Using LED lighting in all stairwells at our headquarters building, providing an excellent return on investment because these lights are required to be on 24 hours a day for safety purposes. We have also selected LED lights for all down lights on floors that we are currently renovating in the headquarters building. One floor's renovations were completed in 2012, with 10 floors to be completed in the next two years
- Simple changes, such as drawing shades to block out the sun and setting thermostats to maximize heating and cooling efficiency
- Lowering lighting levels to 90 percent where possible
- Installing a "green roof," or vegetation cover, to our Canary Wharf office in London to improve insulation and keep the building cool, reducing the need for air conditioning

In 2012, Morgan Stanley installed advanced lighting controls in a number of buildings, using multiple technologies ranging from basic on/off timers to occupancy sensors and more advanced equipment. "Daylighting" sensors, which detect natural light levels and gradually reduce electric light when sunlight is sufficiently bright, were particularly effective. We also were able to install the sensors, which are typically used to control lighting, to turn air conditioning systems on and off in conference rooms based on occupancy. The project has resulted in approximately 500,000 kwh in energy savings annually.

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Data Center Efficiency

Energy used to power and cool data centers makes up a growing proportion of our global electricity consumption and carbon emissions. Data center emissions have doubled since 2006 due to rapid expansion and despite improved efficiency.

We continue to target improved power usage effectiveness (PUE), especially striving to improve the way heat is removed and IT equipment is cooled.

We evaluate all IT purchases carefully to ensure that they meet our efficiency standards and are configured for efficient operation within the structure of our facilities.

The Enterprise Data Center team has begun to implement a multiyear program to reduce the size and increase the efficiency of the North American data center portfolio. The program aims to reduce the number of North American data centers from seven to two by the end of 2015. This consolidation will enable us to use more modern data center designs, which should increase efficiency by:

- Reducing power-consuming infrastructure
- Incorporating new, more efficient data center infrastructure components
- Using new, more efficient IT equipment
- Leveraging more efficient data center operating parameters

Beyond North America, we continue to seek innovative ways to reduce power consumption across our global data center portfolio.

Projects at two of our large facilities in 2013 will include:

- Modifying existing air conditioning systems to provide environmental controls that work with local climates to reduce total power consumed
- Leveraging maintenance activities on our reserve electrical generation plant to help offset demand on the local utility provider during peak times

Employee Travel

We discourage unnecessary travel by promoting videoconferencing and telecommuting. We provide the CO₂ emitted for each trip prior to booking, so employees can gauge the full impact of travel. When employees do travel, we encourage the use of energy-efficient vehicles. We reduced both the total number of flights taken and miles traveled in 2012 over 2011.

REDUCING WASTE

We look for opportunities to reuse materials and recycle all waste that leaves our sites. In most offices, we have easily-accessible, clearly-labeled recycling programs for standard materials such as aluminum, cardboard, paper and plastic. We also recycle batteries, light bulbs, hazardous materials and organic waste, and we hold electronic waste drives to encourage employees to bring in unwanted electronic equipment from home for free recycling. The Property Services team meets regularly with cleaning staff and waste contractors to ensure they are maximizing the amount of recyclables from our waste stream.

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In 2012, we recycled nearly 50 percent of the waste from our New York offices, while also reducing the total waste produced. In our New York headquarters, we reduce food waste by using an organic waste digester. In 2012, this diverted nearly 65,000 pounds of wet waste from landfill. This is slightly less than was diverted in 2011, reflecting the use of a waste tracking system to provide more effective kitchen management. Other initiatives to reduce waste in New York include offering a discount on beverages when providing one's own mug, use of single dispense recycled napkins which has reduced consumption 60 percent, and recycling cooking oil for bio-diesel.

A range of initiatives in our two Canary Wharf, London, offices resulted in a five percent reduction in waste generated in 2012 compared with 2011, and approximately 65 percent of that waste was recycled. All nonrecyclable general waste was sent for energy conversion from incineration to avoid landfill. All food waste generated in our London kitchens was collected and disposed of through energy conversion in a Combined Heat and Power (CHP) Plant for much of 2012. During the fourth quarter, we switched to an anaerobic digestion system. In total, food waste was converted to over 17,000 kwh of energy over 2012. In addition, the London offices replaced disposable cups with reusable mugs and water bottles during 2012. This initiative is being considered in a number of other office spaces for potential roll out in 2013.

Paper Use

In January 2012, we introduced a new paper policy in the firm's North American Investment Management division. All prospectuses and shareholder reports are printed on paper certified by the Forest Stewardship Council (FSC) that contains at least 20 percent recycled content. We are exploring ways to expand this program to include other parts of the firm.

