

# 2013 Sustainability Report



## ENVIRONMENTAL FINANCE

Financing and encouraging innovation in low-carbon technologies and services



## SOCIAL FINANCE

Facilitating capital flows to expand opportunities for disadvantaged communities



## COMMUNITY DEVELOPMENT

Revitalizing affordable housing and creating economic opportunities



## PHILANTHROPY

Providing skills and resources to create lasting civic impact

# About Morgan Stanley

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Morgan Stanley is a global financial services firm that provides products and services to a large and diversified group of clients and customers, including corporations, governments, financial institutions and individuals. With more than 55,000 employees in 43 countries, we maintain significant market positions in three business segments — Institutional Securities, Wealth Management and Investment Management.

Morgan Stanley's Institutional Securities business seeks to provide corporate, sovereign, investor and other institutional clients globally with best-in-class products and services. Our Investment Banking franchise leads landmark transactions with financial advisory, equity and debt underwriting, and financing services. In our Equities, Fixed Income and Commodities businesses, we provide sales, trading, research, content and technology to a broad spectrum of clients.

Morgan Stanley Wealth Management is one of the largest wealth management firms in the world, with more than \$1.9 trillion in client assets and more than 16,000 financial advisors. Our financial advisors deliver tailored solutions designed to help clients achieve their financial goals. We provide individuals, families, businesses and institutions with a wide variety of services: brokerage and investment advisory services, financial and wealth planning, access to credit and lending, cash management, annuities and insurance, and retirement services.

Our Investment Management business consists of traditional asset management, merchant banking and real estate investing activities. As one of the largest global investment management organizations of any full-service financial services firm, we offer institutional investors, intermediary clients and individual investors a broad array of equity, fixed income and alternative investments, and merchant banking strategies.

We are dedicated to making a positive contribution to society through responsible business practices, a focus on the environment and communities, and our people. Our growing focus on sustainable investing reflects our commitment to delivering scalable innovations and solutions that mobilize capital to meet pressing global challenges. We pursue sustainability not only because it reflects our values, but also because it will play an increasingly important role in global finance. We believe we can partner with the millions of individuals we serve, as well as the governments and institutions for whom we advise, originate, trade, manage and distribute capital, to make sustainability integral to the global economy.

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## Financial information *(dollars in millions)*

	2013	2012	2011
<b>Net revenues</b>			
Institutional Securities	\$15,443	\$11,025	\$17,683
Wealth Management	\$14,214	\$13,034	\$12,772
Investment Management	\$2,988	\$2,219	\$1,887
<b>Consolidated net revenues*</b>	<b>\$32,417</b>	<b>\$26,102</b>	<b>\$32,227</b>
<b>Net income applicable to Morgan Stanley</b>	<b>\$2,932</b>	<b>\$68</b>	<b>\$4,110</b>
<b>Earnings (loss) applicable to Morgan Stanley common shareholders</b>	<b>\$2,655</b>	<b>(\$30)</b>	<b>\$2,067</b>

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

Source: Form 10-K for the year ended December 31, 2013

### ABOUT THIS REPORT

This report covers our global operations for the year ended December 31, 2013, unless stated otherwise. The content describes our approach to sustainability throughout the firm, including risks and opportunities, and our performance in the year.

This report contains Standard Disclosures from the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.

We have included a **GRI Index** with G4 Standard Disclosures at the end of this report.

All of our data has been reviewed and verified internally. See **Operations** for details about measurement methodologies and external assurance of our environmental performance data.

For further information about Morgan Stanley, please visit our website, [www.morganstanley.com](http://www.morganstanley.com).

# Letter from the CEO

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Over the past year, we at Morgan Stanley have worked to escalate the dialogue around sustainability, both within our firm and our industry. Inside our company, we are having more and more conversations about integrating sustainability into the services, advice and products that we provide to our clients. One of the highlights of 2013 was the launch of our Institute for Sustainable Investing, which works to drive private capital to major challenges across the world—harnessing our firm’s global scale as a financial services leader.

Across our franchise, we are offering powerful tools for individuals, companies and institutions to support environmentally and socially sustainable business models and activities. These tools range from our Investing with Impact Platform in Wealth Management to our Capital Markets franchise, which was the leading global underwriter of Green Bonds in 2013. Through the Institute for Sustainable Investing, we are continually seeking new opportunities for our clients’ capital to achieve financial returns alongside social and environmental benefits. We believe this is the most effective pathway to a global economy that safeguards scarce resources and invests wisely for the future.

Within our own operations, we have made important strides toward further reducing our environmental footprint. We achieved LEED Gold certification for our New York City headquarters in 2013, and we have set a new goal of cutting the greenhouse gas intensity of our building operations by 15 percent by 2017. This is on top of the 26 percent reduction we achieved over the previous six years.

Our progress would not be possible without the dedication of our 55,000 employees worldwide. Through their energy and vision, Morgan Stanley will continue to seize the opportunities and imperatives of sustainability. We are excited about the possibilities ahead.

Chairman and Chief Executive Officer  
May 2014

# Sustainability at Morgan Stanley

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The Global Sustainable Finance group is responsible for the firm’s overall sustainability strategy, working with business units across the firm to develop approaches that can achieve social, environmental and financial returns.

To address some of society’s most pressing challenges, our products and services offer sustainable investment opportunities in the following areas:

- **Investing with Impact:** integrating efforts by businesses across the firm to provide clients with investment opportunities that aim to generate financial returns, as well as positive environmental and social impact
- **Environmental finance:** stimulating the growth of a low-carbon economy
- **Public finance:** accessing capital for public infrastructure and core services such as health, education and culture
- **Social finance:** promoting economic opportunities in low-income communities

## SUSTAINABILITY GOVERNANCE

The Global Sustainable Finance group (GSF) reports to the firm’s Vice Chairman, as well as to the Nominating and Governance Committee of the Board of Directors. The head of GSF presents periodically to the full Board of Directors and at least annually to the Board’s Nominating and Governance Committee.

In addition, in the United States, Morgan Stanley has a Community Development Advisory Board that acts as an informal think tank on using capital markets to achieve positive community impacts. It comprises recognized community leaders

with expertise in affordable housing and economic development from foundations, nonprofit organizations and private enterprise.

## COMMUNICATIONS

We communicate widely on sustainability through our internal and external platforms, as well as through our contributions to many conferences and publications (see [Thought Leadership](#)). The Environmental and Social Finance Forum, featured throughout this report, is a major communications channel on sustainability issues for employees.

## THOUGHT LEADERSHIP

During 2013, we contributed to several leading events and publications. These included:

- The firm’s Chairman and CEO gave the keynote address at Columbia Business School’s third annual Financial Studies Conference, “Navigating the Changing Landscape of Finance,” where he announced the launch of the Institute for Sustainable Investing. He also contributed an article based on his speech—which reflected on the lessons from the 2008 financial crisis—to the *Journal of Applied Corporate Finance*.
- The firm’s Chief Financial Officer spoke at the World Economic Forum on the topic of “Catalyzing Markets through Philanthropy,” where she addressed the ways in which giving, lending and investing can be combined effectively to maximize social benefit.

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She also participated in a panel discussion moderated by former President Bill Clinton at the Clinton Global Initiative Mid-Year Meeting about “Mobilizing Investment for Resilient Cities,” where she discussed opportunities to increase private capital in infrastructure investments.

- The firm’s Chief Operating Officer opened the 2013 meeting of the Securities Industry and Financial Markets Association (SIFMA), outlining a framework for improved living standards and reduced income inequality through increased economic growth. At this meeting, he also interviewed former President Bill Clinton on the role of the securities industry in achieving growth.
- The head of GSF was a panelist at a Columbia Business School event on the future of social impact capitalism, took

part in a World Economic Forum event on impact investing and spoke on a Clinton Global Initiative panel, “Towards a New Economy: Strategies in Urban Economic Development.” She also serves on the U.S. Department of the Treasury’s Community Development Advisory Board and on the U.S. National Advisory Board of the G8 Social Impact Investing Task Force.

- The Sustainable and Responsible Investing (SRI) team within London Equity Research published a series of reports on issues including demographics, the clothing industry supply chain, airline fleet efficiency and the mining industry.
- The Morgan Stanley Prize for Excellence in Financial Markets, now in its third year, rewards excellence in financial research among doctoral students.

# Morgan Stanley Institute for Sustainable Investing

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We believe we can partner with the governments, businesses and institutions we advise, as well as the millions of households we serve, to make sustainability integral to financial and investing activities. The *Morgan Stanley Institute for Sustainable Investing*, established in 2013, aims to mobilize market-based solutions to pressing global challenges that affect society.

We believe that sustainable economic growth and prosperity require scalable approaches that harness the power and discipline of capital markets. In 2013, we launched the Institute for Sustainable Investing to mobilize private sector capital to address major economic, social and environmental challenges.

The Institute represents a concentrated effort to advance the field of sustainable investing and develop the next generation of tools, leaders and ideas at the intersection of sustainability and finance.

The Institute is focused on three pillars:

- **Sustainable investing:** developing and facilitating access to financial products and strategies that aim to deliver positive impact at scale
- **Thought leadership:** driving and contributing to thought leadership that will help mobilize capital to sustainable solutions
- **Capacity building:** expanding the field of sustainable investing and helping to develop its next generation of leaders

Through these efforts, we aim to provide clients with an array of products that seek to generate competitive financial returns and benefit society.

To chart our path towards our long-term vision for sustainable investing, we launched the Institute with three core initiatives:

- Setting a five-year goal of \$10 billion in total client assets invested through the Investing with Impact Platform, which enables clients to choose investments that seek to deliver market-rate returns and positive environmental or social impact (see [Investing with Impact](#))
- Investing \$1 billion in a sustainable communities initiative to provide rapid access to capital to preserve and enhance quality, affordable housing that is at risk of deteriorating into uninhabitable conditions or becoming unaffordable to low- and moderate-income households, in partnership with organizations such as Local Initiatives Support Corporation, National Equity Fund and NCB Capital Impact
- Establishing a Sustainable Investing Fellowship with Columbia Business School to develop a cadre of emerging leaders in sustainable finance

The Institute is guided by an advisory board of leaders from business, academia and prominent nongovernmental organizations who can contribute their expertise on topics ranging from asset management to social innovation. The advisory board is headed by the firm's Chairman and CEO, James Gorman.

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In addition, we have established an internal advisory council of senior managers from across the firm to advise and support the Institute, with a remit to:

- Cultivate a network of executives who have in-depth knowledge of the firm’s sustainability initiatives and skills
- Provide input and strategic guidance for the Institute’s activities
- Connect the Institute to colleagues across business units, increasing opportunities to integrate sustainability initiatives in core business activities
- Develop external relationships

See more at <http://www.morganstanley.com/sustainableinvesting/>.

#### **THOUGHT LEADERSHIP**

Thought leadership is a priority for the Institute for Sustainable Investing. The Institute aims to produce thought-provoking research, white papers and other communications to engage experts across disciplines on how best to mobilize capital in support of large-scale sustainability solutions.

# Governance and Ethics

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An unwavering commitment to effective governance and the highest standards of ethical conduct is paramount to our success and furthers our objectives to be a more sustainable company — financially, socially and environmentally. In recent years, we have made significant investments in systems and resources that have strengthened our governance and compensation practices, and we have consistently reinforced a culture of integrity and honesty — in which all employees are expected to adhere to the highest ethical standards.

Our approach to governance and ethical standards is based on our core values, which include *Putting clients first* and *Doing the right thing*. We have strengthened governance structures and procedures to ensure effective oversight, including the creation of a Global Conflicts Office, through ongoing revisions to our policies. Management at all levels consistently stresses that employees should make decisions with our core values in mind and escalate a decision to a more senior level when there is any question regarding the appropriate action to take. Our **Code of Ethics and Business Conduct** applies to all directors, officers and employees.

## **STRENGTHENING GOVERNANCE AND COMPENSATION PRACTICES**

The Board of Directors consists of 15 directors, 12 of whom are independent, in accordance with the Board's independence criteria, and 14 of whom are not members of management. The Chairman and Chief Executive Officer (CEO) is the only director who is a member of management. The Board has determined that

the appointment of a strong independent Lead Director, together with a combined Chairman and CEO, serves the best interests of the company and its shareholders. The Board has five standing committees comprised entirely of nonmanagement directors: Audit; Compensation, Management Development and Succession (CMDS); Nominating and Governance (N&G); Operations and Technology; and Risk. The Audit, CMDS and N&G committees are comprised of independent directors.

The CMDS committee aims to maintain responsible and effective compensation programs. It works with senior management and an independent consultant to create incentive programs that balance our key compensation objectives: attracting and retaining top talent, delivering pay for sustainable performance, aligning employees' interests with those of our shareholders and mitigating excessive risk-taking by our employees. Together with senior management, the CMDS committee oversees the robust controls we have in place with respect to incentive compensation, including:

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- Sizing the incentive compensation pool to reflect risk-adjusted returns, compliance with risk limits, and the market and competitive environment
- Considering each business’s performance based on returns on certain financial and return on capital metrics when allocating the incentive compensation pool
- Undertaking an annual review of incentive compensation programs to help ensure that they are consistent with the safety and soundness of the firm and do not incentivize excessive risk-taking or create risks that are likely to have a material adverse effect on the firm
- For more highly compensated employees, delivering a substantial portion of compensation in mandatory, multiyear deferrals, subject to clawback and cancellation provisions

See [Risk Management](#) for more information about risk governance. A complete description of our governance and compensation practices can be found in the firm’s annual [proxy statement](#).

#### **ETHICS AND BUSINESS STANDARDS**

Formal policies and procedures define required behavior in relation to specific topics such as potential conflicts of interest and human rights concerns, and we review our policies and procedures regularly, and, in many cases, annually. We require employees to behave ethically at all times and we reinforce this message frequently.

Our [Code of Conduct](#) articulates the standards we expect from employees and provides guidance for ethical decision-making. It is updated annually to address new rules and regulations, and to

provide greater clarity as needed. The Code is connected explicitly to the firm’s four core values, which we reformulated in 2012 to help reinforce our ethical culture:

- *Putting clients first*
- *Doing the right thing*
- *Leading with exceptional ideas*
- *Giving back*

We continue to build on and further strengthen a culture of responsible, ethical behavior throughout the firm. Internal communications, including from the most senior management, consistently reinforce that we must behave ethically in all that we do. Frequent communications and training emphasize the need to act in the spirit of our values, adhere to relevant laws and regulations, and to escalate decisions when the responsible course of action is not clear.

All new employees complete mandatory online training on key topics in the Code of Conduct, and existing employees are trained annually on relevant and emerging issues, including preventing money laundering and corruption. In 2013, all employees globally completed training modules on communication practices, including email, as well as ethical decision-making.

All employees must certify each year that they have read, understood and comply with the Code, as well as with any specific requirements of their business unit. They commit to act with integrity and avoid conflicts of interest and must disclose any relevant affiliations and outside business interests and activities.

We created the Global Conflicts Office (GCO) in 2011 within the firm’s senior management group to increase oversight of conflicts

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of interest of individuals and business units. Since the creation of this group, the GCO has enhanced the processes to identify, escalate and resolve potential material conflicts of interest. The GCO has also formalized the practice of working with the firm’s Franchise Committee to regularly evaluate key business practices. This group has raised the awareness of the firm’s need to identify and address conflicts effectively.

**Preventing Money Laundering and Corruption**

We are committed to taking all reasonable measures to avoid involvement in money laundering and to provide awareness training for employees. We have risk-based policies, procedures and internal controls to prevent our products and services from being used for money laundering, criminal activity and terrorism.

All forms of bribery are prohibited. Employees may not receive anything of value, directly or indirectly, to gain an unfair business advantage such as obtaining or retaining business. Employees are required to seek pre-approval prior to providing anything of value over certain monetary thresholds to employees of government and public international organizations.

**Reporting Misconduct**

The Code of Conduct requires employees to report any ethical concerns. We take allegations of misconduct seriously and prohibit any retaliation for reports of misconduct made in good faith. Employees are encouraged to raise concerns with their supervisors, Human Resources or the Legal and Compliance Division. 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 directly to the Chief Legal Officer or the Global Audit Director.

Employees may also report legal, regulatory or ethical misconduct via our Integrity Hotline. Concerns may be reported anonymously, if employees wish, and are treated confidentially, as appropriate. Allegations are investigated by the appropriate group and escalated to management when necessary. The Global Head of Litigation and the Audit Committee receive a report each quarter with a description of any allegations made through our Integrity Hotline and how they were resolved.

**HUMAN RIGHTS**

We are committed to respecting and advancing human rights. As a global business, we welcome the clarification provided by the United Nations Guiding Principles on Business and Human Rights. We support global standards for responsible business, including the International Labour Organization (ILO) core standards.

While we believe that safeguarding human rights is the primary responsibility of governments, we acknowledge that the UN Universal Declaration of Human Rights applies to every part of society. We believe that companies can play a positive role, and we aim to conduct our business in ways that preserve, respect and promote the full range of human rights.

Our Code of Conduct includes a commitment to providing a workplace that promotes equal opportunity, dignity and respect. We also review prospective transactions for many risk factors, including potential human rights concerns, as required by our Global Franchise Risk policy and related escalation procedures (see [Risk Management](#)).

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## SAFEGUARDING PRIVACY

Confidentiality and security of client information are integral to our business, and we are committed to safeguarding client privacy and all personal data we hold. We have a legal group dedicated to advising on legal and regulatory requirements related to privacy and data protection, including consumer privacy protection.

In 2013, we appointed the firm's first Chief Privacy Compliance Officer to provide consolidated and coordinated oversight of compliance aspects of Morgan Stanley's privacy program. The aim is to help assure compliance with legal, regulatory and business requirements, including consumer privacy protection rules. This new role will enhance monitoring and testing across the Compliance department. The firm provides training on handling confidential information as part of the requirements for all new employees. Information security training is mandatory for all employees with system access each year. We also regularly review systems entitlement to address personnel changes.

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

## PUBLIC POLICY

We participate in public policy debate on issues relevant to our business and communicate frequently with policymakers and regulators. Morgan Stanley participates in the public policy arena on a wide range of issues that are important to Morgan Stanley

shareholders, clients and employees, including issues relating to the financial regulatory environment worldwide, the growth and stability of the global economy and healthy capital markets. In 2013, the Government Relations department was involved with legislative and regulatory developments relating to the economy, housing finance, tax reform and energy tax incentives, and the implementation of the Dodd-Frank Act. Morgan Stanley supported regulatory and legislative policies that would:

- Preserve the vitality of financial markets
- Enhance client choice and access to a wide range of financial products and strategies, while enhancing client protection
- Extend energy tax incentives stimulating investment in renewable energy sources

## Political Contributions

Morgan Stanley does not make any corporate contributions in the United States at the federal, state or local level to political candidates, to political party committees or to political action committees. The bipartisan Morgan Stanley Political Action Committee (MSPAC) is funded solely by voluntary contributions from employees. MSPAC publicly reports its contributions to the Federal Elections Commission. In 2013, MSPAC made contributions to federal campaign committees for U.S. Senate and House races and the congressional campaign committees for both the Republican and Democratic parties.

# Risk Management

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Our business and the clients we serve depend on a rigorous approach to responsible risk management. In recent years, we have invested substantial time, money and effort to strengthen our policies and controls.

Our approach to risk management is broad. We seek to ensure that all risks that could impact our firm and our clients— from marketing and sales practices and operations to business continuity and environmental and social issues— are addressed through the consistent use of our Enterprise Risk Management (ERM) framework.

Since 2009, we have invested significant financial and other resources to develop systems and policies and recruit expertise to further strengthen risk management. This continuous development process has been led by the firm’s Board of Directors, which maintains frequent, close oversight through the Board Risk Committee.

We believe that effective risk management requires sustained effort and depends on an appropriate risk culture as well as formal policies and procedures. The complex, fast-moving nature of global financial markets requires a risk management culture that is incisive, knowledgeable about specialized products and markets and subject to ongoing review and enhancement. To help ensure the efficacy of risk management, senior management requires thorough and frequent communication and appropriate escalation of risk matters.

Full details of our risk management activities and procedures are in our [Form 10-K](#).

