

2014

Sustainability Report



SUSTAINABLE FINANCE

Facilitating capital to mobilize scalable solutions for a sustainable future

COMMUNITY DEVELOPMENT

Revitalizing affordable housing and creating economic opportunities

PHILANTHROPY

Providing skills and resources to create lasting civic impact

EMPLOYEES

Fostering a culture tied to our core values for our talented, diverse employees

About Morgan Stanley

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

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

INSTITUTIONAL SECURITIES

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

WEALTH MANAGEMENT

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

INVESTMENT MANAGEMENT

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

SUSTAINABILITY

Our growing focus on sustainability is reflected not only by our core values, but also by the increasing role that sustainability issues play in global finance. Through our responsible and transparent business practices, commitment to the environment and devotion to our communities, customers and employees, we are dedicated to leaving a positive and enduring impact on society for future generations. Our increasing commitment to

3	ABOUT MORGAN STANLEY
<hr/>	
4	LETTER FROM THE CEO
<hr/>	
6	SUSTAINABILITY AT MORGAN STANLEY
<hr/>	
14	GOVERNANCE AND ETHICS
<hr/>	
18	RISK MANAGEMENT
<hr/>	
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
<hr/>	
39	COMMUNITY DEVELOPMENT
<hr/>	
46	EMPLOYEES
<hr/>	
53	PHILANTHROPY
<hr/>	
60	OPERATIONS
<hr/>	
68	AWARDS AND RECOGNITION 2014
<hr/>	
69	GRI INDEX
<hr/>	
91	NOTES

Financial performance (*dollars in millions*)

	2014	2013	2012
Net revenues by business segment			
Institutional Securities	\$16,871	\$15,519	\$11,101
Wealth Management	\$14,888	\$14,143	\$12,947
Investment Management	\$2,712	\$3,059	\$2,306
Net revenues by region			
Americas	\$25,140	\$23,358	\$20,276
Europe, Middle East and Africa	\$4,772	\$4,542	\$3,078
Asia	\$4,363	\$4,593	\$2,824
Consolidated net revenues*	\$34,275	\$32,493	\$26,178
Net income applicable to Morgan Stanley	\$3,467	\$2,932	\$68
Earnings (loss) applicable to Morgan Stanley common shareholders	\$3,152	\$2,655	(\$30)

* Consolidated net revenues include intersegment eliminations, which are not included in the table above.
Source: Form 10-K for the year ended December 31, 2014

sustainable investing allows us to mobilize capital for innovative and transformative projects, while our wide reach and strategic partnerships uniquely position us to deliver scalable solutions to the most urgent global challenges.

ABOUT THIS REPORT

This report covers Morgan Stanley's global operations for the year that ended December 31, 2014, unless otherwise stated.

It contains Standard Disclosures from the Global Reporting Index (GRI) Sustainability Reporting Guidelines. A GRI Index with G4 Standard Disclosures can be found on [page 69](#).

All data for this report has been reviewed and verified internally. For more information regarding our data-measurement methodologies as well as external assurance of our environmental performance data, please see [Operations](#).

Letter from the CEO

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES



At Morgan Stanley, we are thinking today about how to plan for and adapt to tomorrow's realities and position ourselves for long-term growth. The firm has a crucial role to play in fostering the development of

new business models that meet changing social and economic circumstances. Morgan Stanley harnesses the speed, scale and efficiency of global capital markets to develop solutions with the potential to address the challenges ahead.

Today, the world's population exceeds 7 billion, and by 2050 it is expected to surpass 9 billion. Cities are becoming denser, clean water is increasingly scarce, and many communities struggle with inadequate nutrition, lack of housing and periodic disease outbreak. Morgan Stanley is doing its part to contribute to a prosperous, sustainable world for a larger population. We are managing our own risk and driving funding toward projects and companies that provide widespread, sustainable benefits for society and the environment.

We built upon this commitment to sustainability over the past year in a variety of ways. In 2013, we launched the **Institute for Sustainable Investing**, and, in 2014, we focused on developing new products and services that mobilize capital and resources to help address environmental and social challenges. The Institute's mandate is to build scalable financial solutions that deliver competitive financial returns, while promoting positive environmental and social impact.

Reflecting the increasing demand for sustainable and responsible investments, we saw growth in our **Investing with Impact Platform**, which offers more than 120 vehicles that enable clients to align their values with their investments. Products focus on a variety of objectives, including clean energy, water resources and affordable housing. To date, our clients have invested more than \$4 billion through the platform, and we aim to channel \$10 billion to the platform by 2018.

The rapidly growing green bond market demonstrates how financial services firms can partner with clients to allocate capital resources for projects that have a positive environmental and social impact. In 2014, we continued to be a leader in the green bond market, lead-managing green bonds worth more than \$8 billion.

2 ABOUT MORGAN STANLEY

5 LETTER FROM THE CEO

6 SUSTAINABILITY AT
MORGAN STANLEY

14 GOVERNANCE AND ETHICS

18 RISK MANAGEMENT

25 SUSTAINABLE FINANCE
30 Environmental Finance
33 Public Finance
37 Social Finance

39 COMMUNITY
DEVELOPMENT

46 EMPLOYEES

53 PHILANTHROPY

60 OPERATIONS

68 AWARDS AND
RECOGNITION 2014

69 GRI INDEX

91 NOTES

In our own operations, we continue to identify new opportunities to reduce energy consumption and drive resource efficiency. We are on track toward our goal of a 15-percent reduction in emissions by 2017, from a 2012 baseline. This goal builds upon our previous success in surpassing our 2013 goal ahead of schedule in 2012.

We also work hard to foster a workplace that enables equal opportunities for our talented employees, promoting dignity and respect for all and valuing diverse viewpoints. Our culture, grounded in our four core values, is one of our greatest differentiators and guides us to serve our clients and communities with the same care, respect and creativity that we do for one another.

The year 2014 brought many positive developments for sustainability at the firm, and I believe we are positioned well for the coming year and for the future. I'm truly excited about the possibilities ahead.



Chairman and Chief Executive Officer
July 2015

Sustainability at Morgan Stanley

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

Morgan Stanley seeks to create positive impact through our core business activities, employment practices, operations and philanthropic giving. Our commitment to sustainability is at the heart of the firm's core values: *Putting clients first, Doing the right thing, Leading with exceptional ideas and Giving back.*

In 2014, we focused on developing new products and services that address social and environmental challenges around the world. Through thought leadership and innovation across our business units and operations, we mobilize capital and resources toward the issues, sectors and communities with the greatest opportunity to scale positive impact.

SUSTAINABILITY GOVERNANCE

Ultimate responsibility for Morgan Stanley's sustainability performance rests with Morgan Stanley's senior management and Board of Directors. Oversight of these issues is included in the charter of the Nominating and Governance Committee of the board.

Multiple business units and teams are responsible for executing on our sustainability commitments, including:

- Global Sustainable Finance (GSF): The GSF group guides the firm in its efforts to deliver on our sustainability and community development goals and works closely with the Morgan Stanley Institute for Sustainable Investing (the Institute) to develop new insights and innovations in sustainable investing (see **Sustainable Finance** and **Community Development**).

- Risk Management: Overseen by the Board Risk Committee, Morgan Stanley's risk management team develops systems and policies to ensure that we appropriately manage risk in our products, services and operations, and is responsible for creating an appropriate risk culture with clear oversight and accountability (see **Risk Management**).
- Human Resources: Morgan Stanley's Human Resources department is responsible for attracting, retaining and developing talent to meet the needs of the firm, including improving employee engagement, fostering a diverse and inclusive culture and supporting the health and well-being of our people (see **Employees**).
- Corporate Services: Morgan Stanley's Corporate Services manages the social and environmental impacts of our buildings and operations, identifying ways to reduce natural resource impacts and ensuring business continuity in the event of unforeseen incidents (see **Operations**). Corporate Services also identifies and manages the suppliers who provide goods and services to the firm and is responsible for managing supplier risk, incorporating sustainability into procurement decisions and building relationships with small and diverse suppliers.

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
7	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

- Philanthropy: The Morgan Stanley Foundations are the firm's primary philanthropic organizations, supporting healthy starts and educational opportunities for children in our communities for more than 50 years (see [Philanthropy](#)).

GSF works collaboratively with Morgan Stanley's business units and teams to execute and implement our sustainability strategy. GSF reports to Morgan Stanley's Vice Chairman, as well as the Nominating and Governance Committee of the Board of Directors. The head of GSF, who also serves as CEO of the Institute, reports to the full Board of Directors periodically and to the Nominating and Governance Committee at least annually.

Morgan Stanley receives external guidance from the Institute for Sustainable Investing Advisory Board and the Community Development Advisory Board. Both groups comprise recognized thought leaders and meet at least twice annually to provide expertise and guidance on leveraging capital markets to benefit communities and the environment. The Community Development Advisory Board has helped shape Morgan Stanley's community investment strategy to match market needs with our investment banking heritage (see [Community Development](#)).

In 2014, Morgan Stanley was named Best Bank for Corporate Social Responsibility by *Euromoney* magazine. The honor recognizes Morgan Stanley's commitment to integrating sustainability into products, services and operations.

SUSTAINABILITY STRATEGY

In 2015, the firm will develop a new five-year sustainability strategy. This effort is informed in part by our ongoing stakeholder engagement and our sustainability materiality assessment, conducted in 2014.

Sustainability Materiality Assessment

As we develop our sustainability strategy, we seek to address the issues that are most influential to the success of our business and most important to our stakeholders. To gain a deeper understanding of the sustainability issues facing our business, we worked with external consultants to conduct a formal materiality assessment, using the definition of materiality as defined by the Global Reporting Initiative.