We encourage our clients to switch to electronic delivery of documents. By the end of 2012, more than 21 percent of our Morgan Stanley Wealth Management clients were enrolled in electronic delivery of statements, an increase of 3 percent over 2011 and a 119 percent rise since the inception of the eDelivery program in 2009. In 2012, we also launched an eNotice feature on the Wealth Management platform that suppresses paper delivery of certain money movement confirmation letters and replaces them with email notifications of transactions. This feature is most appreciated by clients with recurring money movement instructions. We are examining ways to expand eNotice capability to additional letter types.

Within our North American Investment Management division, we added an eDelivery reminder to the covers of all of our reports and prospectuses. Within six months, 37 percent of mailings were being sent electronically. We are looking at ways to expand this program globally.

In Asia Pacific and London, we introduced an initiative to eliminate paper cups. This will save more than 200,000 paper cups per year. Firmwide, we discourage unnecessary printing, and in most locations, printers are set to default to double-sided printing.

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Conserving Water

Low-flow water fixtures are now standard in all new building and refurbishment projects. In New York, we have introduced a number of other water conservation efforts:

- Low-flow devices in kitchens and bathrooms
- Installation of flushometers, reducing water use by more than 55 percent
- Hands-free faucets, which can reduce water use by four percent per year

INVOLVING EMPLOYEES

We train employees to understand and manage the environmental risks and opportunities affecting our businesses and operations and we want them to be our environmental advocates, helping us achieve our commitments. The Code of Conduct, to which each employee must adhere, includes statements about sustainability and our commitment to the environment.

We use global events, such as Earth Hour, when participants promote climate change awareness by turning off lights for one hour at a predetermined time, and Earth Day to involve and motivate employees. In 2012, March was named global Sustainability Month. Activities included:

- In Asia, employees organized volunteer projects in locations that included Beijing, Hong Kong, Mumbai, Singapore and Taipei; other events included speakers and emails with tips about environmental best practices

- In London, a mini-expo with several companies demonstrated products and services that employees can use in their homes to live in a more sustainable way; and a panel debate on “Will commerce make or break climate change?”
- In North America, employees volunteered at a local ecology center and participated in a discussion with the founder of BASIX, one of the oldest and largest microfinance networks in India

Special events also help employees to understand how sustainability affects their life and work. More than 140 people attended panel discussion hosted by the ESF Forum in New York on the future of renewable energy; speakers included senior Morgan Stanley staff and an executive from the World Resources Institute.

MANAGING OUR SUPPLY CHAIN

We spent approximately \$9.5 billion with nearly 18,000 suppliers spanning real estate, IT and telecommunications, office supplies and fittings, printing, professional services and travel. Our Firmwide Sourcing Policy covers all suppliers except real estate and insurance, which are covered by policies appropriate to those business areas.

In 2012, we updated our Global Procedures for Supplier Selection and Engagement, which are designed to ensure that we are fair, competitive and objective with appropriate due diligence and consideration of relevant risks, as well as being in accordance with our policy and all applicable laws and regulatory requirements.

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Our supplier due diligence policy and procedures require that suppliers protect human rights, and we review vendors' policy coverage and compliance, including health and safety issues. We prefer suppliers who demonstrate commitment to social, ethical and environmental programs, who certify their operations to reputable environmental standards such as ISO 14001 and LEED, and are included in the Dow Jones Sustainability or the FTSE4Good Index Series, if eligible.

Overall responsibility for Morgan Stanley's supply chain management and risk monitoring rests with the Board Audit Committee. The Supplier Risk Governance Committee, a subcommittee of the firm's Operational Risk Oversight Committee, is directly responsible for overseeing and enforcing the firm's policies, procedures and standards governing the supplier management program (below).

Supplier Management Program

We have developed a rigorous process, which includes completion of an online questionnaire, to evaluate and monitor risks posed by external suppliers and service providers. We assess relevant vendors when contracts are created or changed significantly. In addition, services deemed to be inherently risky are monitored monthly or quarterly, with the risk level determining the frequency of review. The questionnaire triggers risk assessments by the applicable control and due diligence groups, including Corporate Security, Technology & Information Risk, Technology Business Development and Business Continuity Management. Approximately 2,500 suppliers with 3,500 services have been evaluated.