## **MANAGING RISK**

Effective risk management is vital for the success of our business. It requires independent oversight of the entire firm, along with

clear accountability for each business segment and the robust, timely communication of risk matters to senior management. All of our risk management policies are reviewed regularly and, where applicable, are approved by internal risk committees and/or the Board (or a committee thereof). Regular reviews ensure that these policies are current and address risks as they emerge. We house them on the Morgan Stanley intranet in a policy portal accessible to all employees.

We have strengthened risk management through enhancements to governance, controls and infrastructure, more than doubling risk management headcount between 2008 and 2012.

## **Risk Governance**

Morgan Stanley management is responsible for risk management, while the firm’s Board of Directors is responsible for oversight of risk management and risk-related policies. We created a Board Risk Committee in 2010 to strengthen Board oversight of the firm’s risk governance, as well as risk management and risk assessment guidelines and policies related to market, credit, operational, reputational, liquidity and funding risk. Members are nonmanagement directors, and the committee’s responsibilities include risk tolerance; the firm’s capital targets and limits, liquidity and funding; and the performance of the Chief Risk Officer (CRO). The Board Risk Committee met eight times in 2013 and the full Board attends the quarterly Risk Committee meetings.

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The Board Audit Committee also has responsibilities for some aspects of risk, including review of the major franchise, legal and compliance risk exposures of the company and the steps management has taken to monitor and control such exposures, as well as guidelines and policies that govern the process for risk assessment and risk management.

The Board has authorized the Firm Risk Committee, a management committee appointed and chaired by the Chief Executive Officer, to oversee the company’s global risk management structure. It reports to the full Board and relevant Board committees through the Chief Risk Officer and Chief Financial Officer. Since 2009, we have created several additional senior management functional risk and control committees reporting to the Firm Risk Committee.

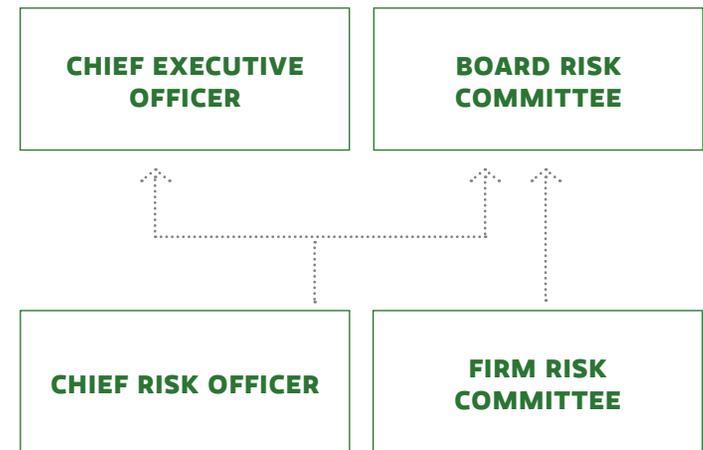
The firm has established an Enterprise Risk Management framework, which integrates the roles of the company’s risk management functions into a holistic enterprise to facilitate the incorporation of risk assessment into decision-making processes, and is responsible for helping to ensure that the company’s risks are managed in a sound manner. It includes management structures and processes to facilitate the Board’s oversight and covers all risk-related activities.

The ERM framework requires risk evaluation in each business unit as well as at the firm level. Risks are seen as interrelated and require firmwide management as well as clear roles, responsibilities and guidelines for maintaining our risk management standards.

Our Global Franchise Risk Policy, which is reviewed at least annually, covers potential risks to the franchise as a whole, including the perceptions of shareholders, clients, regulators

and other stakeholders. The policy includes a description of risk-escalation procedures as well as an illustrative list of potential red flags to alert employees. These potential triggers include environmental, human rights and other social risks; client integrity; money laundering, economic sanctions and corruption. Regional Franchise Committees monitor and manage potentially significant franchise risk, escalating issues to a Global Franchise Committee of senior management and sector specialists, as appropriate. Situations that raise material franchise risks can be raised directly with the Global Franchise Committee, which also reviews significant franchise-related themes on a regular basis.

### Risk governance reporting lines



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## Risk Culture

Effective risk management also depends on employee behavior, and all employees have accountability for risk management. We reinforce an effective risk culture through training and development programs, as well as policies, procedures and defined roles and responsibilities. Training on risk-related issues is provided both in person and through an online system that is used to ensure participation.

We have amended compensation policies to actively discourage excessive risk-taking. The Global Incentive Compensation Discretion Policy sets minimum standards for the appropriate use of discretion in determining the level of incentive compensation to be awarded to an employee each year. The policy also guides managers in the evaluation and application of cancellation and clawback events for previously-awarded incentive compensation. It requires that the incentive compensation of employees in control functions be determined independently of the business units that they support.

The firm's clawback provisions and processes allow the firm to cancel or clawback an employee's previously awarded compensation. Our independent control functions, such as Internal Audit, Legal, Risk, Human Resources and Finance, participate in a robust review process to identify situations during the course of the year that could require adjustments to compensation or clawback or cancellation of awards.

The Chief Risk Officer evaluated our current compensation programs and determined that such programs do not encourage excessive risk-taking that threatens company interests or gives rise to risk that could have a material adverse effect on the company due in part to the structure and risk mitigating feature of such programs.

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

## Operational Risk

The Operational Risk Department (ORD) is responsible for the firm's operational risk framework, including governance, policies, training, assessments, risk tolerance, information risk oversight and supplier risk management. It escalates concerns to senior management and the Board as necessary.

Primary responsibility for managing operational risk lies within the business units and control groups. ORD is the second line of defense, independently assessing the level of operational risk in the firm relative to the risk tolerance established by the Board. It is also responsible for the independent validation of all components of the operational risk Advanced Measurement Approaches framework (AMA), as needed for regulatory purposes.

Our Global Operational Risk Management Policy is the basis of strong, independent risk management at Morgan Stanley. The policy was completely revised in 2013, with risk tolerance clearly put at the core of the operational risk program. Improved transparency via the Board Risk and Firm Risk committees has served to focus the firm's leadership's attention on the most significant operational risks we face.

The risk tolerance framework, which falls under the AMA approach for sound operational risk management, has three fundamental components:

- Risk Tolerance Statement: affirmed by the Board of Directors; articulates the level of operational risk the firm is willing to accept
- Top Operational Risks: identifies inherent risks that, if not well controlled, are the most significant to the firm

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- Risk Monitoring and Escalation: ensures that risks are well controlled and the firm is operating within the defined risk tolerance

Morgan Stanley’s risk and control self-assessment (RCSA) program, which operates across all business units and control groups, is designed to enhance our ability to identify and manage operational risks. In 2013, a number of new processes were incorporated into the existing RCSA framework, ensuring that it is transparent, systemic and verifiable. Policy guidance covers the collection of loss data and its use in calculating capital and enriching operational risk data for improved risk analytics. Our approach is strengthened by rigorous data analysis of internal losses, industry events, output from scenario analyses and risk assessments, which all contribute to making informed risk management decisions.

### Planning for Business Continuity and Information Security

We maintain a comprehensive business continuity program that contemplates and mitigates key risks at all operational levels so the firm can respond effectively to wide-scale incidents and disasters. The key components of the company’s disaster-recovery plans include: crisis management; business recovery plans; applications/data recovery; work area recovery; and other elements addressing management, analysis, training and testing. The safety of employees is paramount in the face of major incidents, but we also consider real estate and technology threats. We have evacuation and safety procedures in place in the event of emergencies and work with official emergency and enforcement agencies.

The Global Business Continuity Management team works to protect the firm’s assets and ensure the firm can continue to function, meeting client and regulatory requirements as

soon as possible after an incident. Recovery strategies include transferring business functions to other locations and regions, remote computing and supporting work from a recovery site if locations are inaccessible. In addition, the firm’s contract with our national security vendor requires the vendor to supply additional security staffing as requested in response to natural disasters, man-made incidents, threats, intelligence-based threat-assessments and other factors, at the discretion of the Global Head of Corporate Security.

We maintain an information security program that coordinates the management of information security risks and satisfies regulatory requirements. Information security policies are designed to protect the firm’s information assets against unauthorized disclosure, modification or misuse. These policies cover a broad range of areas, including data protection, incident response, Internet and electronic communications, remote access and portable devices. We have also established policies, procedures and technologies to protect computers and other assets from unauthorized access.

We faced no serious incidents related to information security in 2013.

### Managing Risks in Marketing and Sales

Our regulatory framework mandates that our communications to clients and the public are fair and balanced, do not include exaggerated or misleading statements and are subject to supervisory review. We maintain written policies and procedures requiring adherence to marketing and promotion laws and regulations. Employees must use approved marketing materials and messaging systems when conducting firm business, and these communications are retained and subject to supervisory review in accordance with applicable regulations. Financial Advisors

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must follow a compliance manual aligned with our sales practice standards, regulations and laws. They are subject to specified supervision procedures. Risk and Compliance personnel review trading and account activity for potential sales practice issues, and branch offices are inspected annually. We operate a process for handling and escalating customer complaints.

All employees who hold a securities license or registration must maintain and refresh them through continuing education programs. In addition, they are subject to regular mandatory in-house training.

Sales practice and Code of Conduct violations by employees may be escalated for further review and possible disciplinary action, up to and including cancellation of previously awarded compensation and/or termination. Complaints are monitored by each business unit, and a coordinated effort provides response to and appropriate escalation of written issues. Related statistics and summary information is filed with our regulators. Refer to [Developing Our Employees](#) for a description of Morgan Stanley’s annual employee review practices.

Policies and processes related to marketing materials and activities are managed by each business, to ensure that they address appropriately each groups’ activities and regulatory obligations. These policies are reviewed regularly and are posted on the firm’s intranet for easy access.

### New Product Introductions

In developing new or modified products, we consider the potential financial, legal, regulatory, reputational and operational risks to the firm and to our clients, and extensive product risk management processes are in place across the firm to facilitate

this. Our global policy for new product approval (NPA) covers significant modifications to existing products, as well as to those that are new or are being reintroduced. The policy was substantially strengthened in 2012 and is supported by an enhanced governance team.

Under this policy, an NPA risk manager is designated for each new or modified product launch to oversee the process holistically, from identifying the concept to launch. An NPA Steering Committee oversees the program and reports to the Firm Risk Committee quarterly and the Board Risk Committee twice annually. As part of the review process for new or modified products, we consider whether marketing materials will be used and, if so, what review processes are required.

For example, our Wealth Management group has implemented a formal product risk assessment and monitoring program, and our Institutional Securities Group has mature product and transaction review processes for all products and geographies.

### Environmental and Social Risks

Environmental and social risk management is factored into our policies and procedures, as well as into our evaluation of companies, transactions, risks, client advice, operations and new market opportunities. We are governed by our public statements related to human rights and the environment and by our internal policies, including our Global Environmental Risk Policy.

Morgan Stanley’s Statement on Human Rights outlines the firm’s commitment to supporting and respecting the protection and advancement of human rights, reducing risk to both our firm’s reputation and the reputations of our clients. It highlights the value we place on engaging with clients and employees on human

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rights issues and reinforces our commitment to operating with the highest standards. See [Human Rights](#) for more details.

Our Global Environmental Risk Policy fosters consistency across business units and organizational functions where environmental risk may be a factor. This policy is reviewed and updated annually. Our [Environmental Policy Statement](#) outlines our commitment to specific activities and sustainability initiatives, complementing the Global Environmental Risk Policy.

Risk assessment is in line with the International Finance Corporation’s (IFC) performance standards, which ensures that specific areas are reviewed and addressed and escalated to senior management when necessary. Evaluation of opportunities may be escalated to business unit management and the firm’s regional franchise committees.

We highlight concerns during capital raising, strategic advisory assignments and other transactions. Risk assessment is based on the nature of specific industries, sectors, countries and operations as well as the individual company’s activities, performance and approach to environmental and social risk. We consider risk to our reputation as well as to the environment. Our Environmental Policy Statement sets certain specific requirements for projects to control risks:

- Stringent due diligence on biodiversity and sustainable natural resource management
- Consultation by the project sponsors or borrowers with indigenous peoples affected by a project
- Compliance with international environmental legal agreements

- No financing of companies that derive a predominant portion of their coal production from mountaintop removal mining
- Adherence to local and World Bank standards for pollution prevention, including plans and training for environment, health and safety professionals

We provide training sessions and discussions on environmental and social risk for bankers across the firm, including business unit risk committees, in areas such as Traditional Asset Management and Merchant Banking and Real Estate. In 2013, training especially targeted industry groups in Investment Banking and Global Capital Markets including Basic Materials, Power and Utilities, and Energy. We also delivered refresher training to the operational risk team in London and launched online training on environmental, sustainability and human rights across the firm. As a result of training and heightened awareness of sustainability issues in risk management, bankers often identify environmental and social risk at the inception of transaction planning, declining deals without the need to escalate them to the Environmental Risk Manager.

The tables below show transactions in 2013 submitted for environmental and social due diligence. They do not necessarily reflect total transactions rejected, as bankers may decline deals without referring them to environmental and social risk experts, especially with increased training on these risks.

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## Regional source of deals referred for environmental and social due diligence

REGION	NUMBER OF DEALS
North America	503
EMEA	111
Asia Pacific	22
<b>Total</b>	<b>636</b>

## Transactions subject to Morgan Stanley's Mountain Top Removal (MTR) review process

Total potential transactions involving MTR	9
Transactions that did not proceed	6

## Transactions receiving environmental and social due diligence by industry

INDUSTRY	NUMBER OF DEALS
Basic materials	32
Communications	9
Consumer products	9
Energy	170
Financial institutions	43
Health care	5
Industrials	136
Pharmaceuticals	16
Power and utilities	41
Real estate	27
Retail	10
Services	107
Transportation	31
<b>Total</b>	<b>636</b>

# Stakeholder Engagement

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Morgan Stanley engages stakeholders to gain a deep understanding of what matters most to them. By soliciting feedback and listening to different perspectives, we are better able to generate exceptional ideas and develop innovative solutions to complex issues. As we focus increasingly on sustainable investing, their feedback and expertise will inform our efforts to scale our activities in ways that generate the most impact.

We continually develop our formal and informal communications channels for interaction with stakeholders—investors, clients, employees, suppliers, the media and regulators, among others. Our Corporate Affairs group, which includes Corporate Communications, Marketing and Community Affairs, supports an open and transparent dialogue. We communicate with our stakeholders through press releases and other proactive media relations efforts, multimedia advertising, a corporate website and multiple client websites, informational brochures, audience-specific conference calls, firm-organized events and participation in conferences, as well as a variety of other channels.

We also value input from our stakeholders, as their feedback helps to enhance our business and the level of service we provide. To encourage this type of discussion, in 2014 our Global Sustainable Finance (GSF) group and the nonprofit organization Ceres will host a formal stakeholder consultation session with investors, nonprofit organizations and other thought leaders to solicit input on Morgan Stanley's sustainability performance and communications and discuss how we plan to act on their input. This session and related ongoing exchange are an example

of how our GSF group shapes and facilitates stakeholder conversations. We also participate in and sponsor events and speaking engagements to promote economic growth, strengthen communities and preserve natural resources, as described throughout this report.

## BRAND AND COMMUNICATIONS

We strengthened our overarching brand platform in 2013, together with a centralized brand management function that brings together Marketing, Corporate Communications and Community Affairs groups under the firm's Vice Chairman. We are committed to integrating sustainability in our business activities and to making it a core driver of brand value.

We have undertaken a major communications effort to chart progress against our strategic initiatives. Following the full integration of the firm's Wealth Management business in 2013, we published a series of video interviews with firm leaders that addressed long-term value and our commitment to a more diversified business mix.

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A U.S. brand advertising campaign featured the promise “We’re ready to work for you,” underscoring our dedicated work ethic and commitment to our clients. The campaign emphasized that throughout our history of more than 75 years, the firm has stood for the pursuit of a better world, guided by insight, intelligence and integrity.

**Engaging Clients to Enhance our Service**

We regularly conduct brand health and client satisfaction studies to improve our understanding of clients’ perceptions of the firm and the Morgan Stanley brand. These surveys inform our business practices and decisions, helping us better understand client attitudes and concerns and enhancing the level of service we provide. They include:

- Client Pulse Survey by telephone with a sample of clients twice a year
- Client Council survey of 5,000 retail clients three to five times per year
- Brand Health poll of current and potential clients annually
- Institutional Equity Division monthly survey of buy-side clients

In addition to these surveys, a group of senior relationship managers engage senior management of our largest clients to assess our performance and clients’ needs. These relationship managers work primarily in our Institutional Securities Division, but liaise across the firm to ensure cross-divisional communication and strong customer service.

We have also pioneered the use of social media within financial services, and we were among the first in the industry to use Twitter and LinkedIn to share information with our clients

## Defining the Dialogue on Sustainable Investing

The head of our Global Sustainable Finance group, Audrey Choi, is at the forefront of the debate on sustainable investing, leading the conversation through a wide variety of engagements and events. In 2013, activities included sessions on sustainability at New York University’s Stern School of Business, the Responsible Investor Conference, and the Council for Urban Professionals Annual Women’s Leadership Forum, which Morgan Stanley hosted. She was a speaker and panelist on sustainable investing at several conferences, including the Global Impact Investing Network Investor Forum in London and the Skoll World Forum. She also has many opportunities for dialogue as a board member of organizations such as the Wildlife Conservation Society and Local Initiatives Support Corporation (LISC), and through her appointment by President Obama to the Treasury Department’s Community Development Advisory Board.

and other stakeholders. Nearly 1,000 Morgan Stanley financial advisors have Twitter accounts and more than 5,300 use the LinkedIn networking website to communicate with more than one million connections. Morgan Stanley was named “Best of the Best” among financial services firms that use social media at the inaugural Silver Bowl Awards from the industry research organization LIMRA! The award recognizes creativity, engagement and innovation in the use of social media.

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## Stakeholder engagement in 2013

STAKEHOLDER GROUP	EXAMPLES OF ENGAGEMENT
Alumni	Our Alumni Network connects thousands of former employees through a dedicated website and events. We have expanded the network's resources and made it accessible via the firm's intranet, enabling current employees to connect easily with former colleagues.
Clients and prospective clients	In addition to client surveys conducted by our Market Research group, we host seminars and conferences to share the firm's outlook, provide a forum for exchanging ideas about the industry and market landscape and discuss the issues most relevant to stakeholders. For example, the Morgan Stanley Investment Management Global Investor Conference brings together the industry's most innovative thought leaders and most experienced investors. The Executive Women's Conference, in its seventh year, brings together more than 300 female clients and corporate executives to discuss leadership, policy and other strategic issues facing the financial industry.
Communities and NGOs	We support employee volunteerism through a variety of channels, as it connects our people directly with the communities and organizations we serve. We also form partnerships with many nonprofit organizations, and our Community Development Advisory Board provides high-level feedback on our strategies and programs (see <a href="#">Community Development</a> and <a href="#">Philanthropy</a> ).
Employees	We actively communicate with our employees to promote understanding of the firm's strategies, goals and values. We also provide many opportunities for employees to have a voice in the direction of the firm, including through a biennial survey that seeks input from employees globally. (see <a href="#">Employees</a> for details).  Many formal and informal interactions with employees support lively dialogue, and various employee networks focus on affinity groups. For example, the employee-led Environment and Social Finance Forum provides a valuable means of communication and learning about sustainability-related business practices and trends (see <a href="#">Employees</a> ).
Government and regulators	We meet regularly with policy makers and regulators in regions where we do business. For example, in the United States, we are participating in discussions related to the implementation of the Dodd-Frank Act.
Media	We regularly and proactively provide information to and communicate with the media via traditional channels, such as interviews, press releases, public forums and other events, as well as social media channels, such as Twitter and LinkedIn.
Rating agencies	We meet regularly with rating agencies, such as Fitch Ratings, Moody's and Standard and Poor's, and we hold quarterly calls with financial analysts.