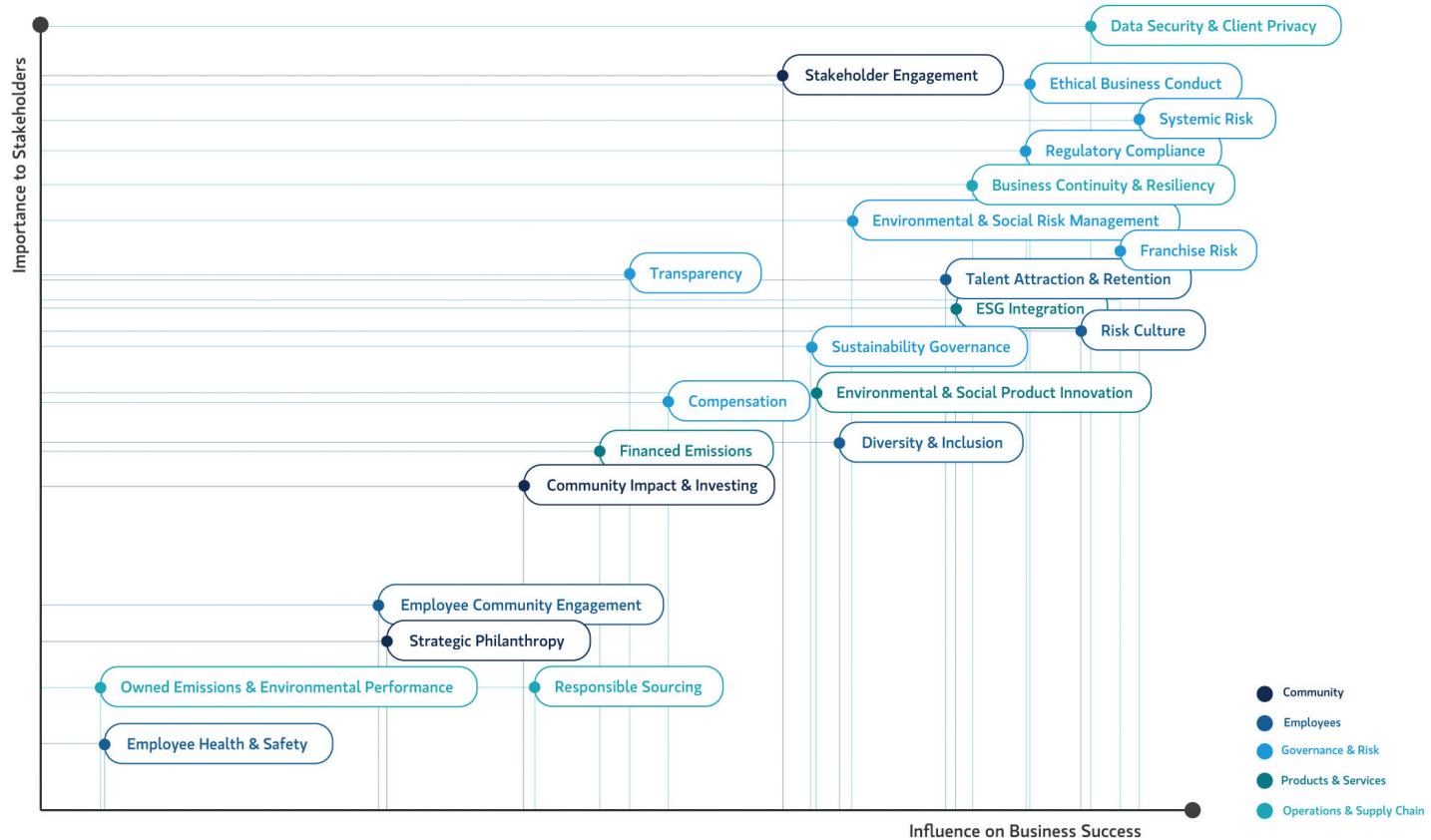
In addition to researching trends in sustainability and the financial services sector, we engaged external stakeholders representing traditional investors, socially responsible investors and nonprofit organizations as well as senior leaders from across our business. We gathered insights from these discussions about what issues, in their view, matter most to our business and where they think Morgan Stanley has the greatest potential for impact, both now and in the future. To confirm and refine the results, we solicited feedback from our internal leaders responsible for environmental, social and governance management across the firm and our Institute Advisory Board.

Material Issues

Every issue that was included in our analysis is material to our business, as defined by the Global Reporting Initiative. The materiality process reaffirmed our strategic approach to sustainability and helped to formalize a relative prioritization of our key issues. The following graphic summarizes those issues that we have determined to be most material to our business and our stakeholders. These insights will help us refine our sustainability strategy for 2015 and beyond.

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
8	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

Materiality matrix



2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
9	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

STAKEHOLDER ENGAGEMENT

Beyond sustainability, our stakeholders help inform everything we do at Morgan Stanley. Their feedback and input helps us generate new, innovative ideas for products and services and identify effective solutions to complex problems.

Through formal and informal communication channels, we engage with a wide range of stakeholder groups including investors, clients, employees, nongovernmental organizations, suppliers, the media and regulators. Firmwide, our Corporate Affairs group, including Corporate Communications, Marketing and Community Affairs, is responsible for ensuring an open and transparent dialogue with stakeholders. Additionally, GSF and our Risk team consult stakeholders on specific environmental and social issues relevant to the firm. Formal information channels such as press releases, media relations, advertising, our Morgan Stanley website, client website, brochures, conference calls, firm events, social media and participation in conferences enable us to share our views and inform our stakeholders about our work.

We value the feedback our stakeholders provide, which helps us improve our service and grow our business in a sustainable way. In 2014, we hosted our first formal sustainability-focused stakeholder engagement session through the nonprofit organization Ceres, which brought together investors, nonprofits and other thought leaders to share input on our sustainability programs and communications. In 2015 and beyond, we plan to continue engaging with Ceres to inform the ongoing development of our sustainability strategy.

Communications and Branding

Corporate Affairs is responsible for firmwide brand communications and reports to the firm's Vice Chairman.

In 2014, Morgan Stanley appointed a new Chief Marketing Officer who will lead a strategic review of our brand positioning in 2015.

GSF oversees sustainability communications across and outside of the firm. Much of GSF's external communications take place through the Institute's thought leadership activities. For more information and examples of our thought leadership, see **Sustainable Finance**.

Client Engagement

The perceptions and needs of our clients are of paramount importance to our continued success. We conduct brand health and client satisfaction studies regularly to help us identify opportunities for improvement. These channels include:

- Client Pulse Survey: a twice-annual telephone survey that samples our client base to measure satisfaction with Morgan Stanley, our financial advisors, investment performance and the overall value of the client experience.
- Client Council Survey: qualitative and quantitative surveys among 6,000 retail clients that take place four to six times per year and inform the development of tactical and strategic client initiatives.
- Brand Health Poll: brand equity survey among current clients, prospects and opinion influencers to track the overall strength of our brand.
- Institutional Equity Division Surveys: a monthly survey of buy-side clients.

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
10	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

To hear from our largest clients and assess our performance, senior relationship managers from Morgan Stanley engage clients' senior management, primarily in the Institutional Securities Group, but also across the firm to ensure continued strong customer service and cross-divisional communications.

Employee Engagement

The Environmental and Social Finance (ESF) Forum, is an important channel for sharing our progress and updates with employees. Regional ESF Forums are employee-driven groups that organize speakers, volunteer activities and other events throughout the year to engage employees in Morgan Stanley's commitment to advancing sustainability through work with clients, partners and communities. The ESF Forum gives employees the opportunity to learn more about the sustainable finance market and understand how their skills can be applied. Events in 2014 included:

- *Global Supply Chains: How Retailers Are Improving Sustainability*—a session exploring how companies and investors are integrating environmental, social and governance factors into supply chain management, risk management and value creation. This session followed an investor trip to Bangladesh to visit clothing retailers, manufacturers and nongovernmental organizations, co-hosted by the firm's Sustainable+Responsible Equity Research team. The Executive Director of Sustainable+Responsible Equity Research was a panelist

at this event alongside the head of Impact Assessment from Tau Investment Management, a socially focused equity investment firm that seeks to reduce risk in global supply chains.

- *Digital Currencies in Microfinance: Their Impact on Remittances and Finance Inclusion*—a panel discussion co-hosted by the Microfinance Club of New York, which focused on how technology is expanding access to financial services, particularly for underbanked groups. Digital currencies can reduce costs and increase speed of delivery for remittances around the world. Panelists represented Unidos Financial Services, Inc.; MintCombine; the Bitcoin Foundation and the Microfinance Club of New York.
- A screening of *Spent: Looking for Change*, which was followed by a panel discussion about potential solutions to issues raised by the film about lack of access to traditional financial tools. The panel of investors and entrepreneurs discussed opportunities, products and programs to address challenges facing underbanked Americans.

In 2014, Morgan Stanley was recognized as one of the 50 Most Influential Brands on Social Media by Klout 50.

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
11	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

Social Media

Social media has become an important mode of communication with our clients and other stakeholders, and Morgan Stanley has been a leader among financial services firms in this respect. In addition to our corporate Twitter and LinkedIn presence, 1,400 Morgan Stanley financial advisors use Twitter and more than 7,500 use LinkedIn to engage more than one million connections.

Every day, Morgan Stanley shares content about our people, ideas and culture across the firm's social media channels reaching a global audience of nearly 650,000. Follow and engage with us on the channels noted to the right:

Find Morgan Stanley on Social Media

Twitter: @MorganStanley
@MS_CIOWilson
@carlaannharris

LinkedIn: <https://www.linkedin.com/company/morgan-stanley>
<https://www.linkedin.com/in/jamespgorman>

YouTube: <https://www.youtube.com/use/mgstnly>

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
12	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

Stakeholder engagement in 2014

STAKEHOLDER GROUP	EXAMPLES OF ENGAGEMENT
Alumni	Our Alumni Network connects thousands of former employees through a dedicated website and events. The network is 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 exchanges about the industry and market landscape and discuss the issues most relevant to our stakeholders.
Communities and NGOs	We support employee volunteerism through a variety of channels to connect our people directly with the communities and organizations we serve. We also form partnerships with nonprofit organizations, and our Community Development Advisory Board provides high-level feedback on our strategies and programs (see Community Development and Philanthropy). In 2014, our employees set a new record for volunteerism, giving back more than 209,000 hours during Global Volunteer Month. We also engaged the nonprofit Ceres to conduct formal stakeholder engagement focused on sustainability and sought input from NGO stakeholders for our materiality assessment.
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 regarding the direction of the firm, including through a biennial survey that seeks input from employees globally (see Employees). Formal and informal interactions support open dialogue and employee networks focus on affinity groups. In 2014, 85 percent of employees reported that they believe Morgan Stanley's values contribute to the success of the firm, and 82 percent felt that their jobs make good use of their skills.
Government and regulators	We meet regularly with policy makers and regulators in regions where we do business.
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 with rating agencies on a regular basis, including Fitch Ratings, Moody's and Standard and Poor's. We hold quarterly calls with financial analysts.