Our Corporate Securities and Investigations Group (CSI) examines potential suppliers to identify and assess possible reputational risks, including environmental, social and governance concerns. In 2012, CSI expanded its program to identify potential risks between formal assessments, covering suppliers that provide high or critical risk services.

We provide training on the Supplier Management Program to all Firmwide Sourcing staff who use the program tool.

Supplier Diversity

Morgan Stanley has a long-standing history of working with minority- and women-owned businesses. The firm is committed to efforts that promote diversity through our hiring and in our interactions with our clients, vendors and subcontractors. We understand that equal access and equal opportunity, along with diversity in our business processes, strengthen our firm. A diverse supplier base provides Morgan Stanley with a broad array of high-quality products, while improving competition and cost savings. It also supports the communities in which we operate.

We are committed to increasing supplier diversity and aim to increase the number of women- and minority-owned businesses with which Morgan Stanley works, including those owned by veterans, the disabled and members of the LGBT community.

The firm is a member of diverse supplier groups in the U.S. to help us attract qualified diverse businesses and build relationships with vendors. Groups include the National Gay and Lesbian Chamber of Commerce, National Minority Supplier Development Council, the U.S. Hispanic Chamber of Commerce, the Women's Business

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Enterprise National Council and the U.S. Pan Asian American Chamber of Commerce. We also attend conferences and events to network and meet with diverse companies to provide opportunities to do business. In 2012, the firm's Legal Division worked with the National Association of Minority and Women Owned Law Firms (NAMWOLF)—an organization that assists us in finding qualified vendors to provide legal related services.

We recognize the importance of promoting diversity further down the supply chain, so we are working with our primary vendors to measure our impact on Tier 2 spending with diverse suppliers. We have asked our top 100 suppliers (defined by amount spent) to provide us with quarterly reports on their diverse supplier spending related to Morgan Stanley accounts.

In 2012, we began planning to extend the supplier diversity program to the EMEA region, updating the language in EMEA RFP templates to help identify diverse companies to include in the bidding process. In 2013, we will continue to explore ways to find qualified diverse suppliers in this region.

We review how much we spend with diverse suppliers every quarter and have developed targets based on overall annual

Our Firmwide Supplier Diversity team and the Wealth Management Business Development team hosted a joint event geared toward building strong partnerships with certified women- and minority-owned businesses.

The New York City event attracted more than 110 representatives from businesses in the New York Metro

spending on commodities, as well as total spending. This helps us identify where we can enhance opportunities.

In 2012, we spent more than \$203 million with diverse direct (\$178.7 million) and indirect (\$24.3 million) suppliers in the Americas—4.5 percent of our overall supplier spending and a 24 percent increase over 2011. This progress is due to significant renovation projects in two New York locations. We included as many diverse companies in the bidding process as possible and awarded the services to qualified diverse companies where we were able. We will continue to track our spending with diverse vendors. Our goal is to increase this spending to five percent or more of our total supplier spending within the next two years.

Awards and Recognition:

- Morgan Stanley was included in the Top 50 Supplier Diversity Programs by *Hispanic Networking Magazine*
- The Women Presidents' Educational Organization gave the firm an award for our commitment to women-owned businesses
- The leader of our Supplier Diversity Program was appointed the Chair of the NY/NJ Minority Council Corporate Member Committee in 2012

area, reinforcing our mission by connecting and fostering partnerships with diverse businesses and vendors.

Speakers explained the Morgan Stanley Supplier Diversity Program and gave detailed information about the program and key guidelines on how to become a Morgan Stanley supplier.

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Total Office GHG Emissions

Year	Normalized Office Emissions (tCO ₂ /Thousand Square Feet)
2006	14.1
2007	14.2
2008	13.8
2009	12.8
2010	12.2
2011	11.2
2012	10.5

Total Energy Use (MMBtu)

Year	Direct	Indirect
2006	179,725	2,171,150
2007	190,211	2,314,823
2008	185,641	2,535,960
2009	174,933	2,591,238
2010	194,377	2,614,734
2011	192,835	2,658,558
2012	186,473	2,604,821

2012 Energy Use (Direct and Indirect)

	MWh	MMBtu
Direct		
Diesel — Stationary	5,262	17,956
Diesel — Mobile	1,859	6,345
Natural Gas	47,528	162,172
Indirect		
Purchased Cooling	21,995	75,050
Purchased Electricity	730,939	2,493,659
Purchased Heating	808	2,757
Purchased Steam	9,775	33,355

Total Scope 1, 2 and 3 GHG Emissions (tCO₂e)