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STAKEHOLDER GROUP	EXAMPLES OF ENGAGEMENT
Shareholders	In addition to communications surrounding our quarterly results announcements and the annual shareholder meeting, our Investor Relations team frequently meets with existing and potential debt and equity holders. Investors can access information and communicate directly through our corporate website and other dedicated channels. Senior managers also participate in industry conferences discussing topics of interest to shareholders.
Suppliers	We develop and support best practices in supply chain management and are committed to the highest level of integrity in our business. We work with supplier groups to expand diversity in our supply chain and we stress its importance to Morgan Stanley. In 2013, we asked our Top 50 suppliers to provide data on their supplier diversity (see <a href="#">Operations</a> ).
Sustainability research firms	We participate in sustainability research such as the CDP, are members of US SIF: The Forum for Sustainable and Responsible Investment, and we respond to surveys from firms including Dow Jones Sustainability Index (DJSI), Sustainalytics, MSCI, oekom and Bloomberg.

Previous stakeholder conversations identified risk management and governance, sustainable investing and sustainability in our operations as the most material issues facing Morgan Stanley. In addition to our stakeholder engagement process in 2014, we will conduct a formal materiality assessment that incorporates feedback from internal and external stakeholders to help us gain

a deeper understanding of the most material sustainability issues facing our business. We will use this assessment to prioritize our sustainability efforts for 2014 and beyond, and set goals to help us reduce our environmental footprint and achieve social impact at a greater scale.

# Sustainable Finance

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Increasingly, our clients are defining long-term value as producing both an attractive risk-adjusted financial return and a positive social impact. In 2013, we built on our Investing with Impact Platform, offering clients access to sustainable investment approaches. We continue to invest in activities that support environmental finance, public finance and social finance.

Integrating social and environmental goals into investment decisions is a growing area now supported by more than 1,200 signatories to the United Nations Principles for Responsible Investment (UNPRI), which Morgan Stanley signed in 2013, who collectively manage or advise more than \$34 trillion of assets globally.<sup>2</sup> Meanwhile, investor interest in responsible investing is expected to continue growing over the next 40 years, as retiring generations transfer an estimated \$41 trillion of wealth.<sup>3</sup>



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## SUSTAINABLE FINANCE

# Investing with Impact

We launched the Investing with Impact Platform (IIP) in 2012 to provide our Wealth Management clients with access to investment products that target social and environmental impacts as well as potential for risk-adjusted financial returns. The Platform now incorporates more than \$2 billion in total client assets and gives financial advisors and clients access to a variety of sustainable investment approaches including the ability to:

- Screen investments by interests and values, and avoid potentially objectionable regions, companies and industries, such as Sudan, Iran, terrorist or oppressive regimes or controversial products<sup>4</sup>
- Fully integrate environmental, social and governance (ESG) criteria into investment analysis
- Focus on exposure to desirable themes and sectors such as community development and renewable energy
- Deliver capital to enterprises and projects structured to create positive social and environmental impact, such as emerging market economic development or clean technology

More than 100 investment options are available, and a dedicated analyst is responsible for evaluating and approving products specifically for the Investing with Impact Platform. Products span fixed income and equity asset classes and include a mix of mutual funds, exchange-traded funds, private equity funds and separately managed accounts.

With our launch of the Morgan Stanley Institute for Sustainable Investing, we have set a five-year goal to reach \$10 billion in total client assets invested through the Investing with Impact Platform. For more information about the Institute for Sustainable Investing, see [Sustainability at Morgan Stanley](#).

## THOUGHT LEADERSHIP

Our teams contribute sustainable investing insights through their publications.

- *Investing with Impact: Aligning Social, Environmental and Financial Value* was published by Morgan Stanley Wealth Management Investment Advisor Research in 2013. This report demonstrated that the performance of ESG-screened indices was comparable to non-screened indices over the past five years. It concluded that using ESG factors can enhance the ability of asset managers to identify attractive investments and highlighted specific fund manager strategies that fit into the Investing with Impact framework.

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- Morgan Stanley Research Europe published *Investing with Impact in the Public Equity Markets*, contributing to the growing Sustainable+Responsible research initiative. This research addresses social, environmental and governance issues that have a meaningful impact on investment performance. The report identified 14 global stocks in sectors such as food, health and water that generate social or environmental benefits while offering long-term growth opportunities. Stocks included in the study had an average compound annual growth rate in earnings per share (EPS CAGR) of 17 percent, and most generated superior growth and returns relative to local market averages.

The firm is also developing and piloting an annual Sustainable Investing Fellowship for Columbia Business School graduate students, to help develop a cadre of emerging leaders in sustainable investing. Opportunities through the fellowship include a summer internship, as well as research opportunities throughout the academic year (see [Sustainability at Morgan Stanley](#)).

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**SUSTAINABLE FINANCE**

## Environmental Finance

The shift to a low-carbon economy requires substantial capital and financial know-how. It also requires scalable energy innovations and environmental solutions. Our expertise helps facilitate access to capital markets for promising low-carbon technology and services, and provides insight into the development of these new markets.

We help clients and partners in the public, private and nonprofit sectors to create capital market solutions to environmental challenges. The climate for clean technology finance has been challenging, but the market began to recover during 2013. There are increasing opportunities, especially in clean and renewable energy and for the issuance of green bonds to finance environmental initiatives, where Morgan Stanley has established itself as a market leader.

### Financing Clean Technology

Our clean technology activity spans many of the firm’s key strengths, including investment banking, project finance, capital markets and commodity trading. Our Global Commodities group trades in the European Union’s Emission Trading Scheme and delivers emission reduction certificates under the Kyoto Protocol. The Group also structures transactions in other environmental commodities such as sulfur dioxide and ethanol.

We advise on initial public offerings (IPOs), mergers and acquisitions and private placements for renewable energy technologies, smart grids and low-carbon transport. Our impact in this area is significant and growing. Since 2006, we have facilitated approximately \$55 billion of capital for clean tech businesses through IPOs, advisory and other transactions. This includes \$9.5 billion in 2013.

We acted as lead underwriter for GT Advanced Technologies (GTAT) in a \$300 million offering that included \$214 million of convertible notes and approximately \$86 million of equity. GTAT manufactures equipment for energy efficient consumer technologies, such as light-emitting diodes (LED), and is building a business to supply sapphire materials.

The firm was the exclusive financial advisor to Sempra Energy on the sale of 50 percent of its Copper Mountain Solar 2 and Mesquite Solar 1 projects to ConEd Development. The deal creates a solar energy partnership between two of the country’s largest investor-owned energy companies. These two projects each have capacity of 150 MW and have long-term purchase agreements with the utility company Pacific Gas and Electric.

In a further 2013 success, we acted as financial advisor to Lincoln Renewable Energy on its sale to EDF Renewable Energy of its interest in Hereford Wind I, a 200 MW wind project being built in Texas. We successfully marketed the project as “execution-ready” and offered a construction loan, tax equity investment and long-term offtake agreement for interested buyers.

Through our Project Finance practice, Morgan Stanley continues to lead the market in providing capital to support the development and construction of projects that generate wind

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power in the United States. In 2013, Morgan Stanley loaned approximately \$1.1 billion and invested over \$150 million in tax equity across four wind projects that have the capacity to generate 677 MW. Morgan Stanley’s Project Finance group also led the first asset-level financing of a portfolio of wind projects in the Term Loan B market in 2013.

### Green Bond Leadership

Green bonds are fixed income investment vehicles intended for financing environmentally responsible projects and offer a prime opportunity for replication at scale. We played an active role in the development of green bond principles that will help set industry standards for green bond recognition as this market continues to grow. We were also the leading issuer of green bonds in 2013, acting in issues worth approximately \$5 billion.<sup>5</sup> Our Investing with Impact Platform has helped attract private investors in several issues (see [Investing with Impact](#)).

We worked with the International Finance Corporation (IFC) on the largest ever green bond at that time—a \$1 billion three-year Global Benchmark issue for investing in renewable energy, energy efficiency and other climate-friendly projects in developing countries. Morgan Stanley helped IFC organize a roadshow in the United States targeted at socially responsible funds and the issue was over-subscribed.

The firm also worked with several other public institutions to raise funds in this way for environmental purposes in 2013. They included:

- The World Bank, through a \$550 million green bond for projects that address climate change in the developing world

- Kommunalbanken Norway, a local government funding agency, which raised \$500 million to support climate-friendly projects in its first-ever syndicated green bond
- African Development Bank (ADB), raising \$500 million for climate resilient and low-carbon projects
- European Bank for Reconstruction and Development (EBRD), which raised \$250 million to invest in energy efficiency, clean energy, water and waste management, environmental services, sustainable public transport and more
- European Investment Bank, issuing a Climate Awareness Bond denominated in South African rand, initially for ZAR 500 million, subsequently increased to ZAR 750 million (approximately \$68 million)

The growth of the green bond market has also attracted private sector interest. We advised EDF, with a €1.4 billion (\$1.9 billion) seven-year issue which was the largest green bond ever and the first benchmark-sized corporate issue. We coordinated an international roadshow, and 60 percent of the transaction went to accounts with Socially Responsible Investment (SRI) funds under management.

### Supporting the Solar Energy Market

The growing solar energy market is another active area ripe for scalable impact. Morgan Stanley Solar Solutions Corp. (MSSS) provides capital and development services for solar energy projects. MSSS has strategic relationships with developers, suppliers, installers, government agencies and end users. Partners include Clean Power Finance (CPF), Main Street Power Company, Inc. (MSP), OneRoof Energy Inc. (ORE), Green Choice Solar, Syncarpha Solar, LLC, and Gehrlicher Solar America Corp.

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Two other Morgan Stanley companies, MS Solar Holdings Inc., and MS Solar Investments LLC, have invested equity capital in project companies that acquire residential solar systems from CPF and ORE. These investments provided capital to enable the project companies to purchase up to \$400 million in residential solar systems in California, Arizona and Hawaii. In these states, homeowners entered into long-term lease agreements that are provided by MySolar,™ a joint venture with MSP, an owner and operator of solar farms.

A recent project developed by MSSS through their partnership with MSP has enabled the Town of Scituate, Massachusetts, to power 100 percent of its buildings with renewable energy. This town of over 5,000 people has been provided with more than 10,000 solar panels that can generate 3 MW of electricity. Together with an existing wind turbine, this will provide all of the municipality's energy needs.

#### REAL ESTATE

Our real estate investment business considers environmental factors—such as energy efficiency—in both investment and asset management, taking account of the potential for such aspects to affect financial returns, affordability and greenhouse gas emissions.

We also work with nonprofit and public organizations to promote energy efficiency in buildings. For example, through our continued support for Enterprise Community Partners, Inc., one of Morgan Stanley's strategic community development partners, we are helping fund PartnerPREP, a social enterprise that is improving energy efficiency in affordable housing. Similarly, our grant to the Community Development Corporation of Utah includes integrating energy efficiency into the affordable homes it is building and rehabilitating.

#### EQUITY RESEARCH

Our Sustainable and Responsible Investing (SRI) team publishes articles on sectors affected by environmental and social topics, providing insights and recommendations that can encourage greater and more effective investment activity. In 2013, the team focused on sectors including the mining and airline industries.

The report on mining companies launched the firm's new Sustainable+Responsible (S+R) framework, which provides a toolbox to enhance traditional financial analysis by taking into account environmental, social and governance factors. The article showed how S+R analysis can complement traditional analysis when valuing a mining company.<sup>6</sup>

It examined climate change and resource consumption as key environmental topics affecting long-term investment returns. All four companies researched recognize the importance of the issues and are taking action to address them. The research identified best-in-class practices and areas that need to be improved for each company, including quantified targets for reducing carbon dioxide emissions and water consumption.

Our research on European airlines concluded that when investing in new aircraft, additional investment in the fuel-efficient models makes financial sense for airlines. The next generation of aircraft offers up to 20 percent fuel savings and current planned orders could benefit the European airlines' earnings by 7 to 20 percent. Globally, if all aircraft older than 15 years were replaced with more fuel-efficient options, the industry would save more than 3 percent of fuel, equivalent to \$5.4 billion per year and 21 million tonnes of carbon dioxide.<sup>7</sup>

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**SUSTAINABLE FINANCE**

## Public Finance

Hospitals, universities and state and local authorities all need funding to deliver essential services and infrastructure, which in turn help to generate jobs and prosperity. Morgan Stanley’s expertise in public finance and the firm’s far-reaching network have helped raise billions of dollars for diverse public entities, enabling the delivery of roads, utilities, sanitation, health care and education to communities across America.

With government budgets under continual pressure and the need to minimize the burden on taxpayers, our public finance activities help raise essential funds for these public projects efficiently and creatively, providing the firm with an important revenue stream. We also support affordable housing initiatives, which are featured in **Community Development**.

**A LEADING POSITION IN THE MUNICIPAL MARKET**

Our expertise in public finance makes the firm one of the top four municipal underwriters in the United States. In 2013, we led 144 public financings totaling nearly \$18 billion.

Capital market strengths are supplemented by our retail network, which was enhanced in 2013 when we became the sole owner of Morgan Stanley Smith Barney, which does business as Morgan Stanley Wealth Management. The majority

of tax-exempt municipal bonds from Public Finance activities are eventually placed in retail investors’ accounts, and Wealth Management is one of the leading franchises in this market. It has nearly 650 offices covering more than 5.5 million individual accounts with assets totaling more than \$1.9 trillion, including more than \$161 billion in directly held municipal securities.

The retail market has been particularly important in providing liquidity in 2013 when interest rates were extremely volatile. For example, our New York City Infrastructure team financed over \$1 billion of New York City General Obligation bonds. This refunding generated nearly \$230 million in retail orders to support the financing and will save the city approximately \$41 million in 2013-2014.

Additionally, our role in this market includes playing an active part in many industry organizations, such as the Municipal Securities Rulemaking Board (MSRB) and the National Federation of Municipal Analysts. Our Co-Head of Public Finance is an MSRB board member, and one of our senior bankers continued to chair the Municipal Division of the Securities Industry and Financial Markets Association in 2013.

**IMPROVING HEALTH CARE INFRASTRUCTURE**

Morgan Stanley is a leader in both health care and educational infrastructure, developing bonds and other financing that provides scalable models for investing in these important public sectors. In 2013, the firm acted on 29 nonprofit health care issues totaling \$4.6 billion to fund hospital building and consolidation activity.

We acted as senior managing underwriter for Sutter Health’s \$750 million bond financing. Sutter Health is a nonprofit health system with 31 acute care hospitals and five medical foundations

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in northern California. The bonds financed construction at the Sutter Medical Center of Santa Rosa, as well as projects at five of its medical foundation clinics, and routine capital and electronic health record expenditures. We assisted Sutter Health in rating agency discussions, emphasizing its strengths, capital plan and capacity for the additional debt and succeeded in maintaining its strong ratings.

SCL Health System (SCLHS) also successfully priced \$300 million of fixed rate bonds with our support as bookrunning senior managing underwriter. SCLHS is a nonprofit health care system with eight hospitals, four safety net clinics, one children’s mental health center, and more than 190 ambulatory service centers. The funds will finance the construction of a 360-bed replacement for Saint Joseph Hospital in Denver, Colorado. The transaction allowed SCLHS to lock in low-cost committed funding and to smooth its aggregate debt service.

#### SUPPORTING EDUCATION AND CULTURAL INSTITUTIONS

Our extensive work for Rutgers University won Morgan Stanley the Bond Buyer’s 2013 Deal of the Year in the health care sector. The \$827 million financing was a critical component of what is the nation’s largest, most complex higher education restructuring in history. The restructuring dissolved the University of Medicine and Dentistry of New Jersey (UMDNJ) and transferred the majority of assets and liabilities to Rutgers University, with portions allocated to Rowan University and University Hospital. The transaction provided for the complete overhaul of New Jersey’s system of public health sciences education and research, and impacted three universities and an acute care hospital that serves as the largest provider of charity care in the state. The reorganization integrated nine UMDNJ units into a newly created Rutgers

Biomedical and Health Sciences, and restructured \$488 million of outstanding UMDNJ debt. We led a multistakeholder team in allocating debt between the three institutions, facilitated the rating process on behalf of Rutgers, initiated a carefully constructed and aggressive investor outreach program, structured cash flows, and coordinated three inter-related bond sales.

This was one of 26 bond issues that Morgan Stanley financed in the education and cultural institutions sector in 2013, raising a total of \$2.9 billion for our issuer clients. They included Morgan Stanley serving as senior managing underwriter for an \$87 million bond issue for National Public Radio (NPR). NPR used the funds to refund a portion of its Series 2010 Bonds, achieving cash flow savings equivalent to \$8.3 million. A portion of the issue was structured to appeal to retail investors.

Our Student Loan Group worked with peer-to-peer (P2P) lender Social Finance, Inc. (SoFi), an alternative lender led by a team of Stanford Business School graduates aiming to change the student loan market. We acted as underwriter on SoFi’s inaugural securitization of post-graduate student loans—the first public securitization by a P2P lender, which raised approximately \$152 million.

#### FACILITATING IMPROVED PUBLIC SERVICES

Our public finance teams help many utilities, transport and other public bodies to raise vital funds. In 2013, this included 44 issues raising \$6.5 billion.

Our bankers led the Utility Debt Securitization Authority’s \$2 billion financing, used to refund Long Island Power Authority (LIPA) debt at significantly lower rates. LIPA is the second-largest municipal electric utility in the country, serving

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more than a million customers.<sup>8</sup> This was the first-ever municipal utility securitization transaction; it included both tax-exempt and taxable components and had a 28-year final maturity. The financing was well received in the tax-exempt and taxable markets, resulting in savings for LIPA and its customers.

Morgan Stanley acted as senior managing underwriter for a \$238 million water and sewer revenue and refunding bond offering issued by the Metropolitan Government of Nashville and Davidson County, Tennessee. The proceeds of the transaction were used to refinance existing debt and fund \$125 million of new projects. This was the latest in a series of transactions the firm has managed since 2010 after we worked with the city and county’s finance team to develop additional debt capacity. This process established new rate covenants, additional bond tests,

and flow of funds (including a Rate Stabilization Fund). There was strong demand for the Series 2013 issue by both retail and institutional investors, with more than \$428 million total orders, including more than \$54 million from retail investors.

The Transportation team worked with the State of Hawaii Department of Transportation on a \$168 million issue to fund an energy efficiency program at 12 airports. The program is part of an energy savings performance contract—the largest ever completed by a municipality. Various efficiency projects including replacing more than 70,000 light bulbs and installing around 9,000 solar panels will reduce energy costs at the airports by approximately 49 percent, saving \$17 million in the first year and more than \$500 million over the 20-year life of the project.

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**SUSTAINABLE FINANCE**

## Social Finance

We apply our capital market expertise to support businesses that reach underserved communities globally. Facilitating the flow of capital to businesses that succeed in expanding opportunities for disadvantaged communities generates financial returns for the firm.

New types of partnerships between the public, nonprofit and private sectors are creating innovative business models that serve underbanked communities, providing positive social and financial returns. We work closely with investors, intermediaries and partners, contributing our experience and funding to further develop these models and promote analysis to catalyze social sector innovations. Our goal is to develop, finance and promote scalable new business models that offer solutions for enduring social challenges.

**ACCESS TO MARKETS**

Morgan Stanley supports microfinance institutions (MFIs) and other organizations that provide access to financial services for unbanked or underserved communities. We provide specialist advice to MFIs and work as an intermediary to connect them with global capital markets.

We support microfinance on a significant scale, participating in initiatives worth more than \$875 million since 2006. Our

activity has included mergers and acquisitions, structured finance vehicles, debt and equity issues and venture capital. These activities included one of the largest in microfinance history, a \$105 million transaction for which Morgan Stanley provided financial advisory services in connection with the sale of certain microfinance fund interests of Accion Investments to Bamboo Finance, a private equity group specializing in emerging economies.

In 2013, Morgan Stanley Private Equity Asia led a \$54 million investment in Janalakshmi Financial Services, a technology-focused microfinance institution based in Bangalore, India, that provides microloans to the urban underbanked market.

Beyond microfinance, we look for scalable ways to support the growth of efficient and effective commodity markets in developing regions.

**ADDRESSING U.S. COMMUNITY BANKING NEEDS**

More than a quarter of U.S. households, representing 68 million adults, are estimated to lack access to traditional financial services.<sup>9</sup> We are committed to using investments, grants and advisory services to address this neglected market and help people overcome their financial challenges.