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
13	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

Stakeholder engagement in 2014 *(continued)*

STAKEHOLDER GROUP	EXAMPLES OF ENGAGEMENT
Shareholders	In addition to communications surrounding our quarterly earnings 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 (see Operations). In 2014, we met our goal to direct 5 percent of our supplier spending to diverse suppliers. We also began partnering with WEConnect International to help us connect to women-owned businesses with the UK and Asia Pacific region.
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 respond to surveys from firms including Dow Jones Sustainability Index, Sustainalytics, MSCI, oekom and Bloomberg. Morgan Stanley was recognized as a sustainability leader through inclusion in the 2014 Dow Jones Sustainability Index and the CDP S&P 500 Climate Disclosure Leadership Index.

Governance and Ethics

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

Strong governance and the highest ethical standards are essential to Morgan Stanley's success. We have made significant investments in our systems to continually strengthen our governance approach. We consistently reinforce a firmwide culture of integrity, expecting the highest degree of ethics from all employees.

Our core values underpin our approach to governance and ethics, stressing the need to put clients first, do the right thing at all times, lead with exceptional ideas and give back. Managers at all levels frequently emphasize the need for employees to make decisions with these values in mind and to escalate a decision when the appropriate action is unclear. The creation of a formal Culture, Values and Conduct Committee and a new Global Conflicts Office has strengthened oversight, processes and policies. **The Code of Conduct**—which applies to all directors, officers and employees—continues to provide the foundation for employee behavior, supported by the Code of Ethics and Business Conduct.

STRENGTHENING GOVERNANCE AND COMPENSATION PRACTICES
The structure of the board and its committees provides effective oversight. The board has 14 directors, 11 of whom are independent according to the board's criteria. The Chairman and Chief Executive Officer (CEO) is the only director who is a member of management. The board has determined that a strong independent lead director, together with a combined chairman and CEO, best serves the interests of the company and shareholders.

The board has five standing committees:

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

All committees consist of nonmanagement directors. Only independent directors sit on the Audit, CMDS and N&G committees.

The CMDS Committee governs compensation policies. Members work with senior management and an independent consultant to create responsible and effective programs. They aim to balance the objectives of attracting and retaining top talent, rewarding sustainable performance, aligning employees' and shareholders' interests and mitigating excessive risk-taking. The committee oversees our robust controls over incentive compensation, including:

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
15	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

- Sizing the incentive compensation pool to reflect risk-adjusted returns and compliance with risk limits as well as the market and competitive environment.
- Considering the performance of each business when allocating the incentive compensation pool, based on financial metrics including return on capital.
- Reviewing incentive compensation programs each year to ensure 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 multiyear deferrals subject to clawback and cancellation provisions.

In 2014, the CMDS Committee concluded that with Morgan Stanley's business strategy in place and greater financial stability, the firm is in a position to make the level of deferrals consistent with our global competitors. The committee approved a reduction in the average deferral to an approximate baseline of 50 percent and an acceleration of vesting for certain outstanding deferred cash-based incentive awards (which will continue to be subject to cancellation and clawback provisions).

See [Risk Management](#) and our [Form 10-K](#) for more information about governance of risk and see the firm's annual [proxy statement](#) for a complete description of our governance and compensation practices.

PROMOTING HIGH ETHICAL AND BUSINESS STANDARDS

The firm established a formal Culture, Values and Conduct Program in 2014 and planned for the launch of a Culture,

Values and Conduct Committee early in 2015. The program is designed to complement existing divisional programs, and the committee's responsibilities include establishing firmwide standards and overseeing related initiatives. They include training and enhancements to performance and compensation processes and developing a framework to measure and report results.

We require employees to behave ethically at all times and we reinforce this message frequently. The standards we expect are defined in the [Code of Conduct](#) which also provides general guidance on decision-making in the case of ethical dilemmas. Further guidance is available in formal policies and procedures for specific topics such as human rights and conflicts of interest. We regularly review these policies and procedures and update employees accordingly.

The Code of Conduct is updated annually and remains explicitly connected to the firm's four core values:

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

All employees must certify every year that they have read, understood and complied with the Code as well as any specific requirements of their business unit. They commit to acting with integrity and must disclose any relevant outside business interests and activities.

Frequent communications from management at all levels consistently reinforce the culture of responsible, ethical behavior. Mandatory firm-wide and department-specific training also emphasizes the need to act in the spirit of our values as well as

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
16	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

adhering to all laws and regulations, and to escalate decisions when the responsible course of action is not clear. For example, in 2014, global training was conducted for institutional employees on *Integrity, Responsibility and Accountability*.

All new employees must complete online training on key topics in the Code of Conduct and existing employees receive training on relevant and emerging issues, including money laundering and corruption. Training in 2014 included *The Morgan Stanley Culture: Delivering First-Class Business in a First-Class Way* and *The Consequences of Insider Trading*.

The Global Conflicts Office (GCO) provides oversight of the firm's governance structure relating to the identification and resolution of potential conflicts of interest for individuals and business units. Since we created this group in 2011, it has raised awareness of the need to identify and address conflicts effectively and has enhanced processes to address potential conflicts. The GCO has also formalized working with the firm's Franchise Committee to regularly evaluate key business practices.

Acting Against Money Laundering and Corruption

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

Morgan Stanley's Global Anti-Corruption Policy prohibits all forms of bribery. Employees may not give or receive anything of value, directly or indirectly, to gain an unfair advantage in obtaining or retaining business. Employees are generally required to seek approval via the Events & Conferences System before providing anything of value over certain thresholds to Government Officials.

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. Any concerns relating to the conduct of the CEO, a senior executive or financial officer or a member of the board can be reported directly to the Chief Legal Officer or the Global Audit Director.

Our Integrity Hotline is also available for employees to report legal, regulatory or ethical misconduct. All calls are treated confidentially, and employees can remain anonymous if they wish. Allegations are investigated by the appropriate group and escalated where necessary. The Global Head of Litigation and the Audit Committee receive a report each quarter describing allegations made through the hotline and how they were resolved.

SAFEGUARDING PRIVACY

Confidentiality and security of client information are integral to our business and we are committed to safeguarding all personal data we hold. A dedicated legal group advises on legal and regulatory requirements relating to privacy and data protection, including consumer privacy protection.

The Chief Privacy Compliance Officer provides oversight of compliance aspects of our privacy program. This role helps to ensure compliance with legal, regulatory and business requirements, including enhancements to policies, procedures, monitoring, testing and other controls across the firm.

Information security training is mandatory for all employees annually. We regularly review employees' access to systems and

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
17	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

client information. Information regarding information security and operational risk can be found in our [Form 10-K](#).

See the firm's [Privacy Pledge](#) and [Global Cookies Policy](#) on our website as well as regional policies and statements for [Asia](#), [EMEA](#) and [Japan](#).

RESPECTING HUMAN RIGHTS

We are committed to respecting and advancing human rights, and we support global standards for business, including the International Labour Organization (ILO) core standards and the UN Guiding Principles on Business and Human Rights. Our Code of Conduct commits to a workplace that promotes equal opportunity, dignity and respect.

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 aim to conduct our business in ways that preserve, respect and promote the full range of human rights.

Human rights concerns are included in the risk factors we consider when reviewing prospective transactions, as required by our Global Franchise Risk policy (see [Risk Management](#)).

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 rights issues and reinforces our commitment to operating with the highest standards.

CONTRIBUTING RESPONSIBLY TO PUBLIC POLICY

We participate in public policy debate on issues relevant to our business, our shareholders, clients and employees. Our participation includes frequent communication with policymakers and regulators on issues such as the global financial regulatory environment and the health of the global economy and capital markets.

In 2014, the Government Relations department was involved with developments relating to the capital markets, wealth management, cybersecurity and tax reform. We supported policies to:

- Preserve the vitality of financial markets
- Preserve client account choice
- Enhance client cyber and data protection
- Extend energy tax incentives for renewable energy sources

Political Contributions

Morgan Stanley does not make corporate contributions in the United States at the federal, state or local level to political candidates, political party committees or political action committees.

The bipartisan Morgan Stanley Political Action Committee (MSPAC) is funded solely by voluntary contributions from employees. It publicly reports to the Federal Elections Commission. In 2014, MSPAC made contributions to federal campaign committees in support of congressional candidates for both the Democratic and Republican parties.

Risk Management

2 ABOUT MORGAN STANLEY

4 LETTER FROM THE CEO

6 SUSTAINABILITY AT
MORGAN STANLEY

14 GOVERNANCE AND ETHICS

18 RISK MANAGEMENT

25 SUSTAINABLE FINANCE
30 Environmental Finance
33 Public Finance
37 Social Finance

39 COMMUNITY
DEVELOPMENT

46 EMPLOYEES

53 PHILANTHROPY

60 OPERATIONS

68 AWARDS AND
RECOGNITION 2014

69 GRI INDEX

91 NOTES

A rigorous, responsible approach to risk management is essential to meeting our clients' needs, delivering value for our investors and meeting their expectations for our business. We have invested substantially in recent years to strengthen our risk policies and controls.

Our broad approach to risk management is based on the consistent use of our Enterprise Risk Management framework. It aims to ensure that all risks that could impact our clients and the firm are fully addressed. They include risks associated with environmental and social issues, marketing and sales practices and business interruption.