Year	Scope 1	Scope 2	Scope 3	Total
2006	11,867	290,797	77,647	380,312
2007	12,694	310,663	89,748	413,105
2008	12,935	349,752	72,467	435,154
2009	12,290	359,249	50,371	421,909
2010	14,322	344,751	63,103	422,176
2011	14,903	366,830	65,810	447,544
2012	13,757	330,747	59,003	403,507

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Total Emissions in 2012 by Region (tCO₂e)

Region	Emissions
Americas	232,728
Europe	64,704
Asia	47,243

Total Emissions by Source (tCO₂e)

Year	Business Travel	Datacenter	Office
2006	76,991	62,848	241,510
2007	89,113	72,034	252,043
2008	71,711	97,248	266,245
2009	49,618	130,525	241,852
2010	62,999	129,735	229,442
2011	65,638	165,776	216,130
2012	58,832	147,759	196,916

Total Waste in U.S. Tons (New York Offices Only)*

Year	Paper	Wet waste	Metal, glass and plastic	Compost
2009	1,391	1,229	20	
2010	1,290	1,344	37	
2011	996	1,232	67	
2012	807	1,028	128	105

* We are unable to monitor waste in all of our buildings due to lease arrangements

2	ABOUT MORGAN STANLEY	AWARDS & RECOGNITION	100% on Corporate Equality Index Human Rights Campaign (United States)
5	LETTER FROM THE CEO	2012 S&P 500 Carbon Disclosure Leadership Index (Global)	Top 50 Stonewall Workplace Equality Index (United Kingdom)
6	SUSTAINABILITY AT MORGAN STANLEY	Member, Dow Jones Sustainability Index World and Dow Jones Sustainability Index North America	Ranked as one of the Top Companies That Care About LGBT Equality and Rights <i>MetroSource</i> magazine (United States)
8	GOVERNANCE AND RISK MANAGEMENT	Top Public Markets Lead Manager for Clean Energy/Renewables <i>Bloomberg New Energy Finance</i> (United States)	Top Banks & Financial Institutions for African Americans <i>Black EOE Journal</i> magazine (United States)
14	ETHICS AND BUSINESS STANDARDS	100 Best Companies for Working Mothers <i>Working Mother</i> magazine (United States)	50 Best Companies to Work for in the U.S. <i>LATINA Style</i> magazine (United States)
18	STAKEHOLDER ENGAGEMENT AND MATERIALITY	Ranked in Top Ten Great Place to Work Institute (Japan)	Top Supplier Diversity Programs for Hispanics and Top Banks & Financial Institutions for Hispanics <i>Hispanic Network</i> magazine (United States)
22	ENVIRONMENTAL FINANCE	Top 50 Employers for Women <i>The Times</i> (United Kingdom)	Best Companies for Hispanics <i>Hispanic Business</i> magazine (United States)
26	INVESTING WITH IMPACT	50 Top Employers of College Grads <i>Bloomberg Businessweek</i> (United States)	#1 Ranking for Client Account Statement (3rd year in a row for MSWM) DALBAR, a leading financial services research firm
28	PUBLIC FINANCE	Top Banks and Financial Institutions for Women <i>Professional Woman's Magazine</i> (United States)	LEED Certification for our 522 Fifth Avenue building and LEED Silver Rating for our office in Englewood, Colorado (United States)
31	COMMUNITY DEVELOPMENT	Best in Class for Code of Conduct Ethisphere Institute (United States)	
37	SOCIAL FINANCE	Top 100 Women Financial Advisors <i>Barron's</i> awarded Morgan Stanley 20 spots, including the top two (United States)	
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		GRI Guideline	Inclusion	Location
Strategy and Analysis				
1.1	Core	Statement from the most senior decision maker of the organization about the relevance of sustainability to the organization and its strategy	Yes	Letter from the CEO
1.2	Core	Description of key impacts, risks and opportunities	Yes	Letter from the CEO Sustainability at Morgan Stanley Environmental and social risk
Profile				
2.1	Core	Name of reporting organization	Yes	Morgan Stanley
2.2	Core	Primary brands, products and or services	Yes	About Morgan Stanley
2.3	Core	Operational structure of the organization including main divisions, operating companies, subsidiaries and joint ventures	Yes	About Morgan Stanley 10-K disclosure
2.4	Core	Location of organization's headquarters	Yes	About Morgan Stanley
2.5	Core	Number of countries where organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	Yes	Global Offices
2.6	Core	Nature of ownership and legal form	Yes	10-K disclosure
2.7		Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries)	Yes	10-K disclosure
2.8		Scale of the reporting organization including: <ul style="list-style-type: none"> • Number of employees; • Net sales; • Total capitalization broken down in terms of debt and equity; and • Quantity of products or services provided 	Yes	10-K disclosure
2.9		Significant changes during the reporting period regarding size, structure or ownership, including: <ul style="list-style-type: none"> • Location of, or changes in operations, including facility operations, closings, and expansions; and • Changes in the share capital structure and other capital formation, maintenance, and alteration operations 	Yes	10-K disclosure
2.10		Awards received in the reporting period	Yes	Awards