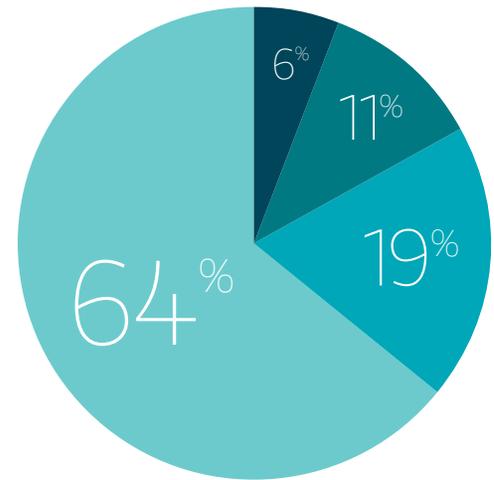
We partner with organizations including Accion East, a leading provider of microcredit to small business owners, and Neighborhood Trust Financial Partners (NTFP), which provides advice and support to low-income workers.

We have supported Accion East's Stretch Loan Guaranty program since 2010. This has supported loans to more than 100 entrepreneurs who can afford a loan, but lack the necessary credit record to obtain one.

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## Morgan Stanley social finance transactions 2006 – 2013

Asia	6%
Africa & Eastern Europe	11%
United States	19%
Latin America	64%



In 2013, we backed the pilot of Accion East’s Promesa Loan Program to expand services to small business owners who do not qualify for standard business loans. These loan recipients come disproportionately from underserved populations including low-income individuals, minorities and women. The Promesa Loan Program provides flexibility for individuals to access capital and invest in their businesses.

Our continued partnership with NTFP in 2013 included support to expand its Employer Solution initiative, which provides workplace-based financial counseling to low-income workers. Neighborhood Trust’s services overall benefitted more than 6,000 workers in 2013.

### THOUGHT LEADERSHIP

We support research and dialogue to develop insights and understanding of social finance topics, especially in partnership with the Center for Financial Services Innovation (CFSI), a leading authority on consumer financial health, and Core Innovation Capital. Our goal is to use this knowledge to identify effective, scalable approaches to assisting financially underserved communities and individuals.

In 2013, CSFI and Core published three reports, providing insight into the United States underserved market, with Morgan Stanley’s financial support and strategic input. The

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reports are focused specifically on the emerging sector of financial services technology startups, known as FinTech, and the creation of products for financially underserved customers.

*Financial Technology Trends in the Underbanked Market* identified trends that create potential for the financial services industry to engage more fully with underserved consumers. In May 2013, Morgan Stanley convened a symposium for more than 50 investors and entrepreneurs to discuss the publication’s main findings.

Among the trends discussed, the research highlighted the importance of leveraging broader sources of data. Financial service companies, including alternative lenders and credit scorers, are beginning to use data generated by public records, bill payment and social networks activity to expand access to credit for reliable consumers overlooked by traditional credit scoring models. Research suggests that analysis of “Big Data” using powerful technology may make it possible to assess creditworthiness more accurately and provide personal financial management tools to underserved consumers who lack robust conventional financial histories.

The report also noted the use of technology to bridge the cash/electronic gap. Cash is still important for underserved consumers even in this age of electronic payments, so technology products that convert digital money easily to and from cash are particularly useful.

Finally, the report identified how business-to-business partnerships are lowering the time and expense of marketing to hard-to-reach underserved consumers. FinTech startups can scale quickly by gaining access to established distribution channels, decreasing the cost of acquisition, and financial institutions are

leveraging the products of startups to reach underserved markets without significant in-house investment.

A second report, *Investment Activity in FinTech for the Financially Underserved*, revealed substantial investor interest in the sector, with more than \$5 billion in allocated capital over a 12-month span in 2012-2013. It identified 71 equity investments, 11 acquisitions and three IPOs involving more than 125 investors and 74 growing companies, most based in either the specialty credit or payments industries.

CFSI and Core also released the third annual *Financially Underserved Market Size Study*, estimating that the market grew to \$89 billion in interest and fees in 2012—growth of 8 percent in the year. The report examined 23 financial products with a total volume of \$792 billion in principal loaned, funds transacted, deposits held and other financial services provided.

The strongest growth was in payroll cards (33 percent), general purpose reloadable prepaid cards (28 percent) and subprime auto loans (24 percent). Short-term credit products were the strongest product category, with \$50 billion in revenue and 10 percent growth.

#### EMPLOYEE ENGAGEMENT

Morgan Stanley’s Environment and Social Finance Forum (ESF) gives employees the opportunity to learn more about social finance and understand how their skills can be applied in this market.

Events in 2013 included a panel discussion on investment prospects in Africa. Panelists from the Rockefeller Foundation and the Global Environment Fund discussed the potential for

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investment to succeed in poverty alleviation where trillions of dollars of aid has failed. In the United Kingdom, ESF hosted an event with Microfinance Club United Kingdom to discuss India's first-ever crowdsourcing platform for microcredit and the challenges and opportunities facing the microinsurance industry.

The Forum also co-hosted an event with the Microfinance Club of New York to consider private sector health care models for poor communities, an important issue for microfinance, where illness can often be a major cause of non-repayment. Speakers presented three approaches to private health care provision:

- Access Afya is a chain of high-tech, ultra low-cost mini health clinics which operate in the slums of Kenya and reduce costs by using digital protocols and diagnostic equipment instead of doctors
- Pro Mujer is a microfinance institution, operating in five countries in Latin America, which integrates health care delivery as part of its lending programs
- Freedom from Hunger works with partners in 20 countries to integrate microfinance, training and health protection services as part of its service to over five million clients

# Community Development

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Providing economic and social opportunities for people with low and moderate incomes is fundamental to enhancing a community's resilience and prosperity. Morgan Stanley's community development program applies the firm's abilities, product offerings and business strategy to develop scalable solutions that provide lasting benefits to urban and rural communities.

Vibrant communities need high-quality affordable housing, secure jobs, strong schools and access to health care and healthy food. Private sector capital can combine with government funding, philanthropy and program-related investments to increase the availability of these vital resources and services.

In 2013, the Office of the Comptroller of the Currency (OCC) rated Morgan Stanley's community reinvestment activities "Outstanding," its highest rating.<sup>10</sup> As part of its performance evaluation, the OCC highlighted several of Morgan Stanley's initiatives, including:

- **Healthy Futures Fund**—a \$100 million fund launched in 2012 to expand access to health care and affordable housing, and to fund critical social services that help link the two (see [Health Care and Healthy Foods](#))
- **Bud Bailey Apartments**—an award-winning affordable housing development in Salt Lake City, Utah (see [Supporting Refugees](#))
- **Housing Partnership Network Real Estate Investment Trust (REIT)**—a \$10 million investment in a groundbreaking membership REIT specifically for nonprofit community developers (see [Affordable Housing](#))

Since 2010, we have committed \$7.1 billion to community development initiatives.

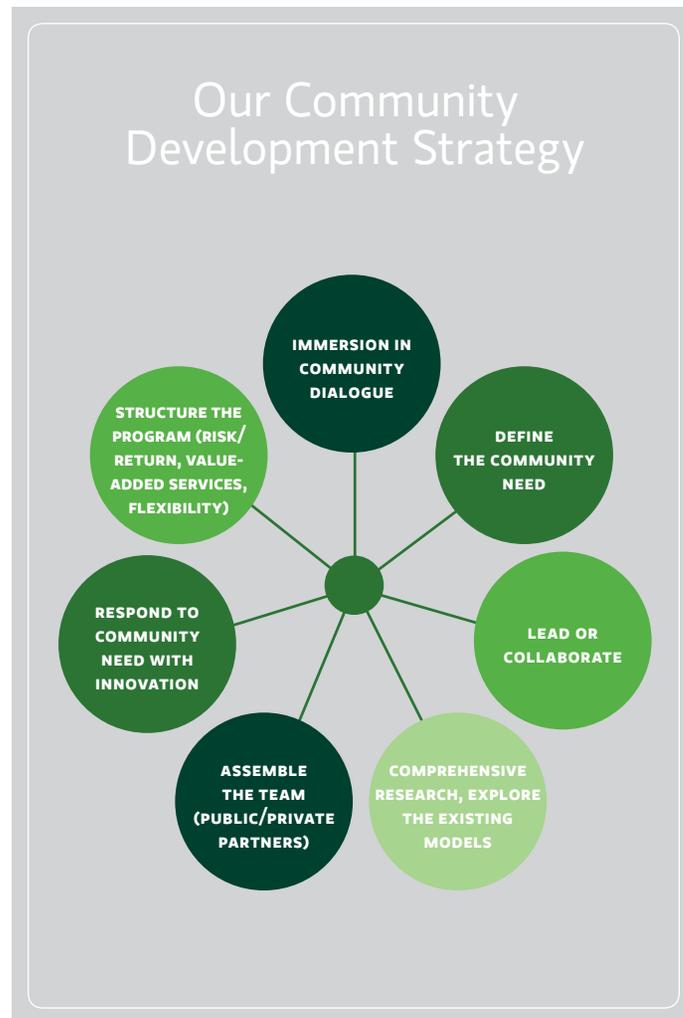
## COMMUNITY DEVELOPMENT STRATEGY

Our community development strategy is based on an assessment of the most critical needs that emerge from our wide-ranging dialogue with community leaders, including our Community Development Advisory Board, whose members are leaders in the community development field. Morgan Stanley benefits from their insights that help highlight community needs, and we work with their organizations to develop solutions to those issues.

Our goal is to create high-impact programs that respond to community needs with innovations and program structures that combine private sector capital with program-related investments, philanthropy and government funding to create sustainable community development models.

As a result of our strategic review process, we have identified affordable housing as a key priority where we can make an impact at scale. We collaborate with local and national partners, supporting them with community development lending, investing, donations and services.

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## AFFORDABLE HOUSING

Adequate, sustainable housing is essential for thriving communities. Approximately 1.5 million people are homeless in the United States at some point during the year, and more than one in five of them are children.<sup>11</sup> While the overall numbers have fallen over the past few years, some areas of the country have experienced increases in their homeless populations. In New York City, for example, the number of homeless families has risen more than 60 percent in the last 12 years.<sup>12</sup> Morgan Stanley seeks to address the family home affordability challenge in some of the most impacted areas.

We provide loans to developers of sustainable, quality affordable housing and work with government agencies to finance entities that build or renovate such homes. Since 2010, we have supported the creation of more than 44,000 affordable housing units, and in 2013 we underwrote approximately \$1.4 billion in municipal or state bonds to finance affordable housing.

Our \$10 million loan to the Housing Partnership Network supported the creation of a groundbreaking membership-based Real Estate Investment Trust (REIT) specifically for community developers. The REIT will help to stem the rapid decline in affordable housing by supplying 12 nonprofit housing providers across the United States with capital to acquire apartment buildings that offer affordable quality housing for families, seniors and others living on low and moderate incomes. These investments will not rely on Low Income Housing Tax Credits or other public subsidies, making the process more efficient.

In 2013, we renewed our commitment to the Community Development Corporation of Utah (CDCU), which, among other important neighborhood revitalization and affordable homeownership activities, buys homes from the U.S. Department

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of Housing and Urban Development for 50 percent of their appraised value, renovates them and resells them to income-eligible homebuyers, as well as police officers, school teachers and emergency responders. Similarly, we have continued to provide credit to the National Equity Fund (NEF), a national Low Income Housing Tax Credit syndicator, enabling NEF to acquire interests in project partnerships eligible for Low Income Housing Tax Credits. We also partnered with NEF to form the \$200 million Rebuilding Local Economies Fund (ReLEF). The fund supports the construction of approximately 1,500 affordable housing units in 27 states where residents have lost homes and jobs in areas in which the Federal Emergency Management Agency (FEMA) has issued a disaster declaration.

### Distressed Housing

In the wake of the real estate boom and bust, hundreds of affordable housing buildings throughout New York City have fallen into disrepair or uninhabitable conditions. Developers who acquired rent-regulated apartment buildings found they could not afford repayment or regular maintenance. This led to a deterioration of physical infrastructure and dangerous living conditions, leading to tenant hardships. In some cases it also led to financial default. New York City has had to step in to make emergency repairs, an expense to taxpayers. The resulting uninhabitable apartments reduced further the stock of decent, well-maintained affordable housing.

Morgan Stanley’s innovative financing structures and partnerships with community-oriented developers have enabled the revitalization of numerous distressed buildings, preserving housing and improving neighborhoods. Since 2011,

Morgan Stanley has financed the recovery of more than 575 distressed and overleveraged affordable housing units.

Creston Avenue, in the University Heights section of the Bronx, is one example. We are participating in the renovation of four of the most physically distressed multifamily buildings in New York City with a total of 124 occupied apartments. A partnership between Workforce Housing Advisors and Morgan Stanley provided the resources to purchase and maintain these four buildings until comprehensive physical upgrades could begin and tenants could be temporarily relocated during extensive renovations.

In 2013, we also contributed to the substantial renovation of a historic multifamily building in the Bronx, known as the birthplace of hip-hop music. In 2008, in the waning days of the real estate boom, the property’s owner opted out of affordability restrictions and sold it for an unsustainable price. With an overleveraged mortgage and the financial crisis underway, the new owner fell into default and ignored mounting maintenance issues, which led to a rapid decline in the building’s condition. Workforce Housing Advisors was able to acquire the outstanding mortgage, reposition the debt and carry out extensive rehabilitation with the help of public funds and financing from Morgan Stanley.

### Environmental Improvement

With 40 percent of U.S. energy consumption attributed to buildings,<sup>13</sup> investments in energy efficiency make large-scale environmental contributions while improving housing affordability. Our grant program supports environmental projects including energy efficiency and renewable energy installations.

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## From Baseball to Business

Quality affordable housing goes beyond bricks and mortar, providing residents with access to additional social and community services. In 2013, we supported a unique educational program, building on the financing that we provided in 2012 for the rehabilitation of distressed residential buildings in New York's South Bronx. A new academic learning module created by the National Baseball Hall of Fame helped to keep the neighborhood's youth intellectually engaged and enthusiastic about learning during the summer. About half of the students, who were between six and 12 years old, live in the newly renovated housing units.

The course was held four days each week, supplemented by weekly videoconference sessions with staff from the Hall of Fame. It used baseball history to teach about subjects ranging from health science to business. Instructors talked about baseball legends such as Babe Ruth and Jackie Robinson, and explored topics including the civil rights movement, gender diversity, character-building and health. Students also had to think like owners and managers to create virtual baseball teams, make uniforms and brainstorm about how to build and maintain a stadium.

We have supported Artspace, a nonprofit developer in Salt Lake City, Utah, since 2002. Artspace creates mixed-use affordable properties including commercial spaces for artists and other organizations, as well as affordable housing. In 2013, the developer completed Artspace Solar Gardens, a development with zero net energy consumption. Solar panels provide low-cost

energy for the units and surplus energy will be available for the neighboring development. In addition to solar energy, the project includes highly efficient building insulation, nontoxic paints and finishes, and many energy- and water-saving features. We contributed to the capital campaign to fill financing gaps for the project.

Our programs have enabled several other organizations to carry out environmental improvements. In 2013, these organizations included:

- Community Development Corporation of Utah, which has built or rehabilitated 17 homes that achieve energy efficiency levels better than ENERGY STAR® standards. CDCU is a founding member of the Green & Healthy Homes Initiative Salt Lake
- Enterprise Community Partners, a national affordable housing nonprofit whose work includes reviewing entire portfolios to create a new model for transforming energy and environmental stewardship for affordable multifamily housing owners

### STRENGTHENING COMMUNITIES

Employment opportunities are fundamental to creating strong communities and are often linked to community needs such as housing, accessible transport and health care. Solutions in one area can help provide economic opportunities that strengthen communities and their residents. For example, since 2010, our support for affordable housing, small businesses and community development services has helped create or retain more than 46,000 jobs.<sup>14</sup>

Access to financial services can be a major barrier to economic activity. We worked with the Center for Financial Services Innovation, which helps struggling Americans access information and financial

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services, to develop and disseminate a groundbreaking series of reports. The reports were designed to attract funding to responsible companies that are serving those who lack access to traditional banking services. Our employees used their investment banking expertise to shape and guide this research, as well as promote it to interested stakeholders (see [Social Finance](#)).

### Transit-Oriented Development

Often, affordable housing is situated far from transport hubs, magnifying the logistical and financial challenges that residents face when seeking employment opportunities. We work with partners on transit-oriented development (TOD) projects, and we participate in the \$50 million Transit-Oriented Affordable Housing Fund for San Francisco’s Bay Area. When the fund is fully distributed, it is expected to create more than 800 housing units, in addition to community facilities such as childcare and community health centers.

Building on this success, in 2013 we made a joint grant to Low Income Investment Fund (LIIF) and Envision Utah. The purpose was to bring a national organization with significant TOD experience together with a local Utah facilitator to finalize and implement a TOD business plan. This plan will help to create and sustain more prosperous communities throughout the Wasatch Front in Utah by encouraging growth along the transit corridor and by providing a funding resource to local developers, nonprofits and municipalities. Because development linked to transportation is critical to building vibrant communities in the face of long-term growth and sustainability challenges, the work of LIIF and Envision Utah in finalizing the business plan will have a significant positive impact on the community. This plan will ultimately determine the form and capital structure for

the TOD Fund and will set the guidelines for developers and lending institutions looking to assist in sustainable growth along the corridor.

### Supporting Refugees

The greater Salt Lake City area is home to more than 50,000 refugees, and more resettle there each year. Many initially live at or below the poverty level and need low-cost housing as well as assistance to obtain U.S. citizenship, pursue higher education, find jobs or start a small business.

We have made grants to the Utah Refugee Coalition since 2011 to help provide refugee services and are currently providing technical assistance in the financial structuring of a 30,000-square-foot refugee community center to be built by the Utah Refugee Coalition. The center will bring all refugee resources under one roof, providing educational resources as well as health, employment, financial and language assistance.

The Bud Bailey Apartments in Salt Lake City, targeted at refugee families, received the “Urban Project of the Year” award from the Utah Housing Coalition in 2013. This housing development encompasses 136 affordable housing units with large living areas for bigger families and communal areas where the residents can gather. The project includes a community building where case managers provide counseling and technical assistance, helping the refugees secure education and employment. The project also has TOD benefits, as it is within a quarter-mile of a light rail station. Morgan Stanley was a key partner in the Bud Bailey project by helping finance construction. We also made a grant to help secure a full-time youth services coordinator who assists young people in their education and employment endeavors.

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Refugees often create livelihoods by turning their cuisine into food ventures. To be successful they need to learn about U.S. food industry standards and small business development. The International Rescue Committee and Salt Lake County have adopted best practices for food business incubator models by creating the SPICE Kitchen Incubator. This program combines a traditional business incubator model with access to a commercial kitchen space that was partially financed by a Morgan Stanley grant. The program subsidizes access to commercial kitchen space, offers workshops on the food service business, provides access to a network of professionals who help with marketing, operations and product development, and offers access to capital with small business loans.

### Health Care and Healthy Foods

Our Healthy Futures Fund, launched late in 2012 and announced in early 2013, aims to link action on housing, poverty and health. We launched the fund in partnership with the nonprofit Local Initiatives Support Corporation (LISC) and the Kresge Foundation. LISC’s affiliate, New Markets Support Company, manages the fund as part of its Building Sustainable Communities strategy to improve the quality of life in struggling, low-income neighborhoods.

The fund was developed with both Low Income Housing Tax Credits and New Markets Tax Credits in order to stimulate co-location of health care facilities and affordable housing. These health care facilities are becoming more important in low- and moderate-income communities, as their residents—now with increased access to health insurance coverage—still find it difficult to see a doctor quickly when they need to. The fund will

ease this access through the development of federally qualified health centers alongside new and existing affordable housing.

Morgan Stanley will provide \$87 million in loans and investments to build 500 new affordable housing units and eight new health centers that will serve 75,000 people and create approximately 2,200 jobs.

### Building Capacity

We recognize the importance of strong nonprofit organizations and community development professionals in helping communities to grow and thrive and provide support to build the sector’s capacity (see the [Building Community Organizations](#)).