MANAGING RISK

We believe that effective risk management requires sustained effort and depends on an appropriate risk culture as well as strong policies and processes. The Board of Directors, through the Board Risk Committee, has led enhancement of the firm's risk management since 2009. We have invested significant financial and nonfinancial resources into developing systems and policies and recruiting expertise—the risk management headcount has more than doubled since 2008. We have also developed an incisive, knowledgeable risk culture appropriate to the fast-moving financial markets we operate in. Frequent communication with senior management and appropriate escalation of risk matters ensure strong risk awareness at all levels. Independent oversight and clear accountability are also essential.

Governance of Risk Management

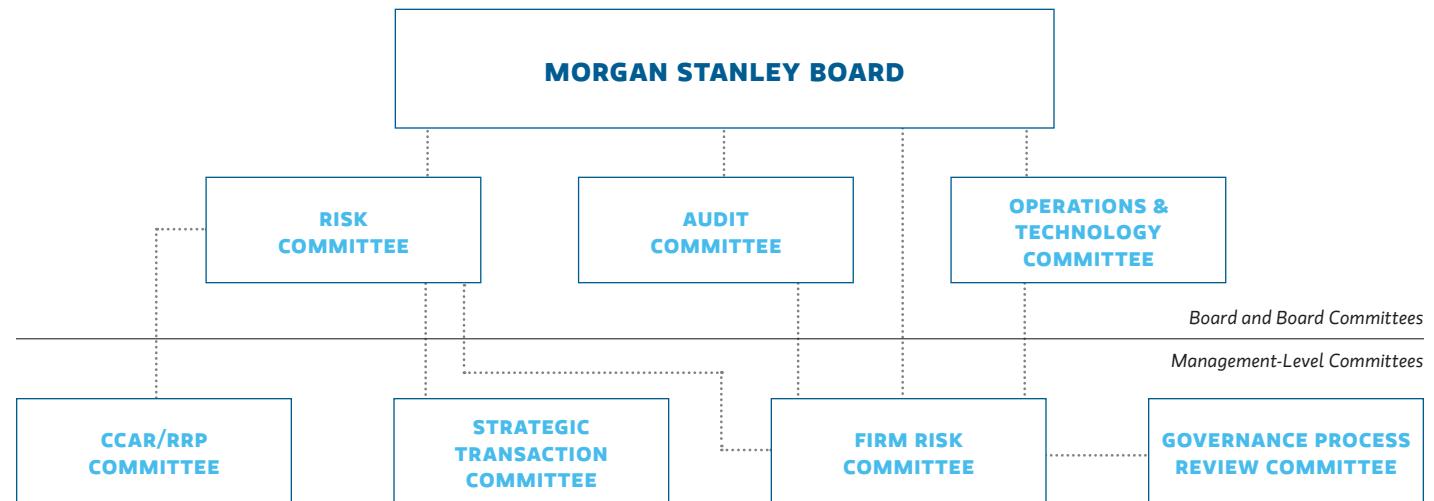
The board is responsible for oversight of risk management and for related policies, fulfilling this responsibility through the Board Risk Committee, Board Audit Committee, Board Operations and Technology Committee.

The Risk Committee assists the board in the oversight of the firm's global enterprise risk management framework; the major risk exposures of the company, including market, credit, liquidity, operational, funding, reputational and franchise risk against established risk measurement methodologies and the steps management has taken to monitor and control such exposures; the company's risk appetite statement (including risk limits and risk tolerances, which are approved annually); the company's significant risk management and risk-assessment guidelines and policies; and the performance of the Chief Risk Officer who reports to the Chief Executive Officer and the Risk Committee. The committee, which is composed of nonmanagement directors, meets regularly throughout the year, and the entire board attends quarterly Risk Committee meetings.

The Audit Committee is responsible for oversight of the major legal and compliance risk exposures and the steps management has

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
19	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

Risk governance structure



taken to monitor and control these exposures. It also considers, in coordination with the Risk Committee and the Operations and Technology Committee, the policies and guidelines that govern the risk-assessment and management processes. The Operations and Technology Committee has responsibility for oversight of operations and technology risk.

The board has authorized the Firm Risk Committee, consisting of senior executives and chaired by the CEO, to oversee the company's global enterprise risk management framework. The Firm Risk Committee reports to the full board and relevant committees through the Chief Risk Officer, Chief Financial Officer and Chief Legal Officer.

The Enterprise Risk Management Framework

The Enterprise Risk Management (ERM) framework helps to integrate risk assessment in decision-making. It includes management structures and processes and covers all risk-related activities.

The framework recognizes that risks are interrelated and require firmwide management. It mandates evaluation of risk in each business unit and at the firm level. It assigns clear responsibilities and guidelines for maintaining our risk management standards.

The Global Franchise Risk Policy sets a risk management framework for addressing potential franchise risks to the firm. Franchise risk relates to the perception of Morgan Stanley by

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
20	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

external parties, including our shareholders, clients, regulators and the public. The policy describes risk escalation procedures and includes an illustrative list of potential “red flags” to alert employees. Potential triggers include environmental, human rights and other social issues, client integrity, money laundering, economic sanctions and corruption.

Regional Franchise Committees monitor and manage potentially significant franchise risk. Decisions are escalated when necessary to a Global Franchise Committee of senior management and senior risk heads. Material franchise risks can be raised directly with the Global Franchise Committee, which regularly reviews significant themes.

Developing a Strong Risk Culture

All employees are responsible for risk management, which depends fundamentally on their individual behavior. A strong risk culture is therefore essential, in addition to sound policies and processes. The Board of Directors approved the establishment of a Culture, Values and Conduct Committee in 2014. The new Culture, Values and Conduct Committee’s responsibilities include developing a framework to measure and report results to the Firm Risk Committee and the board or its other committees. It coordinates with relevant governance committees focused on compliance, conduct and related issues, including the EMEA Conduct Risk Committee.

We reinforce the risk culture through training and development programs, as well as ensuring that policies, procedures, roles and responsibilities are well understood. Training on risk-related issues is provided in person and through an online system that ensures participation.

Our compensation policies actively discourage excessive risk-taking. They set minimum standards for the use of discretion

in incentive compensation awards and guide managers on the application of cancellation and clawback policies. Our independent control functions, such as Internal Audit, Legal and Risk, participate in reviews of situations that could require compensation adjustments, clawback or cancellation. Incentives for employees in control functions are determined independently of the business units they support.

The Chief Risk Officer has evaluated our compensation programs and determined that they do not encourage excessive risk-taking that could threaten company interests.

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

MANAGING ENVIRONMENTAL AND SOCIAL RISK

Management of environmental and social risks is governed by our policies, procedures and statements on human rights and the environment, including our Global Environmental and Social Risk Policy. They require these risks to be factored into policies and procedures and our risk evaluations of companies, transactions, operations and new market opportunities.

Our commitment to supporting and respecting the protection and advancement of human rights recognizes the risks to the reputations of the firm and our clients (see [Human Rights](#)). Our environmental and social risk policy aims to foster consistency in relation to environmental and social risk across the firm.

Our assessment of environmental and social risk is in line with the International Finance Corporation’s performance standards, which supports that specific risk impacts are reviewed, addressed and escalated to senior management when necessary. Evaluation of opportunities may lead to escalation to business

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
21	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

unit management, regional franchise committees, the Global Franchise Committee and senior management.

All transactions can, in principle, expose the firm to direct or indirect risks related to environmental and social issues. Direct risks can result in a financial loss, penalty, fine or other adverse impact for which the firm is directly responsible. Indirect risks are related to the firm's reputation but in certain cases they could also result in loss of clients or other opportunities.

Risk assessment considers a number of potential factors such as the nature of individual industries and sectors, countries and of operations as well as a company's specific activities, products, performance, reputation and approach to environmental and social risk. Our Global Environmental and Social Risk Policy Statement sets some specific requirements:

- Stringent due diligence on biodiversity and sustainable natural resource management.
- Consultation by project sponsors or borrowers with any indigenous peoples affected by a project.
- Compliance with international environmental legal agreements.
- No financing of companies that derive a predominant portion of 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.

Environmental and social due diligence by industry

INDUSTRY	2014	2013
Basic materials	38	32
Communications	8	9
Consumer products	2	9
Energy	180	170
Financial institutions	79	43
Health care	5	5
Industrials	166	136
Pharmaceuticals	38	16
Power and utilities	55	41
Real estate	46	27
Retail	18	10
Services	143	107
Transport	32	31
TOTAL	810	636

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
22	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

Deals referred for environmental and social due diligence

REGION	2014	2013
North America	568	503
EMEA	198	111
Asia Pacific	44	22
TOTAL	810	636

Transactions subject to mountaintop removal criteria

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

Transaction teams are primarily responsible for ensuring due diligence has been performed. As necessary, they can consult the firm's subject matter experts to obtain confirmation and/or formal due diligence. Business units rely on various approaches to fulfil this responsibility, including checklists and committee oversight.

We provide training sessions and discussions on environmental and social risks for employees across the firm, including business unit risk committees. Training and increased awareness help bankers to identify risks and decline deals without needing to escalate the decision to environmental and social risk experts, which explains the relatively small number of transactions in the above tables.

In 2014, we launched an online training session describing the relevance of environmental and social due diligence for professionals in several business units. Approximately 750 people received this training. In addition, we held sessions in industry-specific units and regions to support the initial training. Training is provided to key professionals across the firm on an annual basis.

MANAGING RISKS IN MARKETING AND SALES

Policies and processes related to market activities are managed by each business to ensure that they are relevant to its specific activities and regulatory obligations. They are reviewed regularly and are easily accessible on our intranet.

Our regulatory framework mandates that communications to clients and the public are fair and balanced, do not include exaggerated or misleading statements, and are subject to supervisory review. Our policies and procedures require adherence to marketing and promotion laws and regulations.

Employees must use approved marketing materials and messaging systems when conducting the firm's business. These communications are retained and subject to supervisory review in accordance with applicable regulations. Financial Advisors are subject to supervision procedures and must follow a compliance manual aligned with our sales practice standards, as well as laws and regulations. Our Risk and Compliance personnel review trading account activity for potential sales practice issues and branch offices are inspected annually.

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

Customer complaints are monitored by each business unit and escalated in accordance with relevant policies. A response to

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
23	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

the customer is coordinated, as appropriate, with the relevant business and legal and compliance personnel.