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Report Parameters				
3.1		Reporting period for information provided	Yes	About This Report
3.2		Date of most recent previous report	Yes	2011
3.3		Reporting cycle	Yes	Annual
3.4		Contact point for questions regarding the report or its contents	Yes	sustainability@morganstanley.com
Report Scope and Boundary				
3.5		Process for defining report content, including: <ul style="list-style-type: none"> • Determining materiality; • Prioritizing topics within the report; and • Identifying stakeholders the organization expects to use the report 	Yes	Sustainability at Morgan Stanley Stakeholder Engagement and Materiality
3.6		Boundary of the report	Yes	All Morgan Stanley's impact on the market unless otherwise stated
3.7		State any specific limitations on the scope or boundary of the report	Yes	All Morgan Stanley offices unless otherwise stated
3.8		Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	Yes	All Morgan Stanley operations as described in our 10-K disclosure
3.9		Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report	Yes	We use the Greenhouse Gas Protocol in conjunction with the U.S. EPA's Climate Leaders Greenhouse Gas Protocol to calculate our emissions
3.10		Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement	Yes	The firm's results have been restated to reflect financial figures reported in the Firm's Annual Report on Form 10-K for the year ended December 31, 2012
3.11		Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	Yes	10-K disclosure
GRI Content Index				
3.12		Table identifying the location of the Standard disclosures in the report	Yes	This index

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5	LETTER FROM THE CEO	Assurance				
6	SUSTAINABILITY AT MORGAN STANLEY	3.13		Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also, explain the relationship between the reporting organization and the assurance provider	Yes	Managing Our Impacts
8	GOVERNANCE AND RISK MANAGEMENT	Governance, Commitments and Engagement				
		Governance				
14	ETHICS AND BUSINESS STANDARDS	4.1		Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	Yes	Corporate Governance
18	STAKEHOLDER ENGAGEMENT AND MATERIALITY	4.2		Indicate whether the Chair of the highest governance body is also an executive officer (and if so, their function within the organization's management and the reasons for this arrangement)	Yes	Corporate Governance
22	ENVIRONMENTAL FINANCE	4.3		For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or nonexecutive members	Yes	Corporate Governance
26	INVESTING WITH IMPACT	4.4		Mechanisms for stakeholders and employees to provide recommendations or direction to the highest governance body	Yes	Policy Regarding Communication by Shareholders and Other Interested Parties with the Board of Directors
28	PUBLIC FINANCE	4.5		Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements) and the organization's performance (including social and environmental performance)	Yes	Board of Directors Corporate Governance Policies Governance and Compensation
31	COMMUNITY DEVELOPMENT	4.6		Processes in place for the highest governance body to ensure conflicts of interest are avoided	Yes	Nominating and Governance Committee Charter
37	SOCIAL FINANCE	4.7		Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental and social topics	Partial	Nominating and Governance Committee Charter
40	EMPLOYEES	4.8		Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental and social performance, and the status of their implementation	Yes	Sustainability at Morgan Stanley Ethics and Business Standards Operations
48	PHILANTHROPY	4.9		Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	Yes	Corporate Governance
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4.10		Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	Yes	Nominating and Governance Committee Charter
Commitments to External Initiatives				
4.11		Explanation of whether and how the precautionary approach or principle is addressed by the organization	Yes	Morgan Stanley does not employ the precautionary approach to environmental issues Environmental and Social Risk
4.12		Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or endorses	Yes	The Carbon Principles The Equator Principles United Nations Universal Declaration of Human Rights
4.13		Members in associations and/or national/international advocacy organizations in which the organization: • Has positions in governance bodies; • Participates in projects or committees; • Provides substantive funding beyond routine membership dues; or • Views membership as strategic	Yes	Sustainability at Morgan Stanley Stakeholder Engagement and Materiality Environmental Finance Public Finance Social Finance
Stakeholder Engagement				
4.14		List of stakeholder groups engaged by the organization, e.g., communities, civil society, customers, shareholders and providers of capital, suppliers and employees, other workers and their trade unions	Yes	Stakeholder Engagement and Materiality
4.15		Basis for identification and selection of stakeholders with whom to engage. Includes process for defining stakeholder groups and for determining the groups with which to engage	Yes	Stakeholder Engagement and Materiality
4.16		Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group, e.g., surveys, focus groups, community panels, corporate advisory panels, written communication, management/union structures and other vehicles. Say whether any engagement was undertaken specifically as part of the report preparation process	Yes	Sustainability at Morgan Stanley Stakeholder Engagement and Materiality Employees
4.17		Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	Yes	Stakeholder Engagement and Materiality