The Morgan Stanley/Association for Neighborhood and Housing Development Community Development Fellowship Program is one of our signature initiatives. The program builds capacity at local organizations, supports important projects in the community and helps build the next generation of community development professionals. It provides eight graduate students from local planning, development and public administration programs in New York’s universities with fellowships at community development corporations.

In 2013, fellows’ projects included:

- Working on the Bronx Music Heritage Center, a hub for celebrating and disseminating the influential music forms that have their roots in the Bronx
- Introducing energy tracking systems to senior housing developments
- Developing plans to protect affordable and supportive housing in an area hit by Superstorm Sandy from future natural disasters

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**ECONOMIC DEVELOPMENT**

Small businesses are the lifeblood of many local economies and often struggle to get approved for loans that could finance expansion and bring new jobs. Morgan Stanley supports U.S. small businesses by making loan capital available to them, helping to stimulate job creation and retention. We participate in the secondary market for U.S. Small Business Administration’s (SBA) 504 loans. This program offers long-term financing to small businesses on more favorable terms than traditional commercial loans. We purchase loans made by small community banks that need liquidity to support additional lending. Morgan Stanley is one of only three banks that purchase SBA 504 loans and the only bank that may do so in all 50 states.

One of the beneficiaries of our small business lending is Bluedata International Institute, which received financing from Morgan Stanley in 2013, allowing the school to expand their operations and reach more students. The impact on the students and the community is clear. English fluency is critical for individuals striving to achieve economic independence, yet almost half of New Yorkers speak something other than English at home. Bluedata brings together students of many nationalities, providing needed language instruction that will contribute to their integration and success in the United States.

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## Raising the Granary

The Granary District in Salt Lake City, Utah, connects the city's downtown area to its surrounding residential and commercial neighborhoods. For this reason, the District is essential to Salt Lake City's transit-oriented development plans. However, its residents have a low average household income, and many lack basic services.

The Kentlands Initiative has set out to address these problems and transform the area, inviting experts and local community members to develop a transformation plan. The vision is for Granary Row to provide services and amenities alongside affordable retail and commercial

spaces to attract entrepreneurs and small businesses. The renewed vibrancy of the neighborhood will attract investment, creating both new employment and housing opportunities.

Morgan Stanley demonstrated leadership as an early supporter of the collaborative design process. Our backing helped to stimulate additional support for the project, and we provided grant funding in 2013 to support the initiative as well as staff volunteers.

## Building Community Organizations

Recognizing that the Salt Lake City, Utah, region needs a coordinated program to increase small business funding and strengthen skills among nonprofit community development organizations, Morgan Stanley led a coalition of banks and community groups to establish a full-service Community Development Financial Institution.

To ensure collaboration and strong leadership, we formed a steering committee with other banks and asked the Community Foundation of Utah, a philanthropic foundation that supports community development and entrepreneurship, to serve as chair on behalf of the local community. Morgan Stanley also provided the Community Foundation of Utah a grant to support their efforts with the project.

The steering committee identified the need for a full-service nonprofit with expertise across many types of community and economic

development activities to strengthen local nonprofits and provide direct services where necessary to fill gaps. Such an organization would also have the staff and other resources that can generate confidence among financial institutions, which can, in turn, finance community and economic development.

Morgan Stanley identified National Development Council (NDC) as a full-service nonprofit with the requisite characteristics. We provided NDC with a leadership level grant in 2012, offered an in-kind donation of office space at a notional rent and are assisting NDC to attract funds from other Salt Lake City banks, corporations and foundations.

Morgan Stanley took a leadership role in developing a \$10 million loan fund for NDC, which closed in 2013.

# Employees

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Our success depends on the talent of 55,000 employees across 43 countries who share a commitment to excellence, a collegial and respectful culture, and strong firm values that guide our decisions.

This year, Morgan Stanley invested substantially in our employees' engagement, development, diversity and wellness. We expanded our strategy statement, emphasizing the role our employees play in fulfilling our strategy and outlining how shareholders and employees gain as a result of firm performance. We also implemented key employee engagement and wellness initiatives, including opening a new 23,000-square-foot Wellness Center.

## STRENGTHENING ENGAGEMENT

We are focused on recruiting top talent and retaining them in our collaborative, client-focused and collegial culture. While 82 percent of employees feel their jobs make good use of their skills, we know through employee surveys, manager reviews and informal feedback that employee engagement requires more. This year, we focused on empowering employees and managers, making it easier for teams to do their jobs and sustaining a strong culture.

In 2013, we launched me@MS, a new employee engagement initiative that includes an employee services portal with information organized intuitively in an easy-to-use website.

## 2013 Highlights

- We promoted our largest-ever proportion of women executives to Managing Director—27 percent, up from 17 percent in 2012
- *Barron's* named 17 Morgan Stanley Financial Advisors to its top 100 Female Financial Advisor ranking<sup>15</sup>
- We opened a 23,000-square-foot Employee Wellness Center at our New York City headquarters

## Our Strategy

- What we do: Advise, originate, trade, manage and distribute capital for governments, institutions and individuals and always do so with a standard of excellence
- How we do it: Execute in a way that is consistent with our values and, whenever possible, deliver more than one part of the firm
- With what result: Deliver strong returns for our shareholders and highly attractive career opportunities for our employees

## Firm Headcount

- 2012: 57,061
- 2013: 55,794

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The site makes it easier for employees to find the resources they need—from internal mobility to personal health—with one click.

Leaders heard candid feedback from their teams formally and informally in 2013 and acted on responses to the 2012 biennial employee survey. Business unit leaders implemented changes ranging from career development to communications improvements. These changes led to deeper conversations between employees and managers, providing critical upward feedback. Informal feedback came through 120 open-door sessions with senior managers. Business units also held brown bag lunch sessions on various topics, while the intranet and quarterly town hall meetings stimulated conversations and engagement.

## Highlighted employee survey results 2014

SURVEY QUESTION	% FAVORABLE
Our values are important to the future success of the firm	85
My job makes good use of my skills and abilities	82

In Wealth Management, we launched *Making It Easier to Do Business*, a program that incorporated ideas from Financial Advisors and support teams ranging from giving local managers more decision-making authority to adding a better workflow to the technology they use every day. The results have been better not only for our staff, but also for our clients and our shareholders.

## Voluntary turnover (%)

REGION	2013	2012
North America	11	11
EMEA	12	10
Asia Pacific	12	12

We reinforce Morgan Stanley's culture by focusing on our firm values—*Putting clients first, Leading with exceptional ideas, Doing the right thing* and *Giving back*. We believe that living our values is how we deliver for our clients. In our employee survey, 85 percent acknowledged that our values are important to the future success of the firm.

The values and their role in the firm's success were integrated into hundreds of firmwide communications this year. For example, when our Research department garnered 33 top spots in *Institutional Investor's* rankings,<sup>16</sup> we associated that success with the firm value, *Leading with exceptional ideas*, on our intranet news, elevator posters and email.

### DIVERSITY AND INCLUSION

We believe that increasing the diversity of our workforce creates benefits for all of our stakeholders. While the composition of our workforce is in line with industry benchmarks, we are committed to raising the bar. The percentage of female employees at the firm remained flat in the past two years; however, 27 percent of promotions to Managing Director were female this year, versus 17 percent in 2012.

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In 2013, we focused on hiring, developing and retaining diverse talent. Senior executives, along with the Human Resources department, conducted formal, data-driven diverse talent reviews. As a result, we launched new initiatives including a Return to Work program. This 12-week paid internship program, open to anyone who has taken time out of the workforce, aims to attract experienced female financial talent back into the workforce.

We also launched the Managing Directors Women’s Symposium, a CEO-led program for select female leaders. This is in addition to our efforts to develop emerging leaders through the Managing Director Conference for newly promoted women.

### Female employees globally (% of workforce)

	2013 <sup>17</sup>
Officers	21
Non-officers	49
Total workforce	37

Individual business units also introduced their own diversity initiatives. For example, the Fixed Income division launched the Women’s Directive, a mentoring and networking program to

support the hiring, retention and promotion of female employees. Wealth Management operates the Multicultural Business Exchange and the Women’s Business Exchange—forums to enhance development and retention, and to find better ways to serve diverse clients. We continue to be recognized externally, with 17 employees ranked in *Barron’s* Top 100 Women Financial Advisors in 2013.<sup>18</sup>

A wide range of programs encourage and develop employee diversity at all levels, including work-life integration programs addressing working parent and family concerns and the need for increased flexibility. For example, Facebook’s COO Sheryl Sandberg began her *Lean In* book tour in our New York offices with meetings and public conversations that focused on gender issues in the workplace.

In 2013, the firm strongly advocated for marriage equality in the United States and was the only Investment Bank to sign two Supreme Court amicus briefs supporting gay marriage. The firm also ranked #14 in the United Kingdom’s Stonewall Top 100 Employers, moving up 18 places.<sup>19</sup> Morgan Stanley sponsors 33 employee networks globally, which are valuable for exchanging ideas and building relationships, including our pride and ally network (LGBT), women, working parents and cultural groups.<sup>20</sup> In 2013, our Hong Kong office launched a local family network, with activities promoted throughout the region.

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## United States workforce diversity 2013

	BLACK OR AFRICAN-AMERICAN (%)	HISPANIC OR LATINO (%)	ASIAN (%)	AMERICAN-INDIAN OR ALASKAN NATIVE (%)	NATIVE-HAWAIIAN OR PACIFIC ISLANDER (%)	TWO OR MORE RACES (%)	WHITE (%)
<b>Executives/ Senior Officials &amp; Managers</b>	1.9	2.4	6.9	0	0	0.2	88.3
<b>First/Mid-level Managers</b>	4.8	5.2	17.9	0.1	0.1	0.8	70.8
<b>Professionals</b>	2.4	3.6	9	0.1	0.1	0.9	83.5
<b>All Others*</b>	9.3	9.2	7	0.2	0.2	1.2	72.4
<b>Total</b>	<b>4.7</b>	<b>5.4</b>	<b>10.5</b>	<b>0.1</b>	<b>0.1</b>	<b>0.9</b>	<b>77.8</b>
<b>2012 Total</b>	<b>4.6</b>	<b>5.2</b>	<b>10.5</b>	<b>0.2</b>	<b>0.1</b>	<b>0.8</b>	<b>78.2</b>

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

### DEVELOPING OUR EMPLOYEES

We are committed to developing employees at all levels on a continuing basis, as well as through periodic reviews. Managers are asked to give frequent and timely feedback to employees throughout the year on both their performance and their adherence to our values.

The Talent Development Process is our formal semiannual review through which we set goals, assess performance and identify development opportunities for employees and managers. All employees participate in some version of the Talent Development Process.

Our employee development process begins with individual objectives set at the start of the year. A mid-year session allows employees, managers and colleagues to provide feedback, resulting in defined development goals. These sessions also help us identify high-performing managers and those with development needs. A year-end performance review considers achievements against the agreed goals, and managers assess employees on compliance and risk.

To develop employees at each level, the firm offers learning solutions relevant to the needs of the business. Internal programs

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range from a general introduction to the firm and coverage of specific products, to professional skills development and leadership induction programs for Vice Presidents, Executive Directors and Managing Directors. We deliver the programs through a range of approaches from “low-touch” self-study materials, to more intensive classrooms sessions.

We develop our employees and leaders formally and on the job. Formally, we host firmwide leadership programs, including the Morgan Stanley Leaders Program, the Executive Director Development Series and tailored coaching. We also encourage our emerging leaders to grow in other ways. For example, more than 300 senior employees have gained leadership experience through our annual Strategy Challenge, which also contributes to the community (see [Philanthropy](#)).

#### REWARD AND RECOGNITION

We aim to offer competitive packages that reward performance and discourage inappropriate risk-taking. In support of our recruitment and retention objectives, we continually monitor competitive pay levels, and we structure our incentive awards to include vesting, deferred payment and cancellation and clawback provisions that protect the firm’s interests.

Our executive compensation program emphasizes discretionary variable annual performance compensation and long-term incentive compensation with specific financial targets. Variable annual performance compensation is adjusted year-over-year to appropriately reward annual achievement of the firm’s financial and strategic objectives. Long-term incentive compensation is future-oriented and rewards performance that serves shareholders’ interests by executing on the firm’s long-term business strategy. Both deferred annual incentives and long-term incentives

promote sustained shareholder value creation. The structure of Morgan Stanley’s compensation program balances the objectives of delivering returns for shareholders and providing appropriate rewards to motivate superior individual performance. We review compensation programs each year to help ensure that they are consistent with the safety and soundness of the firm and do not incentivize excessive risk-taking or create risks that are likely to have a material adverse effect on the firm.

We recognize exceptional performance annually in many ways, including through our top honor, the John J. Mack Leadership Award, named after our former CEO and chairman. Candidates can be nominated by any other permanent employee who believes they have contributed beyond their day-to-day responsibilities, shown leadership excellence and demonstrated the firm’s culture and values in action. The five winners of the award in 2013 each received \$5,000 to donate to an approved charity, as well as recognition by John Mack and CEO James Gorman, at a reception in New York City.

#### SUPPORTING EMPLOYEE HEALTH AND WELL-BEING

The work environment is a fundamental influence on employee well-being, and we aim to provide workspaces that provide a positive environment. In 2013, we rolled out a new workspace design and floor plan in our U.S. headquarters to improve the employee experience. Changes include a high-sunlight design for all desks, café-style seating areas to encourage informal conversations and modern offices and cubes. The design also incorporates green design principles to improve the environmental performance of our offices (see [Operations](#)).

Through our me@MS campaign, we support employees in going beyond the basics of health to improve the quality of their

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## Featured John J. Mack Award Winner: Jacqueline LiCalzi, Managing Director

Jacqueline LiCalzi directs our Company Compliance program and is one of the firm's two senior points of contact with the Federal Reserve. She is a member of the Executive Committee of SIFMA's Compliance and Legal Society and co-chairs the firm's Pride LGBT employee network. She has taken ownership of many of our compliance training programs and our Code of Conduct, which has been recognized as best-in-class. Jackie also oversees the firm's anti-corruption compliance program, which was recognized by regulators for its robustness. She is known for leading with conviction, grace and good humor.

personal and professional lives, manage stress and take control of their health and the well-being of their families. We began a pilot in London to help employees manage excessive stress in the workplace. Pilot activities include manager training, employee awareness and sick-leave tracking to spot trends.

Opening ultramodern facilities in 2013 at our headquarters in New York was central to our employee wellness strategy. The

new 23,000-square-foot Wellness Center includes a fitness center; a comprehensive on-site health center staffed by full-time doctors, nurses and health coaches; and an onsite physical therapy team from ColumbiaDoctors. Treatments are covered by Morgan Stanley medical plans, so employees can seek help without worrying about costs. Globally, our five health centers offer a range of medical services, including annual exams, preventive and diagnostic testing, a prescription drop-off service, and flu and allergy shots. Most services are provided at no cost to employees or are covered by their medical insurance.

We also operate four gyms worldwide for employees, some of which offer complimentary workout clothes, personal trainers, yoga classes and even a spin studio.

Recognizing the challenges that come with different stages of parenthood, the firm provides programs and resources for our employees' families. Offerings include a quarterly series of parenting workshops and webinars to help employees plan a maternity or parental leave. From on-site Lamaze classes to networking sessions with other recently returning parents and access to reliable backup childcare, we are committed to ensuring that our colleagues feel prepared and connected to the firm as they enter a new phase of their life. For parents with older children, we offer one-on-one college coaching, free workshops and a virtual learning center to help families select, apply to and finance college.

# Philanthropy

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The Morgan Stanley culture is built on utilizing our talents and expertise to solve complex problems. Our philanthropic work is no different — we strive to combine the firm’s talent, business acumen and charitable resources to create meaningful, scalable and long-lasting impact for our communities.

Our priority is to give young people the start they need for lifelong achievement, particularly in delivering early childhood health programs.

In addition to our focus on youth, which includes extensive educational and career development opportunities, we are also committed to helping communities hit by natural disasters. In all of our philanthropic activities, our efforts combine funding from the Morgan Stanley Foundations with intensive employee engagement to increase the impact and scale of sustainable solutions.

## 2013 Highlights:

- More than 24,000 employees volunteered 440,000 hours
- The firm and our employees donated \$91 million, a 10 percent increase from 2012. This included \$40 million from employees, breaking our giving record
- We set a new record for the firm of 180,539 hours of service during Global Volunteer Month
- The 2013 Strategy Challenge delivered 10,000 hours of pro bono advice to 12 nonprofit partners, valued at \$1.5 million<sup>21</sup>

- Morgan Stanley was recognized as the top community-minded company for its size and industry in The Civic 50, an annual assessment by Bloomberg, National Conference on Citizenship and Points of Light that recognizes companies for their commitment to improve the quality of life in the communities where they do business<sup>22</sup>

## CHILDREN’S HEALTH AND WELL-BEING

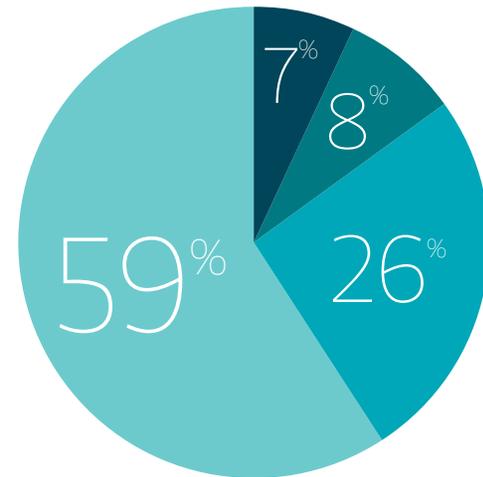
The firm has a commitment to children’s health going back more than 40 years through the Global Alliance for Children’s Health (the Alliance). Simply put, we want to give children the healthy start they need for lifelong achievement.

The Alliance is an example of our multidisciplined and long-view approach to problem solving and scaling solutions. It contributes financial support, strategic thinking and hands-on employee engagement from Morgan Stanley in partnership with leading community-based partners who are expert at identifying and sourcing solutions to children’s health needs. To date, we have committed more than \$125 million to create centers of excellence and address the root causes of preventable death and disease in younger children. Since 2009, childhood food insecurity has been a significant focus of our efforts. This issue is a critical problem even in developed countries — affecting 16 million children in the United States alone.

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## Morgan Stanley Foundation and Morgan Stanley International Foundation 2013 giving by category

Scholarship initiatives	7%
Disaster relief	8%
Volunteer incentive program	26%
Children's health	59%



### Centers of Excellence

NewYork-Presbyterian Morgan Stanley Children's Hospital is the Global Alliance's flagship and one of the top pediatric hospitals in the world. Founded through the generosity of Morgan Stanley employees and the firm, which together delivered more than \$60 million, the hospital celebrated its 10th anniversary in 2013. Among the many accomplishments since its launch, more than 40,000 babies were born at the hospital, including 500 children of our own employees. Since inception, employees have been a critical component of the relationship. More than 400 volunteered directly with the hospital in 2013 and our eighth Ambassador (third-year Analyst loaned from our Investment Banking Division) served full time at the hospital throughout the year.

Our Beijing-New York Exchange is a \$5 million, five-and-a-half-year program (launched in 2011) providing training to nearly 90 doctors from Beijing Children's Hospital to improve patient care in 12 specialty areas. Each quarter, Morgan Stanley Children's Hospital hosts four Beijing physicians for a three-month clinical observation rotation. They participate in faculty reviews and hospital rounds, and observe the treatment and care of patients.

In the United Kingdom, the Morgan Stanley Clinical Building opened in 2012 as the result of a three-year £11.5 million employee and firm fundraising project with the Great Ormond Street Hospital, the premier children's hospital in London. The

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Morgan Stanley Clinical Building, which has four state-of-the-art operating theaters, also houses modern Heart and Lung, Kidney and Neurosciences Centers with inpatient wards for children with acute and chronic conditions. These new facilities have increased services by as much as 30 percent at three specialty wards.

### Enabling Healthy Lives for Children

Globally we work to improve children’s lives by enabling access to the core fundamentals of good health—nutritious food, access to quality health care and safe places to play. In addition to delivering large-scale special programming, we support an

extensive network of local organizations across the globe that directly benefits the health of children in the communities where we live and work. In addition to our ongoing commitment to Feeding America, the firm remains active locally in addressing health fundamentals (see [Feeding More of America Better](#)).