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

Assessing Risks From New Products

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

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

MANAGING OPERATIONAL RISK

We have established an operational risk governance framework including policies and procedures, risk assessments, risk tolerance, information risk oversight, supplier risk management and training. This framework addresses the risk of loss or damage to the firm's reputation as a result of inadequate or failed processes, people and systems or from external events such as fraud, legal and compliance breaches or damage to physical assets. Our strengthened Global Operational Risk Management Policy places risk tolerance at the core of the program. It improves transparency for the Board Risk and Firm Risk committees and focuses on the most significant risks.

The Operational Risk Department (ORD) proactively manages operational risk, identifies opportunities to decrease risk and determines adjustments for the impact of operational losses on capital. ORD functions as the second line of defense. Primary responsibility for the management of operational risk is with the business units and control groups (the first lines of defense).

ORD independently assesses the level of operational risk compared to the risk tolerance set by the board and validates all components of the Advanced Management Approaches (AMA) framework for regulatory purposes.

The AMA includes the risk tolerance framework, which has three components:

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

Our Risk and Control Self-Assessment (RCSA) program operates across all business units and control groups to enhance our ability to identify and manage operational risks. Policy guidance covers the collection of loss data and its use in calculating operational risk capital requirements. We rigorously analyze internal losses, industry events, output from scenario analyses and risk assessments to support risk management decisions.

In 2014, we launched a new website for employees providing easy access to information and tools to assist in managing operational

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
24	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

risk. The site introduces the key components of the Operational Risk Framework, including training.

We also launched a new mandatory training course, the first course in a series of operational risk-related training to be launched firmwide. The training introduces the program and explains the framework, infrastructure, tools and resources to manage operational risk across the firm globally. It relates the risks to industry examples and highlights the potential financial impact. Illustrations of how companies have lost billions of dollars show that even a single operational risk event can significantly impact the most established and well respected firms.

Planning for Business Continuity and Information Security

Our business continuity program mitigates key risks at all operational levels so the firm can respond effectively to widespread incidents and disasters. The disaster recovery plan covers crisis management, business recovery, applications and data recovery and work area recovery. It also includes management, analysis, training and testing. The safety of employees is paramount, but we also consider the threats to real estate and technology.

Evacuation and safety procedures are in place to respond to emergencies and we work with emergency and enforcement agencies.

The Business Continuity Management team works to protect the firm's assets and ensure we can continue to operate, 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. Our national security vendor is required to supply extra staff if necessary in response to events such as natural disasters and intelligence-based threat assessments.

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

Sustainable Finance

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

Our clients are increasingly considering the social and environmental outcomes of their investment activity and seek to incorporate environmental, social and governance (ESG) factors into their investment approach. To that end, we apply our wealth management and capital markets expertise to make sustainability integral to financial and investing activities. We achieve this through our work in environmental finance, social finance and public finance, with guidance from the **Morgan Stanley Institute for Sustainable Investing**.

We are also signatories to the **United Nations Principles for Responsible Investment** (PRI), which aims to deepen understanding of the implications of sustainability for investors. PRI signatories collectively manage or advise on \$45 trillion of assets, emphasizing the extent to which sustainability is becoming a mainstream consideration.¹

THE MORGAN STANLEY INSTITUTE FOR SUSTAINABLE INVESTING
We created the Morgan Stanley Institute for Sustainable Investing to mobilize scalable solutions in order to integrate sustainability into financial markets. The Institute focuses its work in three areas:

- Sustainable Investing—developing and facilitating solutions 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.

The Institute is guided by an advisory board whose members are from business, academia and nongovernmental organizations with expertise on topics ranging from asset management to social innovation. It is chaired by the firm's Chairman and CEO. In 2014, the board provided strategic insights on the business opportunities related to sustainable investing, ways to leverage our Investing with Impact Platform and long-term challenges for business in the context of climate change and urban growth. We also created an internal advisory council of senior managers from across the firm who advise and provide support, including developing networks inside and outside the firm.

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
26	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

The Institute's work is highlighted by three core goals that reflect our long-term vision for sustainable investing:

- A goal of \$10 billion in total client assets invested through the **Investing with Impact Platform** by 2018 (see below).
- A commitment to invest \$1 billion in our 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.
- A Sustainable Investing Fellowship with Columbia Business School to develop emerging leaders in sustainable finance.

We are more than halfway towards our \$1 billion sustainable communities goal. Initiatives in 2014 included an expansion of the Job Creation and Community Revitalization Fund, launched with the Local Initiatives Support Corporation (LISC) and CDC Small Business Finance. Our Clinton Global Initiative commitment more than doubles the fund to \$25 million, available for investment in small businesses in underserved markets. It follows a successful pilot program supporting some of the country's most distressed neighborhoods since 2012. It will create jobs in struggling commercial areas and improve the quality of life in disadvantaged communities.

The inaugural class of Sustainable Investing Fellows completed summer internships at the firm in 2014. They carried out research into affordable housing, the investment implications of climate change and the performance of open-ended mutual funds focused on sustainability investment themes. One fellow

worked with the Sustainable+Responsible Equity Research team on the review of sustainability themes (see Equity Research).

We also are providing opportunities for emerging leaders through the Morgan Stanley Sustainable Investing Challenge, a pitch competition for graduate students that focuses on creating institutional-quality investment vehicles that address sustainability themes while delivering competitive financial returns. In 2014, 10 teams competed, representing diverse graduate programs from nine leading global universities. The first-place team from the Kellogg School of Business at Northwestern University presented its plans for Fresh Coast Capital, a sustainable investment fund that would remediate US brownfields through reforestation.

For more information about the Morgan Stanley Institute for Sustainable Investing, please visit www.morganstanley.com/sustainableinvesting.

INVESTING WITH IMPACT

We developed the Investing with Impact Platform (IIP) for our wealth management clients interested in approaches that aim to generate market-rate financial returns while demonstrating positive environmental and/or social impact.

It provides a framework that enables clients to align their investment decisions with impact priorities across their portfolio through several investment approaches:

- **Values Alignment:** Screen by interests and values. Avoid investments in potentially "objectionable" companies and industries.
- **ESG Integration:** Identify managers that target companies whose approach to environmental, social or governance issues creates value differentiation.

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
27	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

- Sector Exposure: Focus on themes and sectors targeting specific environmental or social changes.
- Impact Investing: Participate in investment funds that focus on providing capital directly to private enterprises structured to effect positive social or environmental change.

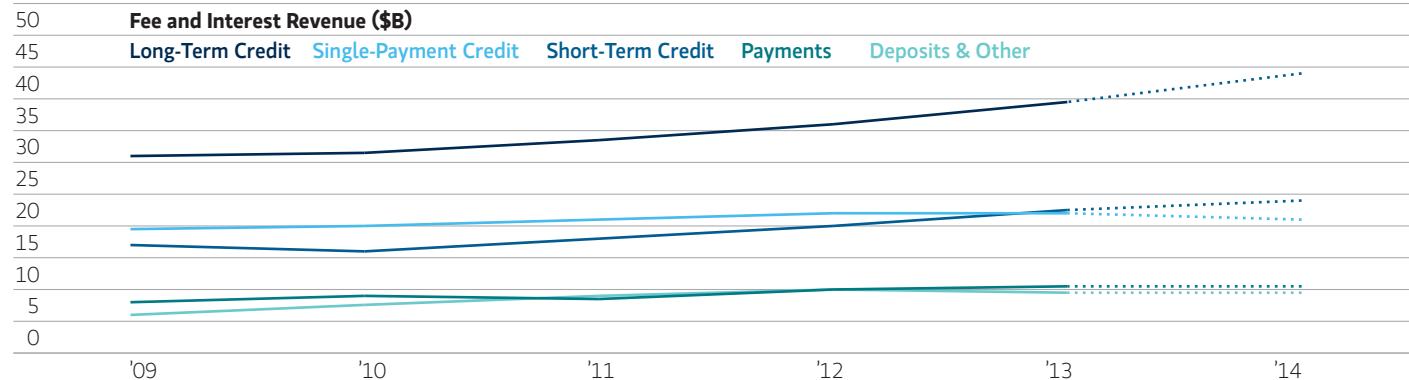
The platform provides access to more than 120 fixed-income and equity products with a mix of mutual funds, exchange-traded funds, separately managed accounts and private equity funds. Model portfolios, tools and resources can be used to activate portfolios designed to meet a variety of impact goals, either in select allocations or across the entire portfolio. As of

2014, the IIP incorporated more than \$4 billion in client assets, and our goal is to expand to \$10 billion by 2018.

THOUGHT LEADERSHIP

We publish articles, support research and dialogue to develop insights into sustainable finance topics. For example, in 2014, Audrey Choi, CEO of the Morgan Stanley Institute for Sustainable Investing, authored **Sustainable Investing: Imperative and Opportunity**. The piece presented the macroeconomic case for sustainable investing and analyzed the state of the market. It concluded that private investment capital can support the pursuit of social and economic progress within

2013 financially underserved market: revenue growth by product category



Source: 2013 Financially Underserved Market Size, CDFI and Core, December 2014

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
28	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

the Earth's limits, enabling investors to support efforts towards positive change.

Choi was a speaker or panelist at many events in 2014, including:

- The Skoll World Forum: Impact Investing Symposium
- Harvard Business School Forum on Social Impact
- Clinton Global Initiative America: Local Laboratories: Equitable Transformation in America's Communities
- BSR Conference 2014: Transparency and Transformation: Corporate Responsibility in the Age of Inequality

Underserved communities are a focus for Morgan Stanley, and the firm supports the Center for Financial Services Innovation (CFSI) and Core Innovation Capital, which help to understand effective, scalable approaches.

In 2014, CFSI and Core released the fourth annual study of the underserved market in the United States. This study, written with strategic input and financial support from Morgan Stanley, examines the market for the financially underserved and provides insights on 23 financial product types used by more than 68 million financially underserved consumers in the United States. They estimated that the market in 2013 was worth approximately \$103 billion in fee and interest revenue, based on \$1.3 trillion in financial products and services. This figure was 7 percent higher than the previous year and 26 percent higher than 2009.