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		GRI Guideline	Inclusion	Location
Performance: Economic				
Disclosure on Management Approach				
		Provide a concise disclosure on the management approach items outlined below with reference to the following economic aspects; economic performance, market presence and indirect economic impacts	Yes	Sustainability at Morgan Stanley
Economic Performance Indicators				
Aspect: Economic performance				
EC1	Core	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Yes	Financial Information
EC2	Core	Financial implications and other risks and opportunities for the organization's activities due to climate change	Yes	Sustainability at Morgan Stanley Environmental and Social Risk Environmental Finance
EC3	Core	Coverage of the organization's defined benefit plan obligations	Yes	10-K disclosure
EC4	Core	Significant financial assistance received from government	Yes	No
Aspect: Market Presence				
EC5	Additional	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	Not reported	
EC6	Core	Policy, practices and proportion of spending on locally based suppliers at significant locations of operation	Partial	Supplier Diversity
EC7	Core	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	Partial	Diversity and Inclusion
Aspect: Indirect Economic Impacts				
EC8	Core	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Yes	Social Finance Community Development Public Finance Philanthropy

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EC9	Additional	Understanding and describing significant indirect economic impacts, including the extent of impacts	Yes	Social Finance Community Development Philanthropy
Performance: Environmental				
Disclosure on Management Approach				
		Provide a concise disclosure on the management approach items outlined below with reference to the following environmental aspects: materials, energy, water, biodiversity, emissions, effluents and waste, products and services, compliance, transport and overall	Yes	Operations
Environmental Performance Indicators				
Aspect: Materials				
EN1	Core	Materials used by weight or volume	No	
EN2	Core	Percentage of materials used that are recycled input materials	Partial	Paper Use
Aspect: Energy				
EN3	Core	Direct energy consumption by primary energy source	Yes	Operations
EN4	Core	Indirect energy consumption by primary source	Yes	Operations
EN5	Additional	Energy saved due to conservation and efficiency improvements	Yes	Operations
EN6	Additional	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives	Yes	Environmental Finance
EN7	Additional	Initiatives to reduce indirect energy consumption and reductions achieved	Yes	Operations
Aspect: Water				
EN8	Core	Total water withdrawal by source	Not reported	
EN9	Additional	Water sources significantly affected by withdrawal of water	Not applicable	
EN10	Additional	Percentage and total water volume of water recycled and reused	Not reported	

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Aspect: Biodiversity					
EN11	Core	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity outside protected areas	Not applicable		
EN12	Core	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Yes	Not material to Morgan Stanley's operations See Environmental and Social Risk regarding lending and project financing policies	
EN13	Additional	Habitats protected or restored	Not applicable		
EN14	Additional	Strategies, current actions and future plans for managing impacts on biodiversity	Not applicable		
EN15	Additional	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Not applicable		
Aspect: Emissions, Effluents and Waste					
EN16	Core	Total direct and indirect greenhouse gas emissions by weight	Yes	Operations	
EN17	Core	Other relevant indirect greenhouse gas emissions by weight	Yes	Operations	
EN18	Additional	Initiatives to reduce greenhouse gas emissions and reductions achieved	Yes	Operations	
EN19	Core	Emissions of ozone-depleting substances by weight	Yes	Refrigerant	Refrigerant Emissions (kg)
				HFC 134a	873.46
				R407C	143.01
				R-417A	15.57
				R-410a	30.26
				HFC 143A	0.68
				R-22	59.66
				R-123	32.08
				R407A	6.86