### Our activities in 2013 included the following examples:

In the United States, we completed funding of our three-year, \$750,000 partnership with the Children’s Health Fund to expand health services primarily to homeless children in Chicago, New York and San Francisco. Through the first two years of the program, Children’s Health Fund delivered nearly 40,000 quality health care visits to more than 4,000 patients as a result of our grant.

We also continued our support for Grow Clinics across the United States which innovatively help children suffering from “failure to thrive” primarily due to poverty. Morgan Stanley was the first national corporate sponsor of Grow Clinics, and currently funds four of these facilities in Boston, Chicago, Houston and Los Angeles. Our funding, which totals more than \$3 million, helps the Clinics bring more than 1,000 babies and toddlers back to health annually. Since we began support, the Boston Grow Clinic has been able to nearly double the number of patients it sees.

More than 250 employees created safe places to play for hundreds of children in White Plains, New York, and Newark, New Jersey. Through our new partnership with KaBOOM!, the Morgan Stanley employees built two playgrounds from scratch. The project ensures that children have safe places to play in their neighborhood—a critical component of their physical, social and cognitive development. To date, the firm and employees have built three playgrounds and we have another seven projects planned for the coming years.

The design of the new Morgan Stanley Clinical Building at Great Ormond Street Hospital in London allows parents to sleep bedside.

“When your child is in intensive care, having your own space becomes really important as it means you can discuss things properly with the staff and as a family. Also, when Indy moved out from intensive care into the new cardiac unit, there was a big improvement for us with en-suite facilities and a sofa bed so we could stay close to her at night.”

—PAUL  
*Father of Indy, a patient at Great Ormond Street Hospital*

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In EMEA, the firm contributed to improving children’s health with the opening of the Morgan Stanley Heart Yard in London, with £1.6 million (\$2.5 million) raised by employees and the firm over two years. The facility provides thousands of children with one-to-one therapeutic support to help them overcome a childhood disrupted by violence, abuse and neglect. The Morgan Stanley Heart Yard has enabled the nonprofit organization Kids Company to double the number of therapists and staff, increasing the number of services available by over 80 percent. More than 600 young people and vulnerable young adults have used the facility each month since May 2013, and this will rise to 800 in 2014.

Also in London, the firm and our employees deepened our relationship with Magic Breakfast, a school-based initiative that provides healthy breakfast foods to the poorest children in the most socially deprived areas. In addition to ongoing funding, our Finance team provided support to schools to help them develop longer-term strategies for permanent self-funding of the project.

Elsewhere in the United Kingdom, our Glasgow employees continued their support of Yorkhill Children’s Charity, raising over £30,000 which was matched by the Morgan Stanley International Foundation. Funds were used towards the NEW Kids project which focuses on reducing childhood obesity across Scotland by providing support and education on diet and lifestyle changes.

In Asia, the firm coupled financial support with critical thinking for our 2012 core charity, Little Life Warrior Society, which provides services to childhood cancer patients. Our Hong Kong Philanthropy Committee and a team of volunteers from investment banking led a strategic consulting project to help the charity operate more efficiently and in a sustainable manner. The team conducted intensive analysis, including an in-depth financial review and qualitative research with key stakeholders, and presented their

recommendations to the board of Little Life Warrior Society. Many of the recommendations are being implemented.

#### DEVELOPING EMPLOYMENT POTENTIAL

Morgan Stanley has supported minority business students for more than 20 years, funding programs that help talented young people from disadvantaged backgrounds to pursue careers in financial services. These initiatives have helped more than 500 students gain access to the financial sector.

Since 1993, our signature effort has been the Richard B. Fisher Scholars Program which offers undergraduate scholarships and internships to outstanding black, Latino, Native American and LGBT sophomores and juniors. In 2013, we provided \$415,000 in grants through the program, benefitting 47 students.

To expand the number of students we can reach, the firm also partnered with A Better Chance, American Indian College Fund, Hispanic Scholarship Fund, Prep for Prep and Sponsors for Educational Opportunities.

London employees launched a new partnership with The Prince’s Trust in 2013, designed to help over 500 young people annually get direct services to improve their employability, a critical issue throughout Europe. The United Kingdom-based charity will be the beneficiary and focus of London employee fundraising and volunteering efforts over the next two years. The goal for London employees is to raise \$800,000 (£500,000), which together with matching funds from the Morgan Stanley International Foundation, will raise a total of \$1.6 million (£1 million) to create a new Centre for The Prince’s Trust in east London. More than 90 percent of youths under the age of 16 who are supported by The Prince’s Trust face major barriers such as homelessness, mental health issues or learning difficulties, which make it challenging for them to find educational

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and employment opportunities. The new Centre will offer them a vital lifeline and give them a chance to plan a better future.

The Morgan Stanley International Foundation also delivered impact through its ongoing partnership with the East London Business Alliance (ELBA), which specializes in delivering social, economic and infrastructure solutions for local disadvantaged communities. Building on our decade-long partnership with ELBA, this project couples the Foundation’s funding with sourced employment opportunities to give disadvantaged young people practical work experience and skills. Our grant funds an account manager who works in Morgan Stanley Corporate Services, identifying employment opportunities for local residents among the firm’s suppliers. In 2013, 168 young people benefitted through mentoring, work experience and training placements, bringing the total in three years to nearly 300 people. Nearly 1,000 employees have also volunteered with ELBA.

In Taiwan, for the 10th year, we supported the Morgan Stanley Bright Minds Scholarship Program for gifted underprivileged high school students as well as helping victims of the 2009 Morakot typhoon with a mentoring program for students from kindergarten through senior high school. In Singapore, our partnership with the National University of Singapore Business School places our senior executives in classrooms to share their knowledge and real-life business experience. These students also participate in consulting practicums for the firm which deepen their exposure to more practical, tangible industry projects.

In Japan, Morgan Stanley became a sponsor of the Tomodachi Initiative, a partnership launched following the Tohoku earthquake and tsunami to invest in the next generation of Japanese and American leaders through education and cultural exchanges. The firm’s contribution supports a two-week leadership training program in Washington, D.C., for university students from both countries.

## Catalyzing Change Through Philanthropy

At Morgan Stanley, we see philanthropy as critical to catalyzing positive change. In addition to working with community partners and our employees to encourage philanthropy, we provide our clients with opportunities to engage with the nonprofit sector and incorporate philanthropy into the wealth planning process.

The services of our Wealth Management group’s Philanthropy Management team include:

- Advising individual families and foundations to translate their philanthropic interests into results-oriented, strategic goals
- Providing family offices with effective charitable program design, management and operational support
- Supporting nonprofit institutions with board governance and education, board and staff recruitment and high-end fundraising

In 2013, Philanthropy Management published “Reimagining Education,” the 11th volume in the *Perspectives in Philanthropy* series. The publication featured 15 nonprofits and innovators that are expanding access to learning for the betterment of individuals, communities and the world.

The team also engages in the community. Recent activities have included presentations on philanthropy and grant-making at the Minneapolis Endowment & Foundation Education Symposium and serving as a juror at the finals competition of the University of Maryland School of Public Policy—Center for Philanthropy and Nonprofit Leadership’s “Do Good” Challenge.

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## DISASTER RELIEF

We are committed to giving generously and helping our communities recover following disasters. Among the tragedies we focused on in 2013, the firm and employees donated more than \$100,000 to the American Red Cross following the May 2013 Oklahoma tornado, which devastated Moore, Oklahoma, and the surrounding communities, killing 24 and injuring nearly 400 others.

In November, we were also quick to mobilize a response to the horrific Typhoon Haiyan, the deadliest cyclone to hit the Philippines. Led by our Asia Pacific region, the firm and employees were able to donate \$170,000 to help the Philippines Red Cross rebuild communities and support the families of the more than 6,000 people who died.

In Japan, the firm and our employees support Ashinaga's Tohoku Rainbow Houses, psychological care facilities that provide short- and long-term support for bereaved families and children in the quake-hit Tohoku region. Since 1969, Ashinaga has provided educational and financial support to orphans.

## ENCOURAGING EMPLOYEE ENGAGEMENT IN THEIR COMMUNITIES

Our award-winning employee community program taps the talents of our people to create significant, lasting social impact and inspire a lifetime of volunteering. We offer a continuum of opportunities to get involved, ranging from broad giving and service projects to advanced pro bono and leadership programs designed to elicit the highest impact for our partners. We provide training, recognition and funding to support our employees and make an impact.

### Volunteering

Global Volunteer Month is the high point of our year-round volunteering efforts and an opportunity for our employees

worldwide to make a large-scale impact. In June 2013, our eighth annual Global Volunteer Month broke all records, with 21,806 employees giving 180,539 hours, exceeding our goal of 176,000 hours. Employees helped communities in 500 cities and 24 countries.

We have increased the opportunities for our employees to share their talents with communities and increase impact year-round. Through a network of 36 Philanthropy Committees (regionally and/or divisionally based), our year-round volunteer program delivers ongoing opportunities with selected nonprofit partners to become more deeply involved with a selected "Charity of the Year." Efforts include team and individual skills-based opportunities.

We also work to better prepare our senior leaders to serve throughout Nonprofit Leadership Program. Offering beginner, advanced and deep-dive sessions, the program hones the skills of our most seasoned professionals, our Managing Directors, to be better board members. More than 200 Managing Directors have participated in our training, with many joining new boards as a result.

### Strategy Challenge

The Morgan Stanley Strategy Challenge is our annual pro bono program, mobilizing teams of employees to provide strategic advice to nonprofit partners. Since 2009, it has delivered more than 32,500 hours, at a market value of about \$4.9 million;<sup>23</sup> to 61 nonprofit organizations. Its real value, however, is in the recommendations and strategies that help nonprofits achieve productivity improvements, create new revenue streams and implement more efficient business models.

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The fifth annual Strategy Challenge in 2013 paired 12 New York- and California-based nonprofit organizations with 47 employees for eight weeks of pro bono strategic advisory services. Collectively, the teams donated more than 10,000 hours—a record for the program, with a market value equivalent of \$1.5 million.

The winning team worked with Bring Me a Book, a California charity providing children’s books and read-aloud workshops to underserved communities. The Morgan Stanley team created a blueprint for expansion, including a market assessment, potential partner identification and a resourcing model. The strategy targets expansion of the book access programs through digital media, with training and support for parents and caregivers. Just six months into implementing the pilot program recommended by the Morgan Stanley team, an additional 100 four-year-olds had a tablet in their hands, each with access to at least 40 different books, providing the variety in reading material that is a critical building block for literacy.

Research on the first five years of the Strategy Challenge has found that it brings new insights that have enabled nonprofit participants to achieve their goals, serve more people, establish strategic partnerships and new programs or products and obtain new sources of funding. All of the organizations served told us they would recommend Strategy Challenge to other organizations.

### Employee Incentives

We believe employees who volunteer time or donate money deserve recognition, and we offer incentives to encourage more to do so.

The most dramatic recognition is “Name in Lights” when we recognize all employees who volunteer by displaying their names on the electronic ticker tape at our headquarters in New York City’s Times Square. Employees can view their name on a video webcast of the ticker available on our intranet.

Employees who contribute through firm fundraising efforts are also eligible for matching support. In addition to various Charity of the Year campaigns across the globe, U.S. employees who give to our Annual Appeal receive up to \$4,000 in matched funding to donate to a U.S. charity of their choice through a Charitable Spending Account. More than 14,000 employees received these accounts in 2013 which totaled more than \$8 million.

Similarly, the Morgan Stanley Foundations and our Asia Pacific Community Affairs corporate program make grants to nonprofits where employees volunteer. In 2013, these efforts awarded more than \$2.7 million to roughly 900 charities across the globe.

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## Feeding More of America Better

We dramatically deepened our partnership with Feeding America in 2013, expanding our nationwide employee volunteer initiatives and providing \$8 million in new funding to combat child hunger. An addition to our existing Fill the Plate partnership which was launched in 2009, the new commitment increases local funding through a Flex Grants program that awards more than \$1 million annually to local food banks. Food banks competitively apply for the funding to expand children's hunger-relief programs, including Backpack and School Pantry, tailored to each food bank's specific capabilities and the communities served. This partnership provides more than 10 million meals and 43 million pounds of fresh produce for children and their families.

We also continued our support of the Backpack program which delivers nutritious meals to kids and their families over the weekend. Our funding supports 122 Backpack sites and 60 summer programs. In addition, our commitment to Feeding America includes support of the National Produce Program which helps food banks source fresh produce from local farmers. We also subsidize the Hunger in America Study, which provides comprehensive demographic profiles of over 80,000 people seeking food assistance and informs Feeding America's strategy and operational decisions.

More than 7,000 Morgan Stanley employees have taken part in Fill the Plate since its inception, with 3,000 employees participating in 2013 in food bank volunteer projects.

# Operations

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Our operations have diverse impacts on the environment and society—from the energy used in our buildings to our procurement practices. We make efforts to reduce our environmental footprint and enhance sustainability across all aspects of our work including the ways in which we procure services, collaborate with partners and engage employees. In all these activities, we look to make a positive impact by adopting best practices, working with our stakeholders and transparently reporting our performance.

As the majority of our direct impacts stem from building occupancy, we set high standards for building performance as the basis of our environmental action. We aim to continually improve energy efficiency, water use and waste management, with initiatives which also contribute to a positive work environment for employees. We also work with our suppliers to improve the environmental performance of what we buy and to enhance supplier diversity. Progress depends on the support and involvement of all employees, as well as on the right policies and procedures, so we communicate with employees on sustainability and involve them in environmental activities. See [Sustainable Finance](#) for sustainability aspects of our financial markets activities.

## MANAGING OUR IMPACTS

The firm's [Environmental Policy Statement](#) reflects our commitment to the environment and articulates our aims to minimize our direct impacts. We aspire to best practices in facilities management and product procurement, and we seek to encourage contractors and suppliers to support our environmental objectives.

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 emission data from corporations. Each year, we disclose emissions generated from our global real estate portfolio, data centers and business travel. In 2013, Morgan Stanley again was included in the CDP's Global 500 Carbon Performance Leadership Index (CPLI), the S&P 500 Carbon Performance Leadership Index and the S&P 500 Carbon Disclosure Leadership Index (CDLI).

We ensure the accuracy of the data we report through external verification in accordance with the ISO 14064-3 standard. We are improving our disclosure of climate impacts and greenhouse gas (GHG) emissions in line with global best practices.

## Occupying Greener Buildings

Internal standards for all new construction and renovation projects require greener technologies and equipment, including high-efficiency lighting, office equipment and bathroom fixtures, recycled and/or local materials with low volatile organic compound emissions and

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lighting control systems such as occupancy sensors. In addition to the environmental benefits, these projects reduce costs and create improved workplaces for employees. In 2013, we rolled out a new workspace design and floorplan following green design principles, which enhance the employee experience with a high-sunlight design for all desks, café-style seating areas and modern offices and cubes (see [Employees](#)).

We are exploring the feasibility of implementing a global, standardized environmental management system and are guided by building standards such as Leadership in Energy and Environmental Design (LEED) and BREEAM. We have received 24 LEED certifications at our offices globally, including our Hong Kong, Mumbai and Shanghai headquarters. In early 2013, we were awarded LEED Gold certification for our global headquarters in New York.

### ENERGY AND CLIMATE

Our goal is to cut emissions per square foot by 15 percent by 2017 and improve data center energy efficiency by 5 percent, both from a 2012 baseline. These improvements would achieve a reduction in office emissions by 38 percent per square foot over 2006 and improved data center energy efficiency of 24 percent over 2008.

We will achieve these targets by sourcing renewable energy and continuing to focus on energy management in buildings during and outside of working hours, including practicable technology innovations to improve energy efficiency. In 2013, we achieved a 3.3 percent reduction in emissions per square foot and a 5.8 percent improvement in data center power usage effectiveness (PUE), compared to 2012.

### Renewable Energy

In 2013, we completed the installation of a large solar photovoltaic array at our Westchester campus in Purchase, New York. The array will produce approximately 1 million kWh of electricity over the course of a year—approximately 5 percent of the building’s annual electricity usage—and it could meet up to 25 percent of demand during peak operation.

We plan to install a solid oxide fuel cell at our Westchester facilities which will come into operation during 2014. It will produce approximately 2 million kWh of electricity each year and provide 200 kW of continuous backup power in the event of a grid outage.

### Energy Efficiency

We operate a continuous commissioning program, monitoring numerous data points to optimize our energy efficiency. Analyzing the data also identifies opportunities for further improvements such as these in 2013:

- We tested LED lights in recessed ceiling fixtures on one floor of 522 5th Avenue, New York. The pilot achieved greater energy savings than expected, and we extended the upgrade throughout the building, for completion in early 2014. We anticipate that this will reduce our electricity consumption by approximately 700,000 kWh annually, or 8 percent of the current annual consumption of the entire building. We are evaluating LED upgrades for similar fixtures in all of our owned New York offices, as well as in our call centers in Ohio and Utah and for the exterior lighting at our Westchester offices.

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## Total global office emissions (tCO<sub>2</sub>e)

2011	212,243
2012	193,493
2013	183,535



- In London, we have installed motion sensors in all coffee break areas, switched to LED and energy efficient lighting in many locations, adjusted operating times and improved controls to reduce energy usage. We have begun replacing air conditioning chillers with improved models at the Canary Wharf building in London.

**Data Center Efficiency**  
 Data centers account for approximately 37 percent of our reported emissions. We continue to improve power usage through ongoing analysis and thoughtful selection of equipment that will operate effectively in our facilities. In 2013, we achieved our 2017 goal to reduce global average PUE by 5 percent from 2012 levels, and we

are now evaluating our next reduction goal. Additionally, one of our ten North American data centers achieved ENERGY STAR certification from the U.S. Department of Energy in 2013.

**Employee Travel**  
 We discourage unnecessary travel by promoting videoconferencing and telecommuting, and when travel is essential we encourage the use of energy-efficient vehicles. To provide clear communication about the impact of their travel, employees can see the CO<sub>2</sub> emissions associated with their journeys when booking trips. In 2013, our global travel emissions decreased by 6.7 percent, compared to 2012.

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## REDUCING WATER CONSUMPTION AND WASTE

We look to reduce water use and waste where possible and promote recycling of materials leaving our sites. Low-flow fixtures are standard in many buildings and we installed waterless fixtures in London’s Canary Wharf bathrooms. This system uses enzymes to clean and maintain the systems, saving more than 10,000 cubic meters of water in 2013.

Most offices have recycling programs for common materials such as aluminum, paper and plastic, and we ensure that batteries, light bulbs and food waste are not sent to landfill. Our United Kingdom locations send zero waste to landfill, with a recycling rate of 55 percent, and the rest being incinerated. Waste from our London offices is sent to an incineration facility that generates energy. Incineration at waste-to-energy facilities generated 274 MW of energy in 2013.

Many small measures contribute to significant waste reductions in our offices around the world. For example:

- We have replaced disposable plates and cutlery at many sites including offices in New York, Hong Kong, Singapore, Beijing, Shanghai and Seoul
- We use filtered tap water in break rooms where possible, instead of bottled water
- In the Asia Pacific region, we collected more than 8,000 “Red Packet” money envelopes given as gifts at Chinese New Year for recycling or reuse in Hong Kong and Singapore

Many of our initiatives often have additional benefits. For example:

- We donated more than 8,000 pounds of food to the City Harvest Organization from our New York City sites

- Recycling drives also encourage employees to recycle their unwanted personal goods, such as consumer electronics
- As part of resizing the Madrid office, we gave 1,000 square meters of carpet and other office equipment to charity

## Reducing Paper Consumption

While most of our paper is used in printing, catering suppliers also contribute substantial volumes, and we have introduced reusable mugs and water bottles in some locations. For example, we estimate that the London campus used approximately five million disposable cups per year, and providing reusable mugs has reduced that by 20 percent.

To help us achieve our goal to reduce paper use, double-sided printing has been the default setting for several years, and in 2013, we began secure printing in several business units—holding documents in memory for the user to print when required, reducing wasteful printing. The London campus has removed unnecessary printers and encourages greater use of multiple function devices, as well as using paper with the EU Ecolabel or certified as sustainable by the Forest Stewardship Council (FSC).