The key trends were:

- Strong growth in subprime auto loans and leases, driving 11 percent growth in the long-term credit sector.
- Renewed strength in the subprime credit cards and a 30-percent increase in average fees on secured credit cards.
- Short-term credit generated greater revenue than single-payment credit for the first time, which is largely due to regulatory actions curtailing online payday loans, storefront payday loans in several states and deposit advance services.

EQUITY RESEARCH

We are working to integrate environmental, social and governance factors into all our equity research. The first step is to thoroughly research the opportunities. In 2014, we published a wide-ranging review of **seven global sustainability themes**, to identify stocks that offer investors a way to address the challenges and opportunities that arise from sustainability issues. The seven themes are:

- Climate change
- Water
- Waste generation
- Global demand for food
- Healthy lifestyle
- Improving lives
- The aging of the global population

2 ABOUT MORGAN STANLEY

4 LETTER FROM THE CEO

6 SUSTAINABILITY AT
MORGAN STANLEY

14 GOVERNANCE AND ETHICS

18 RISK MANAGEMENT

29 SUSTAINABLE FINANCE

30 Environmental Finance
33 Public Finance
37 Social Finance

39 COMMUNITY
DEVELOPMENT

46 EMPLOYEES

53 PHILANTHROPY

60 OPERATIONS

68 AWARDS AND
RECOGNITION 2014

69 GRI INDEX

91 NOTES

The Sustainable+Responsible Equity Research team identified these themes as important for investment analysis because they are likely to have an impact on economic growth and on the demand for different products and services. The team identified almost 300 stocks that could provide investors with exposure to at least one of these megatrends and an attractive risk reward on a 12-month horizon.²

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

SUSTAINABLE FINANCE

Environmental Finance

Scalable environmental solutions are necessary for the shift to a low-carbon economy. This requires substantial capital and financial know-how. We are applying our expertise to provide insights into the development of more sustainable options and to help innovative businesses access capital markets. Our strengths in investment banking, project finance, capital markets and commodity trading enable wide-ranging activity supporting low-carbon developments.

LEADERSHIP IN GREEN BONDS

After supporting the launch of Green Bond Principles at the start of 2014, we remained one of the leading issuers, raising capital for environmentally responsible projects. In 2014, we lead-managed green bonds worth more than \$8 billion.³

The Principles were developed to encourage transparency, disclosure and integrity in the green bond market. They provide issuers with guidance on the key components involved in launching a bond, suggesting processes for designating, disclosing, managing and reporting on the proceeds. These standard disclosures help investors by ensuring they can assess the environmental impact of the projects the bond is intended to finance. They have supported the growth of private sector interest in a market originally developed by public institutions.

In 2014, we advised the global food company Unilever on the issue of the first sterling green bond in the UK and one of the earliest private sector issues in this market. Unilever raised £250 million to fund a number of projects that will significantly reduce the amount of waste, water consumption and greenhouse gas emissions of existing and new factories.

We also advised on a number of other issues for financial institutions, achieving several firsts, including:

- An inaugural US\$1.5 billion global green bond for the German bank KfW—the largest single US dollar green bond ever issued.
- A first issue for BNG, the Dutch public finance bank, raising €500 million to invest in urban sustainability.
- The first ever euro green bond benchmark for the World Bank. The deal targeted investors with sustainable and responsible mandates, attracting new buyers and expanding the investor base for the green bond market. Morgan Stanley has led both the World Bank's euro and US dollar inaugural green bond benchmarks.
- Also for the World Bank, a 10-year bond raising US\$30 million. This issue was targeted specifically at Morgan Stanley Wealth Management clients through the **Investing with Impact Platform**. Projects benefiting from the funds include renewable energy and energy efficiency installations to reduce greenhouse gas emissions, forest and watershed management and infrastructure to prevent climate-related flood damage and build climate resilience.

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
31	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

- The first green bond issued by a Japanese entity, raising €250 million for the Development Bank of Japan (DBJ), a pioneer of green finance, for new and existing environmental and social projects. The issue allowed DBJ to expand its investor base by attracting major socially responsible investor accounts.
- A Climate Awareness Bond for the European Investment Bank (EIB) raising US\$1 billion to take EIB's total green bond issuance to a record €7.3 billion. Morgan Stanley has now lead-managed EIB green bonds in three different currencies.

See more information about our green bond work in [Public Finance](#).

FINANCING LOW-CARBON TECHNOLOGIES

We have facilitated more than \$61 billion of capital for clean tech and renewable energy businesses through initial public offerings (IPOS) and other transactions since 2006, including \$6.4 billion in 2014.

In 2014, Morgan Stanley played an advisory role for clean tech mergers and acquisitions throughout the United States and London. Morgan Stanley served as:

- Buy-side advisor for SunEdison's \$1.5 billion purchase of wind projects and development platform from First Wind, a utility-scale renewable owner-operator. The deal makes SunEdison the world's largest renewable energy development company.
- Sell-side advisor for Terra-Gen Power's sale of a 947 megawatt (MW) wind portfolio to NRG. Terra-Gen is a utility-scale wind, geothermal and solar energy developer and owner-operator.

- Strategic advisor to EDF in the sale of a 70 percent stake in the French energy company's Italian renewable asset portfolio to F2i. EDF is one of the world's largest utilities with operations on five continents.

Morgan Stanley also operated as lead bookrunner and joint bookrunner for a variety of clean tech equity offerings worth more than \$3.4 billion, including:

- Joint bookrunner for the \$116 million IPO of Opower, a leading provider of cloud-based software that supports energy efficiency, demand-response and customer-engagement programs in the utility industry.
- Joint bookrunner for a \$467 million IPO by NextEra Energy Partners, a wind and solar developer with operations throughout North America.
- Lead bookrunner for a \$262 million IPO in Hong Kong by CGN Meiya Power Holdings Co., a diversified power producer in China and South Korea.

Project financing led to the development of more than 1,000 MW of wind power in Texas. Morgan Stanley acted as:

- Sole lender and lead arranger to finance a 207 MW wind farm with Invenergy, a renewable and natural gas power generation and energy storage company operating in North America and Europe.
- Lead or joint lead arranger and tax equity investor for two deals worth more than \$475 million with First Wind, financing the construction of 350 MW of wind power in two sites.

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
32	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

Financing Solar Energy Development

The firm's dedicated solar energy activities provide capital and development services for projects expanding solar installation through Morgan Stanley Solar Solutions Corp. (MSSS).

MSSS has strategic relationships with a variety of partners spanning developers, suppliers, installers, government agencies and end users. Partners include AES Distributed Energy, Inc. (AES), Clean Energy Collective (CEC), Gerhlicher Solar America Corp. (GSAC), System 3, OneRoof Energy Inc. (ORE) and groSolar, Inc.

Two other Morgan Stanley companies, MS Solar Holdings Inc., and MS Solar Investments LLC, mobilized \$20 million in capital in 2014. Through the addition of new residential programs, these efforts are expected to deploy more than \$550 million to solar projects by June 2016.

These investments will generate an estimated 25 MW of utility-scale solar in Georgia and 50 MW of community solar in Massachusetts. We also completed a 5 MW project in the US Virgin Islands on the island of St. Thomas. The project will provide the local utility with up to 20 percent of its peak load power. Our pipeline includes additional projects throughout the Caribbean.

In total, our 2014 residential solar financing activities resulted in 4.5 MW of solar generation and 410 new solar leases with homeowners. In 2015, we are focusing on expanding residential programs beyond California and Arizona into Guam and the Northeastern US.

REAL ESTATE

In its investment and asset management activities, our real estate investment business considers how environmental factors, such as energy efficiency, affect financial returns, affordability and greenhouse gas emissions.

Prime Property Fund ("PRIME") is our flagship US real estate investment vehicle, managing assets worth \$15.7 billion as of December 31, 2014. PRIME invests in office, retail, industrial, apartment, and, to a lesser extent, hotel and self-storage properties throughout the United States and has audited office, hotel, apartment and retail properties since 2007 to benchmark performance and implement our sustainability strategy. More than 60 percent of PRIME's office investments are LEED certified and 70 percent of office buildings have an Energy Star score of at least 75, indicating that they perform better than at least 75 percent of similar buildings nationwide.

For several years, solar energy has contributed to the financial and environmental performance of PRIME. In 2014, we facilitated a deal with Trinity Solar to install solar panels on 25 self-storage sites across New York and New Jersey. As a result, 10 of these assets are reporting to be carbon neutral. This array will generate more than 2,000,000 kWh a year, representing approximately 70 percent of the buildings' energy needs.

For more information about our investments in real estate, see [Community Development](#).

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

SUSTAINABLE FINANCE

Public Finance

Funding hospitals, roads and other public goods delivers essential services and infrastructure that also generates jobs and contributes to prosperity. Our expertise in public finance and the firm's extensive retail and institutional strengths enable us to raise billions of dollars every year, helping communities across America.

The firm is one of the top municipal underwriters in the United States, leading 294 financings totaling \$27 billion in 2014 for a wide range of issuers, including utilities, health care and educational institutions. We strengthened our position in 2014 by leveraging our Wealth Management network and our leadership in the new and fast-growing green bond market.

Our position in the market is reflected by the prominent role we play in industry organizations, such as the Municipal Securities Rulemaking Board, where our Co-Head of Public Finance is a board member. We engage with a wide range of market participants, as demonstrated by our annual municipal issuer and investor conference. In 2014, the conference brought together more than 100 issuers and 100 investors to discuss trends in the market. They heard from thought leaders, including former Federal Reserve Chairman Ben Bernanke, as well as clients and politicians.

LEVERAGING OUR RETAIL STRENGTHS

The combination of our capital market strength and retail network is an important factor in the municipal market as the majority of tax-exempt bonds are held by retail buyers. In 2014, we merged the Institutional and Wealth Management municipal teams to expand distribution to our retail clients and give financial advisors greater access to traders, market intelligence and products. This new approach supports special retail-focused products, including step coupon bonds, floating rate notes (FRNs) and puts, and supported many successful issues in 2014.