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		GRI Guideline	Inclusion	Location
	EN20	Core	NOx, SOx, and other significant air emissions by type and weight	Not applicable
	EN21	Core	Total water discharged by quality and destination	Not applicable
	EN22	Core	Total weight of waste by type and disposal method	Partial Reducing Waste
	EN23	Core	Total number and volume of significant spills	Not applicable
	EN24	Additional	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII, and percentage of transported waste shipped internationally	Not applicable
	EN25	Additional	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	Not applicable
Aspect: Products and Services				
	EN26	Core	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Yes Environmental and Social Risk
	EN27	Core	Percentage of products sold and their packaging materials that are reclaimed by category	Not applicable
Aspect: Compliance				
	EN28	Core	Monetary value of significant fines and total number of nonmonetary sanctions for noncompliance with environmental laws and regulations	Yes In 2012, Morgan Stanley did not receive any significant fines for noncompliance with environmental laws or regulations. For a description of Morgan Stanley's legal proceedings, please see its SEC filings
	EN29	Additional	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	Yes Employee Travel
Aspect: Overall				
	EN30	Additional	Total environmental protection expenditures and investments by type	Partial Managing Our Impacts Since 2006, Morgan Stanley has invested \$12 million in capital projects intended to improve the efficiency of operations and use of energy

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		GRI Guideline	Inclusion	Location
Performance: Labor Practices and Decent Work				
Disclosure on Management Approach				
		Provide a concise disclosure on the management approach items outlined below with reference to the following labor aspects; employment, labor/management relations, occupational health and safety, training and education and diversity and equal opportunity	Yes	<u>Employees</u>
Labor Practices and Decent Work Performance Indicators				
Aspect: Employment				
LA1	Core	Total workforce by employment type, employment contract and region	Not reported	
LA2	Core	Total number and rate of employee turnover by age group, gender and region	Not reported	
LA3	Additional	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Not reported	
LA15	Core	Return to work and retention rates after parental leave, by gender	Partial	Morgan Stanley's maternity retention rate varies by region, ranging from 72 percent in EMEA to more than 90 percent in the U.S.
Aspect: Labor/Management Relations				
LA4	Core	Percentage of employees covered by collective bargaining agreements	Yes	Approximately 2% of our permanent and contingent employees are represented by unions or works councils
LA5	Core	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	Not reported	
Aspect: Occupational Health and Safety				
LA6	Additional	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	Not reported	
LA7	Core	Rates of injury, occupational diseases, lost days, absenteeism, and number of work related fatalities by region	Partial	In 2012, Morgan Stanley had 156 reported injuries worldwide. Approximately 70 percent of these were due to slips/falls or individuals striking or being struck by an object. One fatality was reported in the U.S., due to a car accident

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LA8	Core	Education, training, counseling, prevention and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	Yes	Safety, Health and Well-being
LA9	Additional	Health and safety topics covered in formal agreements with trade unions	Not reported	
Aspect: Training and Education				
LA10	Core	Average hours of training per year per employee by employee category	Not reported	
LA11	Additional	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing their careers	Yes	Learning and Development
LA12	Additional	Percentage of employees receiving regular performance and career development reviews	Yes	All active, permanent employees are eligible to participate in the performance management process
Aspect: Diversity and Equal Opportunity				
LA13	Core	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity	Yes	Board of Directors Diversity and Inclusion
LA14	Core	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Not reported	
Performance: Human Rights				
Disclosure on Management Approach				
		Provide a concise disclosure on the management approach items outlined below with reference to the following human rights; investment and procurement practices, nondiscrimination, freedom of association and collective bargaining, abolition of child labor, prevention of forced and compulsory labor, complaints and grievance practices, security practices and indigenous rights	Yes	Human Rights
Human Rights Indicators				
Aspect: Investment and Procurement Activities				
HR1	Core	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Partial	Environmental and Social Risk
HR2	Core	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Partial	Human Rights

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HR3	Additional	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees who are trained	Partial	Ethical Behavior
Aspect: Nondiscrimination				
HR4	Core	Total number of incidents of discrimination and actions taken	Not reported	
Aspect: Freedom of Association and Collective Bargaining				
HR5	Core	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	Not applicable	
Aspect: Child Labor				
HR6	Core	Operations identified as having a significant risk for incidents of child labor, and measures taken to contribute to the elimination of forced or compulsory labor	Not applicable	
Aspect: Forced and Compulsory Labor				
HR7	Core	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	Not applicable	
Aspect: Security Practices				
HR8	Additional	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	Yes	All security personnel are trained on Morgan Stanley's Code of Conduct
Aspect: Indigenous Rights				
HR9	Additional	Total number of incidents of violations involving rights of indigenous people and actions taken	Yes	Morgan Stanley was not involved in any violations related to rights of indigenous people
Assessment				
HR10	Core	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	Not reported	
Remediation				
HR11	Core	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	Yes	Morgan Stanley is not aware of grievances filed in relation to human rights