The North American Investment Management division also uses FSC certified paper for all prospectuses and shareholder reports. All reports also carry a reminder that they are available electronically, which has reduced the number of mailings by more than a third.

More than a fifth of Wealth Management clients use electronic delivery for statements and we offer email confirmation of transactions instead of hard copies through the mail.

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Beginning in 2014, proxy and shareholder information will be available to employees only in electronic form unless they deliberately choose to receive paper forms.

### INVOLVING EMPLOYEES

Employee commitment is essential to achieve our environmental goals and scale the impact of our activities. Our Code of Conduct sets a formal requirement for environmental responsibility, and we stimulate involvement in several ways. The Environmental and Social Finance Forum—an employee-led group with more than 1,500 members and leadership in each of our three regions—raises awareness and promotes discussion of the wider impacts of our business (see [Sustainable Finance](#)) while the following initiatives focus on the direct action that employees take at work and at home.

We run Sustainability Month each year to raise the profile of sustainability throughout the firm. Speaker sessions and special events spread understanding of sustainability issues and prompt increased involvement. In New York, we held a panel discussion on sustainable redevelopment in the wake of Hurricane Sandy, focused on addressing the need for private sector financing in rebuilding efforts. Other events included a screening of the film *Girl Rising* by Academy Award-nominated director Richard Robbins and participation in I Love My Park Day, a statewide event to celebrate and improve New York’s state parks and historic sites.

Activity in London included a session on employee engagement, stressing the importance of sustainability in the workplace and providing practical solutions and case studies. The London offices also ran awareness activities on World Water Day and

during Fairtrade Fortnight, promoting products that are ethically sourced and available in our restaurants.

In Glasgow, events during Sustainability Month covered recycling awareness to support our campaign for zero waste to landfill; energy saving, including a free home energy report, and gadgets for monitoring and reducing consumption; a driving simulator session to help people understand how to drive more efficiently; and a session on supporting local food producers.

The Asia Pacific region hosted the Hong Kong Undersecretary for the Environment, who spoke about local government initiatives and global trends on environmental policies, and their link to public health, waste management and air pollution. Across the region, offices displayed best practice posters to remind employees to eliminate waste and encourage recycling, as well as tips on what people can do at home.

Offices in all regions observed Earth Hour, a WWF campaign to switch off lights, emphasizing that small actions, such as electricity conservation, can have an impact.

For the second year running, we ran an environmental project with interns in the Sales and Trading group in London. The interns worked in groups to devise initiatives that could be part of the Sustainability Champions network.

In 2013, we launched a Sustainability Champions initiative as part of Sustainability Month to recruit volunteers from each business unit. Their aim is to create and run employee awareness campaigns to promote sustainable work practices. We began in the London campus and recruited 22 volunteers, with the first awareness campaign highlighting energy efficiency. We will assess the potential to expand this idea to other regions after reviewing the results.

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## MANAGING THE SUPPLY CHAIN SUSTAINABLY

We spent more than \$11 billion in 2013 with approximately 26,600 suppliers that span real estate, IT, office supplies, professional services and travel. By integrating sustainability considerations into the way that we manage our supply chain, our sustainability impacts are scaled far beyond our own operations. Our procedures for supplier selection and engagement are designed to ensure that we are fair, competitive and objective in dealing with suppliers, as well as complying with all applicable laws and regulations. We require suppliers to protect human rights and prefer those who demonstrate commitment to social, ethical and environmental programs. We review suppliers' policies and compliance, looking for adherence to international standards such as ISO 14001 and inclusion in the Dow Jones Sustainability Index and FTSE4Good, where eligible.

In 2013, we initiated a review of our supply chain policies, processes and documentation to align them more closely with the firm's broader environmental and human rights policies.

The Board Operations and Technology Committee has overall responsibility for supply chain risks and the Global Outsourcing and Technology Sourcing Policy, while the Supplier Management Program is the responsibility of the Operational Risk Department which reports to the Chief Risk Officer.

The program incorporates rigorous processes to evaluate and monitor risks posed by all vendors when they are engaged or if contracts are altered significantly. Critical services and those with high inherent risk are subject to continuous monitoring, at least quarterly, using an online questionnaire. Approximately 2,500 suppliers providing 4,000 services have been evaluated in this way, including assessment by Corporate Security when applicable.

We provide training on the program to all sourcing teams, and to those responsible for managing and monitoring services provided by third-party suppliers providing services or products with critical or high inherent risk.

### Increasing Supplier Diversity

We are committed to supplier diversity because it improves competition and supports communities, and we aim to use competitive bidding wherever appropriate in our procedures for supplier selection. We have a long history of working with minority- and women-owned businesses. The firm is a member of several U.S. groups, such as the Women's Business Enterprise National Council, the National Gay and Lesbian Chamber of Commerce and the National Minority Supplier Development Council. We attend conferences and events held by various affiliates to network and meet with diverse companies to provide business opportunities.

In 2013, we worked to ensure our suppliers in the EMEA region understand the importance of our supplier diversity program. We encourage all suppliers to partner with us in this initiative by communicating their diversity efforts. In 2014, we will explore opportunities to further enhance the program in EMEA, such as partnering with an affiliate to help find global diverse suppliers. We will also investigate strengthening language about supplier diversity in contracts.

### Improving Performance

We spent \$245 million with diverse suppliers in 2013 (\$195 million with tier 1 and \$50 million with tier 2). This represents 4.7 percent of the estimated procurement spend of \$5.1 billion

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eligible for diverse suppliers, close to our 5 percent goal and 24 percent higher than in 2012. We review spending every quarter to monitor performance and review targets by total annual spend and at the commodity level to find opportunities for improvement. Each sourcing manager has goals for supplier diversity, and targets will increase in 2014 in areas where we see opportunities.

We add qualified suppliers to our diversity database as we find them and suggest them for inclusion in bids when opportunities arise. Historically, these have primarily included staffing, property, facilities and construction but in 2013 we created a master services agreement with a minority-owned IT company. We also discussed supplier diversity successes with other financial institutions to share information on suppliers we might add to our database.

When deals are reviewed before signing, managers must discuss whether any diverse suppliers were considered. When a diverse supplier is not successful in a bid, we follow up to help them understand why they were not successful and encourage them to participate in future bids.

In 2013, we enhanced our sourcing tool to increase awareness of our diversity goal. Subsequently, 64 requests for proposals (RFPs) have included diverse suppliers and we have already identified 20 for 2014. We also added supplier diversity questions in RFPs related to legal services.

To increase awareness of supplier diversity throughout the firm, the sourcing team has partnered with the Wealth Management division to offer financial advice to diverse companies whether or not they are currently supplying the firm. We also introduced a diverse supplier of commercial real estate lending products to our Real Estate Funds business.

We have begun to partner with more of our primary suppliers to extend our reporting further into the supply chain and to ensure they understand the importance we place on supplier diversity. In 2013, we engaged with our Top 50 vendors globally who have a United States presence, and with two key construction contractors. Our goal is to expand this initiative in 2014.

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## Total office GHG emissions

YEAR	NORMALIZED OFFICE EMISSIONS (tCO <sub>2</sub> /THOUSAND SQUARE FEET)
2011	10.6
2012	10.2
2013	9.9

## Total energy use (MMBtu)

YEAR	DIRECT	INDIRECT
2011	488,017	2,560,527
2012	469,601	2,510,789
2013	459,736	2,415,188

## 2013 Total energy use by source

		MWH	MMBTU
<b>Direct</b>	Natural gas—stationary	94,819	323,287
	Jet fuel—mobile	30,391	103,618
	Diesel—stationary	6,446	21,978
	Diesel—mobile	2,152	7,337
	Gasoline—mobile	1,031	3,516
<b>Indirect</b>	Purchased electricity	671,843	2,290,654
	Purchased cooling	24,092	82,141
	Purchased steam	12,434	42,393

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## Total scope 1, 2 and 3 GHG emissions (tCO<sub>2</sub>e)

YEAR	SCOPE 1	SCOPE 2	SCOPE 3*	TOTAL
2011	32,375	353,388	114,271	500,033
2012	30,915	315,866	113,826	460,608
2013	30,446	308,966	105,444	444,886

\* Includes commercial business travel, purchased condenser water and downstream leased assets

## Total emissions in 2013 by region (tCO<sub>2</sub>e)

REGION	EMISSIONS
Americas	224,604
Europe	59,959
Asia	47,161
Travel	113,162

## Total emissions by activity (tCO<sub>2</sub>e)

YEAR	BUSINESS TRAVEL*	DATA CENTER	OFFICE
2011	121,409	166,381	212,243
2012	121,342	145,772	193,493
2013	113,162	148,189	183,535

\* Includes emissions associated with vehicles owned or leased by the firm, including corporate jets

## Total waste in United States tons (New York offices only)\*

YEAR	DRY WASTE (PAPER, CARDBOARD, ETC.)	WET WASTE	METAL, GLASS AND PLASTIC	COMPOST
2011	996	1,232	67	
2012	702	1,066	128	105
2013	671	1,118	121	116

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

In 2013, we changed the methodology used to calculate Scope 1, 2 and 3 emissions. In line with best practice, we have adjusted our 2011 and 2012 figures to account for this change.

# Awards and Recognition 2013

2	ABOUT MORGAN STANLEY	One of three finalists for Sustainable Global Bank of the Year <i>Financial Times</i> (Global)	Diversity Employers for African-Americans <i>Black EOE Journal</i> (United States)
4	LETTER FROM THE CEO	2013 Global 500 Carbon Performance Leadership Index CDP (Global)	Top Financial Companies <i>Black EOE Journal</i> (United States)
5	SUSTAINABILITY AT MORGAN STANLEY	2013 S&P 500 Carbon Performance Leadership Index CDP (Global)	#45 Ranking for Best Companies for Diversity <i>Hispanic Business</i> magazine (United States)
7	MORGAN STANLEY INSTITUTE FOR SUSTAINABLE INVESTING	2013 S&P 500 Carbon Disclosure Leadership Index CDP (Global)	100% on Corporate Equality Index Human Rights Campaign (United States)
9	GOVERNANCE AND ETHICS	#1 Ranking for civic mindedness among Large-Cap Companies, Financial Services Companies, and for Organizational Commitment <i>The Civic 50, Bloomberg Businessweek</i> (United States)	50 Military Friendly Employer MilitaryFriendly.com (United States)
13	RISK MANAGEMENT	Working Mother 100 Best Companies <i>Working Mother</i> magazine (United States)	Top Companies for LGBT Equality <i>Work Life Matters</i> magazine (United States)
20	STAKEHOLDER ENGAGEMENT	Top 50 Employers for Women (3rd consecutive year) <i>The Times</i> (United Kingdom)	#13 Ranking for The World's Most Attractive Employers Universum (United States)
24	SUSTAINABLE FINANCE	#10 Ranking by The Great Place to Work® Institute (Japan)	Urban Project of the Year Utah Housing Coalition (United States)
25	Investing with Impact	#14 Ranking in Top 100 Employers Stonewall Workplace Equality Index (United Kingdom)	Best of the Best Silver Bowl Award <sup>24</sup> LIMRA (United States)
27	Environmental Finance	Top Employers for Hispanics <i>Hispanic Network</i> magazine (United States)	Best of the Best — Top Financial & Banking Companies <i>Professional WOMAN'S</i> magazine (United States)
30	Public Finance	Top Supplier Diversity Programs for Hispanics <i>Hispanic Network</i> magazine (United States)	Top 100 Women Financial Advisors <i>Barron's</i> awarded Morgan Stanley 17 spots (United States) <sup>25</sup>
33	Social Finance	Top Financial Institution for Hispanics <i>Hispanic Network</i> magazine (United States)	Inspiring the Workforce of the Future Award <i>The Times</i> (United Kingdom)
37	COMMUNITY DEVELOPMENT	#40 Ranking on 50 Best Companies to Work for in the United States <i>LATINA Style</i> magazine (United States)	
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For awards and rankings methodology and criteria, refer to the organizations and publications responsible.

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<b>Strategy and Analysis</b>			
G4-1	Statement from most senior decision maker	Fully	Letter from the CEO
G4-2	Key impacts, risks and opportunities	Fully	Sustainability at Morgan Stanley Governance and Ethics Risk Management Operations
<b>Organizational Profile</b>			
G4-3	Name of the organization	Fully	Morgan Stanley
G4-4	Primary brands, products and services	Fully	About Morgan Stanley
G4-5	Location of the organization's headquarters	Fully	<a href="#">Morgan Stanley website 2013 10-K disclosure</a>
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	Fully	<a href="#">Global Offices</a>
G4-7	Nature of ownership and legal form	Fully	<a href="#">2013 10-K disclosure</a>
G4-8	Markets served (including geographic breakdown, sectors served and types of customers and beneficiaries)	Fully	<a href="#">2013 10-K disclosure</a>
G4-9	Scale of organization	Fully	<a href="#">2013 10-K disclosure</a>
G4-10	Total workforce by employment contract and gender	Partially	Employees/Diversity and Inclusion
G4-11	Percentage of total employees covered by collective bargaining agreements	Fully	Approximately 2% of our permanent and contingent employees are represented by unions or work councils
G4-12	Describe the organization's supply chain	Fully	Operations/Managing the Supply Chain Sustainably

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5 SUSTAINABILITY AT MORGAN STANLEY	G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership or its supply chain	Fully	<a href="#">2013 10-K disclosure</a>
7 MORGAN STANLEY INSTITUTE FOR SUSTAINABLE INVESTING	G4-14	Whether and how the precautionary approach or principle is addressed by the organization	Fully	Morgan Stanley does not employ the precautionary approach to environmental issues
9 GOVERNANCE AND ETHICS	G4-15	Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or which it endorses	Fully	Operations/Occupying Greener Buildings Operations/Energy and Climate
13 RISK MANAGEMENT				
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	<b>Identified Material Aspects and Boundaries</b>			
	G4-17	All entities included in the organization's consolidated financial statements or equivalent documents and whether any of these entities is not covered by the report	Fully	<a href="#">2013 10-K disclosure</a> About Morgan Stanley/About This Report
	G4-18	Explain the process for defining the report content and the Aspect Boundaries and how the organization has implemented the Reporting Principles for Defining Report Content	Partially	About This Report
	G4-19	All the material Aspects identified in the process for defining report content	Partially	Stakeholder Engagement
	G4-20	The Aspect Boundary within the organization for each material Aspect	Not Reported	

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	<b>G4-21</b>	The Aspect Boundary outside the organization for each material Aspect	Not Reported
	<b>G4-22</b>	The effect of any restatements of information provided in previous reports, and the reasons for such restatements	Fully  Morgan Stanley'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, 2013  Scope 1, 2 and 3 emissions have been recalculated as noted on p. 67
	<b>G4-23</b>	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	Not Reported
	<b>Stakeholder Engagement</b>		
	<b>G4-24</b>	A list of stakeholder groups engaged by the organization	Fully  Stakeholder Engagement
	<b>G4-25</b>	The basis for identification and selection of stakeholders with whom to engage	Fully  Stakeholder Engagement
	<b>G4-26</b>	The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	Fully  Stakeholder Engagement
	<b>G4-27</b>	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. The stakeholder groups that raised each of the key topics and concerns	Fully  Stakeholder Engagement
	<b>Report Profile</b>		
	<b>G4-28</b>	Reporting period for information provided	Fully  About Morgan Stanley/About This Report
	<b>G4-29</b>	Date of most recent previous report (if any)	Fully  2012

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2 ABOUT MORGAN STANLEY			
4 LETTER FROM THE CEO	G4-30 Reporting cycle	Fully	Annual
5 SUSTAINABILITY AT MORGAN STANLEY	G4-31 The contact point for questions regarding the report or its contents	Fully	sustainability@morganstanley.com
7 MORGAN STANLEY INSTITUTE FOR SUSTAINABLE INVESTING	G4-32 Report the “in accordance” option the organization has chosen; the GRI Content Index for the chosen option and the reference to the External Assurance Report, if the report has been externally assured	Fully	About Morgan Stanley/About This Report
9 GOVERNANCE AND ETHICS			
13 RISK MANAGEMENT	G4-33 The organization’s policy and current practice with regard to seeking external assurance for the report	Fully	Morgan Stanley’s global environmental data is verified by Bureau Veritas North America to the ISO 14064-3 standard. In the United Kingdom, our offices and data centers are certified by the Carbon Trust
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	<b>Governance</b>		
	G4-34 The governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts	Fully	Governance and Ethics/Strengthening Governance and Compensation Practices
	G4-35 The process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	Fully	Sustainability at Morgan Stanley/ Sustainability Governance
	G4-36 Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	Fully	Governance and Ethics/Strengthening Governance and Compensation Practices
	G4-37 Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body	Fully	<a href="#">Policy Regarding Communication with the Board of Directors</a>

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G4-38	Report the composition of the highest governance body and its committees by: <ul style="list-style-type: none"> <li>• Executive or non-executive</li> <li>• Independence</li> <li>• Tenure on the governance body</li> <li>• Number of each individual's other significant positions and commitments, and the nature of the commitments</li> <li>• Gender</li> <li>• Membership of under-represented social groups</li> <li>• Competences relating to economic, environmental and social impacts</li> <li>• Stakeholder representation</li> </ul>	Fully	<a href="#">2013 Proxy Statement</a>
G4-39	Whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement)	Fully	Governance and Ethics/Strengthening Governance and Compensation Practices
G4-40	The nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	Fully	<a href="#">2013 Proxy Statement</a>
G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders	Fully	<a href="#">Nominating and Governance Committee Charter</a>
G4-42	The highest governance body's and senior executives' roles in the development, approval and updating of the organization's purpose, value or mission statements, strategies, policies and goals related to economic, environmental and social impacts	Fully	<a href="#">2013 Proxy Statement</a>
G4-43	The measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	Fully	Sustainability at Morgan Stanley/ Sustainability Governance

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	G4-44	a. The processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics and whether such evaluation is independent or not, and its frequency. b. Actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice	Fully	<a href="#">Nominating and Governance Committee Charter</a>
	G4-45	a. The highest governance body's role in the identification and management of economic, environmental and social impacts, risks and opportunities. Include the highest governance body's role in the implementation of due diligence processes. b. Whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks and opportunities	Fully	Governance and Ethics Risk Management Stakeholder Engagement <a href="#">2013 10-K disclosure</a>
	G4-46	The highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	Fully	Risk Management
	G4-47	The frequency of the highest governance body's review of economic, environmental and social impacts, risks and opportunities	Fully	<a href="#">2013 Proxy Statement</a>
	G4-48	The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered	Fully	Vice Chairman
	G4-49	The process for communicating critical concerns to the highest governance body	Fully	<a href="#">Policy Regarding Communication with the Board of Directors</a>
	G4-50	The nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	Fully	<a href="#">Board of Directors Corporate Governance Policies</a> <a href="#">Policy Regarding Communication with the Board of Directors</a>

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G4-51	a. The remuneration policies for the highest governance body and senior executives. b. How performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives	Fully	Governance and Ethics/Strengthening Governance and Compensation Practices
G4-52	The process for determining remuneration. Whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization	Fully	Governance and Ethics/Strengthening Governance and Compensation Practices
G4-53	How stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable	Fully	<a href="#">2013 Proxy Statement</a>
G4-54	The ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country	Not Reported	
G4-55	The ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country	Not Reported	
<b>Ethics and Integrity</b>			
G4-56	The organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Fully	Governance and Ethics
G4-57	The internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines	Fully	Governance and Ethics/Ethics and Business Standards