We established leadership in retail-only step coupon bonds, raising a total of \$330 million in 11 deals across several states and sectors. For example, we marketed a \$56 million step coupon term bond to individual retail investors as part of a \$250 million refinancing for the University of Texas. The strength of our retail client base was demonstrated with eight retail orders of more than \$500,000, including two for \$10 million each. The bonds provide additional callability in the University of Texas System's debt profile and reduced interest costs through lower initial payments, with estimated incremental net present value savings of \$1.2 million. We acted on similar issues to retail investors for clients, including the University of Missouri, South Carolina's leading power company Santee Cooper, Omaha Public Power District, San Mateo Community College District, Leander Independent School District and University Hospitals Ohio.

We also demonstrated our industry-leading retail distribution system with 170 orders from individuals totaling \$42 million for a retail-only floating-rate note (FRN) issue on behalf of the New York Metropolitan Transportation Authority.

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
34	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

In puts, we successfully priced \$350 million “soft puts” for the Houston Independent School District, which was the largest such transaction for a Texas school district to date. Focusing on high net worth individuals looking for alternatives to traditional products, we generated 25 individual retail orders for a total of \$70 million, including \$27 million for residents within the District. The proceeds were used to fund the construction, acquisition and equipping of school buildings.

DRIVING THE GREEN BOND MARKET

Green bonds, which raise funds for social and environmental projects, became an increasingly important option for issuers in 2014 and Morgan Stanley maintained leadership in this market. For more information about our green bonds, see [Environmental Finance](#).

In the first US Higher Education green bond issue, we served as joint bookrunner on the Massachusetts Institute of Technology’s financing, raising \$370 million to refinance bonds issued to fund the renovation or construction of five LEED-certified buildings. It was the largest taxable US municipal green bond transaction so far and appealed particularly to socially responsible investors looking for portfolio diversity and competitive yields.

We acted as senior manager on the largest tax-exempt green bond issue, raising \$350 million for the Commonwealth of Massachusetts. This deal was the first senior, joint lead municipal green bond issue. The proceeds will finance the New Bedford Marine Commerce Terminal and fund socially and environmentally responsible projects in water, energy efficiency, land acquisition and habitat preservation. The Marine Commerce Terminal project will be the first facility in the US that is designed to construct and deploy offshore wind projects.

Construction will include environmental and habitat restoration, with the removal of approximately 250,000 cubic yards of contaminated sediment.

A \$225 million green bond issue for the Metropolitan Water Reclamation District of Greater Chicago benefited from our strengths in sustainable investing as well as our retail and institutional client base. As senior manager of the issue, we leveraged strengths across the firm to develop the green bond criteria and framework, highlight the district’s broader sustainability efforts, and attract interest from socially responsible investors as well as mainstream institutional investors. As a result, the transaction generated orders from several investors who did not previously own the district’s bonds. Proceeds of the green bonds will be used to finance tunnel and reservoir, storm water, resource recovery and water reclamation projects.

SUPPORTING DIVERSE PUBLIC INVESTMENT

While green bonds are an important innovation for issuers in the municipal market, we continue to lead other financings for many public services, nonprofit health care providers, universities, arts and other cultural organizations.

Health Care

In 2014, we acted in 14 issues totaling \$1.5 billion to finance hospital building and other health care activities. They included serving as sole managing underwriter on a bond issue for Lucile Packard Children’s Hospital, one of the top children’s hospitals in the country, and Stanford University’s pediatric hospital. The bond issue raised \$100 million to help finance a major expansion project, including 149 new hospital rooms, new treatment rooms and clinics, new diagnostic and surgical suites. The design of the building has emphasized sustainability and energy efficiency and the expansion is targeting LEED Gold certification.

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
35	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

Education

We helped 86 higher education and cultural institutions raise \$6.9 billion in 2014. In one case, Morgan Stanley served as senior manager for Indiana University's \$122 million issue, including \$59 million green bonds—the first green bond issue for a Big Ten university. This role included coordinating a comprehensive marketing effort with a retail broker roadshow at the Morgan Stanley Wealth Management complex in Indianapolis and a conference call with the Morgan Stanley **Institute for Sustainable Investing**. Our team worked with the university to develop their green bond criteria and framework and to highlight the University's broader sustainability efforts.

The proceeds of the green bonds will be used to finance a new arts and sciences building on the Northwest campus and renovations to Franklin Hall on the Bloomington campus. The buildings are expected to receive a minimum LEED Silver certification, due to projects including high-efficiency glass windows and roofing, energy-efficient mechanical systems, energy-efficient lighting and enhanced access to public transport.

Infrastructure

We acted in 125 bond issues for public bodies, raising a total of \$13.6 billion in 2014.

In two issues led by Morgan Stanley, New York City raised nearly \$1.7 billion through its General Obligation ("GO") and Transitional Finance Authority ("TFA") credits. The GO issue refunded \$1.1 billion of bonds and yielded budgetary savings of more than \$110 million to be realized in fiscal years 2014 and 2015. The TFA transaction raised \$675 million to finance capital expenditure.

Both New York City transactions benefited from strong institutional and retail demand, creating momentum enough to upsize the GO transaction from \$850 million to more than \$1.0 billion and significantly tighten pricing on the TFA transaction. Notably, Morgan Stanley's retail distribution platform accounted for almost half of the total retail orders in the GO transaction and two-thirds in the TFA transaction.

In Louisville, KY, we were the senior manager for the Regional Airport Authority's \$249 million issue. We worked extensively with the authority, legal and financial advisors to create a new, modern bond indenture and to restructure the authority's outstanding debt, according to their financial needs. We also devised a strategy that included on-site ratings meetings for rating agencies to see firsthand the unique nature of the operations at the airport.

We also acted on two issues for California. The firm served as senior manager for bonds for the state's Department of Water Resources, raising \$646 million, and was bookrunning senior manager on the California State Public Works Board's \$795 million issue.

Other Issues Included:

Arizona: senior manager for the Arizona Water Infrastructure Finance Authority's \$343 million bond issue. The Authority realized more than \$23 million in net present value savings with this financing.

Los Angeles, CA: leveraging Morgan Stanley Wealth Management as well as the firm's institutional salesforce and syndicate to raise \$1.8 billion for the Community College District, mainly to refinance existing bonds for \$171 million of net present value savings for the district.

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
36	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

CASE STUDY

Helping Graduates Take Control of Their Finances

Morgan Stanley continued its successful work with innovative peer-to-peer lender SoFi, expanding the number of students and young professionals it serves. While student loans help individuals access expensive education to jumpstart their careers, they are often burdened by the debt when they graduate, which prevents many successful young people from buying homes or starting their own businesses.

SoFi's products allow young professionals to take control of their financial life, after making that investment in their career, through student loan refinancing, mortgages, mortgage refinancing and personal

loans. Their nontraditional underwriting approach takes into account employment history, income, credit history and education to improve their interest rate and term, which saves money in the long term. They also offer services to help their members amplify their careers, like career coaching. Their entrepreneur program allows for loan deferment while an individual's business launches, access to investors, mentoring and access to a cohort of other member entrepreneurs.

In 2014, we served as Lead Manager for SoFi's second and third securitizations of \$251 million and \$347 million, respectively. These efforts build upon a successful first round of a public securitization for SoFi in 2013, totaling more than \$750 million by the end of 2014. SoFi has more than \$2 billion in loans issued to date, helping members save money that they can put towards their future.

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

SUSTAINABLE FINANCE

Social Finance

Underserved communities face a lack of capital that would help to finance local business and to support job creation. We facilitate the flow of financing as part of our capital market activity, generating income for the firm and helping to expanding opportunities in these markets.

Our goal is to develop, finance and promote viable and scalable business models that can help solve social challenges. We value long-term partnerships and practical engagements with the public and nonprofit sectors to inject capital into underbanked communities. In addition, we support research on social finance to develop thought leadership in this emerging field.

EXPANDING ACCESS TO FINANCIAL SERVICES

We have supported microfinance institutions (MFIs) for many years, helping to bring access to financial services to many unbanked or underserved households in the US and globally. In addition to acting as an intermediary, connecting MFIs to capital markets, we also provide grants, advice and support for the sector's development.

Morgan Stanley has a long-standing relationship with **Grameen America**, the nation's largest growing domestic microlender whose mission is to create a future free of poverty through financial solutions that empower people to build small businesses and improve

their families' lives, utilizing the group-lending model pioneered by Nobel Laureate Muhammad Yunus. In 2014, we provided financial advisory services to support Grameen America's growth plans, optimizing the appropriate capital structure for the organization's goal of expanding its reach five-fold and reaching 150,000 borrowers.

Accion East, a nonprofit MFI in the New York Metro region that provides low- and moderate-income microbusiness owners with access to capital and financial education, is another long-term partner. Our grants to Accion East have helped low- to moderate-income entrepreneurs who lacked access to capital obtain financing for their businesses. By early 2014, our 2013 grant to Accion East had financed 78 loans for small businesses, provided training for Accion East's lending and underwriting teams and contributed to the development of new marketing materials. In 2014, we provided a grant to help Accion East update its risk prediction and pricing model. The new predictive model is decreasing loan losses but will undergo further updates with recent years' data to achieve its maximum impact.

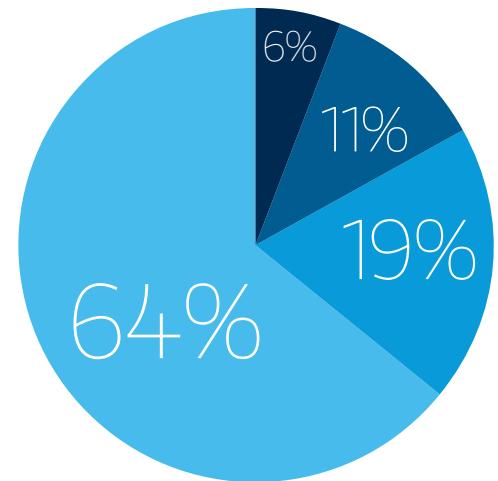
We have supported **Neighborhood Trust**, a community development credit union, since 2010 when it won second place in our **Strategy Challenge**. We made a further grant in 2014 to enable the Trust to expand The Employer Solution, which provides workplace-based financial counseling to low-income individuals in New York.