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		GRI Guideline	Inclusion	Location
Performance: Society				
Disclosure on Management Approach				
		Provide a concise disclosure on the management approach items outlined below with reference to the following society aspects; community, corruption, public policy, anti-competitive behavior and compliance	Yes	Risk Management Ethics and Business Standards Public Policy
Society Performance Indicators				
Aspect: Community				
SO1	Core	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Partial	Philanthropy
SO9	Core	Operations with significant potential or actual negative impacts on local communities	Partial	Risk Management
SO10	Core	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	Partial	Community Development Philanthropy
Aspect: Corruption				
SO2	Core	Percentage and total number of business units analyzed for risks related to corruption	Yes	All of our business units are analyzed for risks related to corruption
SO3	Core	Percentage of employees trained in organization's anti-corruption policies and procedures	Yes	Ethical Behavior
SO4	Core	Actions taken in response to incidents of corruption	Yes	10-K disclosure
Aspect: Public Policy				
SO5	Core	Public policy positions and participation in public policy development and lobbying	Yes	Public Policy
SO6	Additional	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	Yes	www.fec.gov
Aspect: Anti-Competitive Behavior				
SO7	Additional	Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices and their outcomes	Yes	See SEC filings

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Aspect: Compliance				
SO8	Core	Monetary value of significant fines and total number of nonmonetary sanctions for noncompliance with laws and regulations	Not reported	
Performance: Product Responsibility				
Disclosure on Management Approach				
		Provide a concise disclosure on the management approach items outlined below with reference to the following society aspects; customer health and safety, product and service labeling, marketing communications, customer privacy and compliance	Yes	Marketing Communications Privacy Stakeholder Engagement and Materiality
Product Responsibility Performance Indicators				
Aspect: Customer Health and Safety				
PR1	Core	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Not applicable	
PR2	Additional	Total number of incidents of noncompliance with regulations and voluntary codes concerning health and safety impacts of products and service during their life cycle, by type of outcomes	Not applicable	
PR3	Core	Type of product and service information required by procedures, and percentage of significant products and service subject to such information requirements	Not applicable	
PR4	Additional	Total number of incidents of noncompliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	Not applicable	
PR5	Additional	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Yes	Stakeholder Engagement and Materiality
Aspect: Marketing Communications				
PR6	Core	Programs for adherence to laws, standards and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship	Yes	Marketing Communications
PR7	Additional	Total number of incidents of noncompliance with regulations and voluntary codes of concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes	Yes	Marketing Communications

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Aspect: Customer Privacy				
PR8	Additional	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Yes	Privacy
Aspect: Compliance				
PR9	Core	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	Yes	See SEC filings
Financial Services Sector				
Financial Services Sector: Specific Disclosure on Management Approach				
FS1	Core	Policies with specific environmental and social components applied to business lines	Yes	Environmental Policy Statement
FS2	Core	Procedures for assessing and screening environmental and social risks in business lines	Yes	Environmental and Social Risk
FS3	Core	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	Yes	Environmental and Social Risk
FS4	Core	Processes for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	Yes	Environmental and Social Risk
FS5	Core	Interactions with clients/investors/business partners regarding environmental and social risks and opportunities	Yes	Environmental and Social Risk Environmental Finance Social Finance Community Development
Financial Services Sector: Product and Service Impact Indicators				
Aspect: Product Portfolio				
FS6	Core	Percentage of the portfolio for business lines by specific region, size and by sector	Not reported	
FS7	Core	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	Partial	Social Finance Community Development Public Finance
FS8	Core	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Partial	Environmental Finance

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Aspect: Audit				
FS9	Core	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	Not reported	
Aspect: Active Ownership				
FS10	Core	Percentage and number of companies held in the institutions portfolio with which the reporting organization has interacted on environmental or social issues	Not reported	
FS11	Core	Percentage of assets subject to positive and negative social and environmental screening	Not reported	
FS12	Core	Voting policy(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting	Not reported	
Aspect: Community				
FS13	Core	Access points in low-populated or economically disadvantaged areas	Not applicable	
FS14	Core	Initiatives to improve access to financial services for disadvantaged people	Yes	Social Finance Community Development
Aspect: Product and Service Labeling				
FS15	Core	Policies for the fair design and sale of financial products and services	Yes	Marketing Communications
FS16	Core	Initiatives to enhance financial literacy by type and beneficiary	Yes	Social Finance Philanthropy

For more information:
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