2 ABOUT MORGAN STANLEY	<b>GENERAL STANDARD DISCLOSURES</b>			
4 LETTER FROM THE CEO	G4-58	The internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	Fully	Governance and Ethics/Reporting Misconduct
5 SUSTAINABILITY AT MORGAN STANLEY	<b>Specific Standard Disclosures</b>			
7 MORGAN STANLEY INSTITUTE FOR SUSTAINABLE INVESTING		Material Aspects List identified material Aspects	Partially	Stakeholder Engagement
9 GOVERNANCE AND ETHICS	G4-DMA	Disclosures on Management Approach (DMA) a. Why the Aspect is material, and the impacts that make this Aspect material b. How the organization manages the material Aspect or its impacts c. The evaluation of the management approach, including: • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach	Partially	Throughout this report
13 RISK MANAGEMENT	<b>INDICATORS BY ASPECTS</b>			
20 STAKEHOLDER ENGAGEMENT	<b>Category: Economic</b>			
24 SUSTAINABLE FINANCE 25 Investing with Impact 27 Environmental Finance 30 Public Finance 33 Social Finance	<b>Economic Performance</b>			
37 COMMUNITY DEVELOPMENT	G4-EC1	a. The direct economic value generated and distributed (EVG&D) on an accruals basis including the basic components for the organization's global operations as listed below, if data is presented on a cash basis b. EVG&D separately at country, regional or market levels, where significant, and the criteria used for defining significance	Fully	<a href="#">2013 10-K disclosure About This Report</a>
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G4-EC2	Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue or expenditure	Fully	Risk Management/Environmental and Social Risks Annual CDP disclosure
G4-EC3	Coverage of the organization's defined benefit plan obligations	Fully	<a href="#">2013 10-K disclosure</a>
G4-EC4	Financial assistance received from government	Fully	Morgan Stanley did not receive government financial assistance in 2013
<b>Market Presence</b>			
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	Not Reported	
G4-EC6	Portion of senior management hired from the local community at significant locations of operation	Not Reported	
<b>Indirect Economic Impacts</b>			
G4-EC7	Development and impact of infrastructure and services supported	Fully	Environmental Finance Community Development Investing with Impact Public Finance Social Finance
G4-EC8	Significant indirect economic impacts, including the extent of impacts	Fully	Environmental Finance Community Development Investing with Impact Public Finance Social Finance
<b>Procurement Practices</b>			
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	Partially	Operations/Increasing Supplier Diversity

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<b>Category: Environmental</b>			
<b>Materials</b>			
G4-EN1	The total weight or volume of materials that are used to produce and package the organization's primary products and services during the reporting period	Not Reported	Not Applicable
G4-EN2	The percentage of recycled input materials used to manufacture the organization's primary products and services	Not Reported	Not Applicable
<b>Energy</b>			
G4-EN3	Energy consumption within the organization	Fully	Operations
G4-EN4	Energy consumption outside of the organization	Fully	Operations
G4-EN5	Energy intensity	Not Reported	
G4-EN6	Reduction of energy consumption	Fully	Operations
G4-EN7	Reduction in energy requirements of products and services	Not Reported	Not Applicable
<b>Water</b>			
G4-EN8	Total water withdrawal by source	Not Reported	Not Applicable
G4-EN9	Water sources significantly affected by withdrawal of water	Not Reported	Not Applicable
G4-EN10	Percentage and total volume of water recycled and reused	Not Reported	Not Applicable
<b>Biodiversity</b>			
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not Reported	Not Applicable

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G4-EN12	Significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Fully	Not material to Morgan Stanley's Operations. See Environmental and Social Risk regarding lending and project financing policies
G4-EN13	Habitats protected or restored	Not Reported	Not Applicable
G4-EN14	Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Not Reported	Not Applicable
<b>Emissions</b>			
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Fully	Operations
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Fully	Operations
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Fully	Operations
G4-EN18	Greenhouse gas (GHG) emissions intensity	Fully	Operations
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Fully	Operations
G4-EN20	Emissions of ozone-depleting substances (ODS)	Not Reported	
G4-EN21	NOx, SOx, and other significant air emissions	Not Reported	Not Applicable
<b>Effluents and Waste</b>			
G4-EN22	Total water discharge by quality and destination	Not Reported	Not Applicable
G4-EN23	Total weight of waste by type and disposal method	Partially	Reducing Water Consumption and Waste Total waste in United States tons
G4-EN24	Total number and volume of significant spills	Not Reported	Not Applicable
G4-EN25	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 Reported	Not Applicable



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<b>Environmental Grievance Mechanisms</b>			
G4-EN34	Number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms	Not Reported	Morgan Stanley did not receive any grievances related to environmental impacts in 2013
<b>Category: Social</b>			
<b>Labor Practices and Decent Work</b>			
<b>Employment</b>			
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Partially	Employees
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operations	Not Reported	
G4-LA3	Return to work and retention rates after parental leave, by gender	Partially	Morgan Stanley's maternity retention rate varies by region, ranging from 85% to 89%
<b>Labor/Management Relations</b>			
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Not Reported	
<b>Occupational Health and Safety</b>			
G4-LA5	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	Approximately 17 percent of Morgan Stanley employees are represented by formal worker health and safety committees
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Partially	Injuries and fatalities 2012: 156 injuries, 1 fatality due to car accident 2013: 132 injuries

	GENERAL STANDARD DISCLOSURES	INDICATOR MET	LOCATION
2 ABOUT MORGAN STANLEY			
4 LETTER FROM THE CEO	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	Not Reported
5 SUSTAINABILITY AT MORGAN STANLEY	G4-LA8	Health and safety topics covered in formal agreements with trade unions	Not Reported
7 MORGAN STANLEY INSTITUTE FOR SUSTAINABLE INVESTING	<a href="#">Training and Education</a>		
9 GOVERNANCE AND ETHICS	G4-LA9	Average hours of training per year per employee, by gender and by employee category	Not Reported
13 RISK MANAGEMENT	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Fully Employees/Developing Our Employees
20 STAKEHOLDER ENGAGEMENT	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employment category	Fully Employees/Developing Our Employees
24 SUSTAINABLE FINANCE 25 Investing with Impact 27 Environmental Finance 30 Public Finance 33 Social Finance	<a href="#">Diversity and Equal Opportunity</a>		
37 COMMUNITY DEVELOPMENT	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	Partially Employees
45 EMPLOYEES	<a href="#">Equal Remuneration for Women and Men</a>		
51 PHILANTHROPY	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Not Reported
59 OPERATIONS	<a href="#">Supplier Assessment for Labor Practices</a>		
68 AWARDS AND RECOGNITION 2013	G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	Partially Operations/Managing the Supply Chain Sustainably
69 GRI INDEX	G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	Not Reported
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2 ABOUT MORGAN STANLEY	<b>Labor Practices Grievance Mechanisms</b>		
4 LETTER FROM THE CEO			
5 SUSTAINABILITY AT MORGAN STANLEY	G4-LA16	Number of grievances about labor practices filed, addressed and resolved through formal grievance mechanisms	Not Reported
7 MORGAN STANLEY INSTITUTE FOR SUSTAINABLE INVESTING	<b>Human Rights</b>		
9 GOVERNANCE AND ETHICS	<b>Investment</b>		
13 RISK MANAGEMENT	G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Partially Governance and Ethics/Human Rights
20 STAKEHOLDER ENGAGEMENT	G4-HR2	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Partially Risk Management/Environmental and Social Risks Governance and Ethics/Ethics and Business Standards
24 SUSTAINABLE FINANCE	<b>Nondiscrimination</b>		
25 Investing with Impact	G4-HR3	Total number of incidents of discrimination and corrective actions taken	Not Reported
27 Environmental Finance	<b>Freedom of Association and Collective Bargaining</b>		
30 Public Finance	G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk and measures taken to support these rights	Partially Governance and Ethics/Human Rights Operations/Managing the Supply Chain Sustainably
33 Social Finance	<b>Child Labor</b>		
37 COMMUNITY DEVELOPMENT	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	Partially Governance and Ethics/Human Rights
45 EMPLOYEES	<b>Forced or Compulsory Labor</b>		
51 PHILANTHROPY	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	Partially Governance and Ethics/Human Rights
59 OPERATIONS			
68 AWARDS AND RECOGNITION 2013			
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2 ABOUT MORGAN STANLEY	<a href="#">Anti-corruption</a>			
4 LETTER FROM THE CEO				
5 SUSTAINABILITY AT MORGAN STANLEY	G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Fully	All of our business units are analyzed for risks related to corruption
7 MORGAN STANLEY INSTITUTE FOR SUSTAINABLE INVESTING	G4-SO4	Communication and training on anti-corruption policies and procedures	Fully	Governance and Ethics/Ethics and Business Standards
9 GOVERNANCE AND ETHICS	G4-SO5	Confirmed incidents of corruption and actions taken	Fully	<a href="#">2013 10-K disclosure</a>
13 RISK MANAGEMENT	<a href="#">Public Policy</a>			
20 STAKEHOLDER ENGAGEMENT	G4-SO6	Total value of political contributions by country and recipient/beneficiary	Fully	Governance and Ethics/Political Contributions; <a href="http://www.fec.gov">www.fec.gov</a>
24 SUSTAINABLE FINANCE	<a href="#">Anti-competitive Behavior</a>			
25 Investing with Impact	G4-SO7	Total number of legal actions for anti-competitive behavior, antitrust, and monopoly practices and their outcomes	Fully	<a href="#">See SEC Filings</a>
27 Environmental Finance	<a href="#">Compliance</a>			
30 Public Finance	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	Fully	Governance and Ethics
33 Social Finance	<a href="#">Supplier Assessment for Impacts on Society</a>			
37 COMMUNITY DEVELOPMENT	G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	Partially	Operations/Managing the Supply Chain Sustainably
45 EMPLOYEES	G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	Not Reported	
51 PHILANTHROPY	<a href="#">Grievance Mechanisms for Impacts on Society</a>			
59 OPERATIONS	G4-SO11	Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms	Not Reported	
68 AWARDS AND RECOGNITION 2013				
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2 ABOUT MORGAN STANLEY	<b>Product Responsibility</b>			
4 LETTER FROM THE CEO	Customer Health and Safety			
5 SUSTAINABILITY AT MORGAN STANLEY	G4-PR1	Percentage of significant products and service categories for which health and safety impacts are assessed for improvement	Not Reported	Not Applicable
7 MORGAN STANLEY INSTITUTE FOR SUSTAINABLE INVESTING	G4-PR2	Total number of incidents of noncompliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	Not Reported	Not Applicable
9 GOVERNANCE AND ETHICS	Product and Service Labeling			
13 RISK MANAGEMENT	G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	Not Reported	Not Applicable
20 STAKEHOLDER ENGAGEMENT	G4-PR4	Total number of incidents of noncompliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	Not Reported	Not Applicable
24 SUSTAINABLE FINANCE 25 Investing with Impact 27 Environmental Finance 30 Public Finance 33 Social Finance	G4-PR5	Results of surveys measuring customer satisfaction	Partially	Stakeholder Engagement/Engaging Clients to Enhance our Service
37 COMMUNITY DEVELOPMENT	Marketing Communications			
45 EMPLOYEES	G4-PR6	Sale of banned or disputed products	Fully	Morgan Stanley does not sell banned or disputed products
51 PHILANTHROPY	G4-PR7	Total number of incidents of noncompliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes	Fully	Risk Management/Managing Risks in Marketing and Sales Risk Management/New Product Introductions
59 OPERATIONS	Customer Privacy			
68 AWARDS AND RECOGNITION 2013	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Fully	In 2013, Morgan Stanley did not receive any fines or sanctions for noncompliance with laws and regulations on personal data handling
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2 ABOUT MORGAN STANLEY	<b>Compliance</b>		
4 LETTER FROM THE CEO			
5 SUSTAINABILITY AT MORGAN STANLEY	G4-PR9 Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	Fully	<a href="#">See SEC Filings</a>
7 MORGAN STANLEY INSTITUTE FOR SUSTAINABLE INVESTING	<b>FINANCIAL SERVICES SECTOR SUPPLEMENT</b>		
9 GOVERNANCE AND ETHICS	<b>Financial Services Sector: Social</b>		
13 RISK MANAGEMENT	<b>Aspect: Society</b>		
20 STAKEHOLDER ENGAGEMENT	FS13 Access points in low-populated or economically disadvantaged areas by type	Not Reported	Not Applicable
24 SUSTAINABLE FINANCE 25 Investing with Impact 27 Environmental Finance 30 Public Finance 33 Social Finance	FS14 Initiatives to improve access to financial services for disadvantaged people	Fully	Social Finance Community Development/Economic Development
37 COMMUNITY DEVELOPMENT	<b>Financial Services Sector: Product Responsibility</b>		
45 EMPLOYEES	<b>Aspect: Product and Service Labeling</b>		
51 PHILANTHROPY	DMA* Policies for the fair design and sale of financial products and services (former FS15)	Fully	Risk Management/Managing Risk
59 OPERATIONS	DMA Initiatives to enhance financial literacy by type of beneficiary (former FS16)	Fully	Social Finance Philanthropy/Developing Employment Potential
68 AWARDS AND RECOGNITION 2013	<b>Aspect: Product Portfolio</b>		
<b>69 GRI INDEX</b>	DMA Policies with specific environmental and social components applied to business lines (former FS1)	Fully	<a href="#">Morgan Stanley Environmental Policy Statement</a>
89 NOTES	DMA Procedures for assessing and screening environmental and social risks in business lines (former FS2)	Fully	Risk Management/Environmental and Social Risk
	DMA Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions (former FS3)	Fully	Risk Management/Environmental and Social Risk

\* Disclosure on Management Approach (DMA)

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2 ABOUT MORGAN STANLEY				
4 LETTER FROM THE CEO	DMA	Processes for improving staff competency to implement the environmental and social policies and procedures as applied to business lines (former FS4)	Fully	Risk Management/Environmental and Social Risk
5 SUSTAINABILITY AT MORGAN STANLEY				
7 MORGAN STANLEY INSTITUTE FOR SUSTAINABLE INVESTING		DMA Interactions with clients/investees/business partners regarding environmental and social risks and opportunities (former FS5)	Fully	Risk Management Environmental Finance Social Finance Community Development
9 GOVERNANCE AND ETHICS	FS6	Percentage of the portfolio for business lines by specific region, size (e.g., Micro/SME/Large) and by sector	Not Reported	
13 RISK MANAGEMENT				
20 STAKEHOLDER ENGAGEMENT	FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	Partially	Social Finance Community Development Public Finance
24 SUSTAINABLE FINANCE				
25 Investing with Impact	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Partially	Environmental Finance
27 Environmental Finance				
30 Public Finance				
33 Social Finance				
37 COMMUNITY DEVELOPMENT				
45 EMPLOYEES				
51 PHILANTHROPY				
59 OPERATIONS				
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		<b>Aspect: Audit</b>		
		DMA Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures (former FS9)	Not Reported	
		<b>Aspect: Active Ownership</b>		
		DMA 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 (former FS12)	Not Reported	
	FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	Not Reported	
	FS11	Percentage of assets subject to positive and negative environmental or social screening	Not Reported	

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<sup>1</sup> LIMRA worked with a 20-member judging panel that included individuals from within the financial services industry, consultants and marketing experts to review submissions. LIMRA and LOMA members, as well as firms from within the broader U.S. and Canadian financial services industry, were evaluated and ranked based on criteria including originality, innovation and effectiveness. For more information, refer to the LIMRA website: [http://www.limra.com/Events/Conferences/2013/Social\\_Media\\_Conference/Awards/2013\\_Silver\\_Bowl\\_Social\\_Media\\_Awards.aspx](http://www.limra.com/Events/Conferences/2013/Social_Media_Conference/Awards/2013_Silver_Bowl_Social_Media_Awards.aspx)

<sup>2</sup> <http://www.unpri.org/about-pri/about-pri/>

<sup>3</sup> *Millionaires and the Millennium: New Estimates of the Forthcoming Wealth Transfer and the Prospects for a Golden Age of Philanthropy*, John J. Havens and Paul G. Schervish, Boston College Social Welfare Research Institute, October 19, 1999, <http://www.bc.edu/research/cwp/features/wealth.html>

<sup>4</sup> *US SIF 2012 Report on Sustainable and Responsible Investing Trends in the United States*, November 2012, <http://www.ussif.org/trends>

<sup>5</sup> Dealogic; Syndicated Green Bonds

<sup>6</sup> S+R: *S+R Valuation Framework: Spotlight on Mining*, Jessica Alford CFA, Morgan Stanley Research Europe, November 6, 2013

<sup>7</sup> S+R: *European Airlines: The Economics of Fleet Renewal*, Jessica Alford CFA, Penelope Butcher CFA, Rupinder S. Vig, Morgan Stanley Research Europe, July 29, 2013

<sup>8</sup> As of January 1, 2014, LIPA has been privatized and is operated by the Public Service Enterprise Group (PSEG) of New Jersey, and has been rebranded as PSEG Long Island

<sup>9</sup> *2011 FDIC National Survey of Unbanked and Underbanked Households*, September 2012

<sup>10</sup> Information about the OCC's rating methodology may be found on the OCC's website: <http://www.occ.gov/topics/compliance-bsa/cra/questions-and-answers.html>

<sup>11</sup> *The 2013 Annual Homeless Assessment Report to Congress, Part 1 and Part 2*, The U.S. Department of Housing and Urban Development, November 2013

<sup>12</sup> *State of the Homeless 2013*, Coalition for the Homeless, March 5, 2013

<sup>13</sup> U.S. Energy Information Administration data, <http://www.eia.gov/tools/faqs/faq.cfm?id=86&t=1>

<sup>14</sup> Job creation numbers are collected using a combination of industry-accepted methods

<sup>15</sup> *Barron's* "Top 100 Women Financial Advisors," June 10, 2013. *Barron's* is a registered trademark of Dow Jones & Company, L.P. All rights reserved. *Barron's* "America's Top 100 Women Financial Advisors" bases its ratings on qualitative criteria: professionals with a minimum of seven years financial services experience, acceptable compliance records, client retention reports, customer satisfaction, and more. Financial Advisors are quantitatively rated based on varying types of revenues and assets advised by the financial professional, with weightings associated for each. Because individual client portfolio performance varies and is typically unaudited, this rating focuses on customer satisfaction and quality of advice. The rating may not be representative of any one client's experience because it reflects a sample of all of the experiences of the Financial Advisor's clients. The rating is not indicative of the Financial Advisor's future performance. Neither Morgan Stanley Smith Barney LLC nor any of its Financial Advisors pays a fee to *Barron's* in exchange for the rating.

<sup>16</sup> For information about Institutional Investor's methodology, refer to the publication's website, <http://www.institutionalinvestor.com/Research/4-681/Methodology.html>

<sup>17</sup> Note: no change from 2012

<sup>18</sup> *Barron's* "Top 100 Women Financial Advisors," June 10, 2013. *Barron's* is a registered trademark of Dow Jones & Company, L.P. All rights reserved. *Barron's* "America's Top 100 Women Financial Advisors" bases its ratings on qualitative criteria: professionals with a minimum of seven years financial services experience, acceptable compliance records, client retention reports, customer satisfaction, and more. Financial Advisors are quantitatively rated based on varying types of revenues and assets advised by the financial professional, with weightings associated for each. Because individual client portfolio performance varies and is typically unaudited, this rating focuses on customer satisfaction and quality of advice. The rating may not be representative of any one client's experience because it reflects a sample of all of the experiences of the Financial Advisor's clients. The rating is not indicative of the Financial Advisor's future performance. Neither Morgan Stanley Smith Barney LLC nor any of its Financial Advisors pays a fee to *Barron's* in exchange for the rating.

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<sup>19</sup> For the full report and details about Stonewall’s inclusion criteria, see their website: [http://www.stonewall.org.uk/at\\_work/stonewall\\_top\\_100\\_employers/default.asp?fontsize=large](http://www.stonewall.org.uk/at_work/stonewall_top_100_employers/default.asp?fontsize=large)

<sup>20</sup> For more detail, please see <http://www.morganstanley.com/about/careers/enetworking.html>

<sup>21</sup> According to standards developed by the Taproot Foundation

<sup>22</sup> To create the Civic 50, Bloomberg worked with the National Conference on Citizenship and Points of Light to design a survey measuring corporate civic engagement programs on seven dimensions:

- Measurement/Strategy—program structure and the metrics used to evaluate its success
- Leadership—involvement of the highest levels of a corporation
- Design—participation of corporate departments in program activities and direction
- Community Partnerships—working with partners, such as nonprofits and other companies
- Employee Civic Growth—contributions to the personal growth and engagement of employees
- Cause Alignment—alignment of causes with core competencies and workforce skills
- Transparency—how well a program communicates its work to the public and shares best practices

<sup>23</sup> According to standards developed by the Taproot Foundation

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