Morgan Stanley Private Equity Asia made a follow-on investment in **Janalakshmi Financial Services** (JFS) after an initial investment in August 2013. JFS is the leading microfinance institution in India to the urban underbanked market. It had a nationwide distribution network of 233 branches across 146 cities at the end of 2014, through which it provides loans of US\$300 to US\$700.

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
38	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

Morgan Stanley social finance transactions 2006-2014

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



Community Development

2 ABOUT MORGAN STANLEY

4 LETTER FROM THE CEO

6 SUSTAINABILITY AT
MORGAN STANLEY

14 GOVERNANCE AND ETHICS

18 RISK MANAGEMENT

25 SUSTAINABLE FINANCE
30 Environmental Finance
33 Public Finance
37 Social Finance

**39 COMMUNITY
DEVELOPMENT**

46 EMPLOYEES

53 PHILANTHROPY

60 OPERATIONS

68 AWARDS AND
RECOGNITION 2014

69 GRI INDEX

91 NOTES

We leverage the firm's expertise to offer products and services that support lasting benefits to low- and moderate-income communities. Our goal is to stimulate economic development and improve lives by financing affordable housing and other vital elements of successful communities.

Access to high-quality and affordable housing, secure jobs, health care and healthy food is essential for community stability yet can be out of reach for many households, most critically those in low-income communities. We combine private capital with public and philanthropic funds to increase the availability of these vital resources and services in rural and urban areas. We have committed more than \$9.2 billion to community development initiatives since 2010, including \$2 billion in 2014.

A STRATEGY TO ADDRESS CRITICAL NEEDS

In order to create impactful community development programs, it is essential to have a dialogue with experts and community leaders. Morgan Stanley works hand in hand with our Community Development Advisory Board, which is composed of nationally recognized community development leaders and acts as a think tank on the most critical needs in the communities we serve. We use this dialogue to help us understand current programs that address critical community needs. Our greater understanding of community needs and the programs in place to address the needs helps us identify service and product gaps that must be filled. As a result of our community dialogue, we are well-informed and well-positioned to collaborate with stakeholders and develop collaborative programs that add more value to existing work taking place in communities across the United States.

PARTNERSHIPS FOR AFFORDABLE HOUSING

Access to affordable housing is a growing priority in the US and an area where Morgan Stanley has a meaningful impact. Affordability is defined as paying no more than 30 percent of family income for housing, yet housing costs use more than half the income for an estimated 12 million households in the US. The need for affordable housing has been growing as incomes have stagnated and housing costs have risen. A family that cannot afford rent for an apartment will struggle to afford necessities such as food, clothing, transport and medical care. Our loans, grants and services support partners that address this fundamental requirement for a thriving community, primarily in New York City and Utah.

Morgan Stanley provides capital to community-based lenders and developers of sustainable, quality, affordable housing and works with government agencies to help finance organizations that build or renovate such housing. We have helped to create more than 58,400 affordable housing units since 2010.

Addressing Capital Needs

Morgan Stanley helped **Habitat for Humanity** reach more people more efficiently through our innovative loan. Habitat for Humanity brings together community volunteers and prospective low-income homeowners who are willing to provide sweat

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
40	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

Our Community Development Strategy



2 ABOUT MORGAN STANLEY

4 LETTER FROM THE CEO

6 SUSTAINABILITY AT
MORGAN STANLEY

14 GOVERNANCE AND ETHICS

18 RISK MANAGEMENT

25 SUSTAINABLE FINANCE
30 Environmental Finance
33 Public Finance
37 Social Finance

41 COMMUNITY
DEVELOPMENT

46 EMPLOYEES

53 PHILANTHROPY

60 OPERATIONS

68 AWARDS AND
RECOGNITION 2014

69 GRI INDEX

91 NOTES

equity in order to be able to afford a home. Beyond sweat equity, homeowners still require mortgages, which local Habitat affiliates provide at zero interest for 20- or 30-year terms. Morgan Stanley provided a \$50 million loan to Habitat for Humanity, which will in turn provide credit to some of its 1,500 affiliates in the United States to support these mortgages. Affiliates use the loans to grow their affordable housing production by acquiring land, developing infrastructure and funding construction activities. Our innovative loan enables Habitat affiliates to accelerate the transaction process and recover the cost of homes in a much shorter period of time, allowing them to help more people.

We continued to support the **Community Development Corporation of Utah**, which invests in neighborhood redevelopment and affordable homeownership. Their activities include buying homes from the US Department of Housing and Urban Development for 50 percent of their appraised value, renovating and selling them to low-income buyers and public servants such as teachers, police officers and emergency responders. In 2014, we made a loan of \$1 million that is helping homeowners obtain second mortgages on approximately 50 single-family housing units.

A \$9 million loan is helping the **Corporation for Supportive Housing (CSH)**, the national nonprofit leading efforts to create supportive housing, as it partners with communities and providers to meet the needs of vulnerable people through affordable housing integrated with support services. Residents of supportive housing often have a history of homelessness or unstable housing and face persistent obstacles that impede their ability to maintain housing, such as chronic health conditions, serious mental illness or substance use disorders. Supportive housing introduces stability, serving as a platform for recovery

and independence. By supplying expertise, technical assistance and crucial development funds, CSH is a valuable resource to local providers developing supportive housing. The loan is helping CSH bridge capital requests until it expands the Supportive Housing Solutions Fund later in 2015. The larger revolving loan fund will be used to make acquisition and predevelopment loans to supportive housing initiatives across the nation.

Morgan Stanley's affordable housing activity addresses the lack of capital in smaller markets through work with many of our partners. The Office of the Comptroller of the Currency (OCC) regulates all national banks and ensures fair access to financial services.⁴ Thomas J. Curry, Comptroller of the Currency, stated that "we have observed that multiple institutions are competing with one another to find community development projects in cities, particularly in urban banking centers, while compelling lending and investment needs in less populated areas are going unmet." In 2014, we made a \$5 million loan to **Coastal Enterprises Inc.**, which supports the organization's community development initiatives in rural New England. The fund provides short-term loans, primarily for acquisition, predevelopment and construction loan activity for the production of affordable housing and mixed-use projects in low- and moderate-income neighborhoods and also supports small business lending.

Renovating Distressed Housing

Distressed and over-leveraged housing is among the most pressing problems in the affordable multifamily rental housing sector in New York City. Hundreds of affordable multifamily properties in New York City fell into serious disrepair following the housing boom and bust in the last decade as developers found they could no longer afford regular maintenance.

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
42	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

Morgan Stanley has taken a leadership role in responding to this significant issue by working with the **National Equity Fund** (NEF) and **Workforce Housing Advisors** (WFHA) to rescue distressed properties that appear on the “200 Most Distressed” list. The list is developed by New York City, through its Housing Preservation and Development agency, and identifies buildings where residents are living in substandard and hazardous conditions. Rehabilitating these properties to maintain and increase the stock of decent, affordable housing requires innovative financing structures and close partnership with government agencies, tenant associations and developers. We have financed the recovery of 618 distressed affordable housing units since 2011.

In 2014, Morgan Stanley was one of the top lenders in a \$350 million fund, which will allow the **Community Preservation Corporation** (CPC), a leading nonprofit lender, to provide loans for the rehabilitation and preservation of affordable housing throughout New York. With support from the city and state, the fund is an important public-private-nonprofit collaboration and a key means of addressing New York’s housing affordability crisis. The fund will support the preservation and stabilization of more than 7,500 affordable housing units.

We continued to give grant support to **Enterprise Community Partners, Inc.**, one of the firm’s strategic community development partners. Its Public Housing program brings high-impact energy efficiency solutions to New York City Housing Authority (NYCHA) developments. The planning phase of this project, begun in November 2014, concluded in April 2015 with recommendations for an ambitious three-year retrofit program that would deliver up to \$14MM in annual savings across a portfolio of 66 developments. Enterprise is leveraging its cross-disciplinary teams in housing policy, public sector financing, energy and sustainability, and resiliency to support NYCHA, its sister

city agencies and its partners in identifying opportunities to integrate solutions that result in improved comfort, safety and overall quality of life for vulnerable tenants, including children and seniors.

Morgan Stanley also funds initiatives that target youth residents of the buildings we help finance. Building upon our successful Kelly Street Baseball Hall of Fame Curriculum project, in 2014 we expanded the project through grant funding for the Baseball Hall of Fame curriculum delivery to two public middle schools attended by residents living in four rehabilitated buildings on Creston Avenue in the Bronx. The Baseball Hall of Fame uses baseball to explore a range of topics, from civil rights and women’s history to business and math. 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.

STRENGTHENING LOCAL ECONOMIES

While affordable housing is an essential ingredient for healthy communities, employment, transportation, financial and other services are also vital and interlinked. Since 2010, our support for affordable housing, small business and community development has helped create or retain nearly 52,800 jobs.⁵ (See also **Social Finance**).

Creating Equitable Transportation-Oriented Development

Lack of transportation can provide a physical and financial barrier to economic activity. We have worked with partners on Equitable Transit Oriented Development (ETOD), which aims to integrate housing and public transit to help local residents find employment. Communities with ETOD can thrive because businesses have access to commuters and employees have access to work.

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
43	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

A Morgan Stanley grant has helped the **Low Income Investment Fund** and **Envision Utah** to develop an ETOD fund for the State of Utah by leveraging policy initiatives, public investment and private capital to create a financing tool that will direct affordable housing opportunity to transit-rich neighborhoods and align housing and transportation resources. Morgan Stanley employees worked on the business plan, including chairing the plan Task Force, connecting two leading CDFIs with local municipal authorities and speaking at public meetings designed to build consensus within the community.

Supporting Smaller Businesses

Small businesses are particularly important for local economies and they often struggle to access the capital needed to finance expansion and support additional jobs. In 2014, in partnership with CDC Small Business Finance, we provided almost \$24 million in Small Business Administration (SBA) 504 loans to support small businesses throughout the US.

Morgan Stanley, through a loan to **Craft3 Capital**, is leveraging available public funds to provide support to mid-sized businesses that no longer qualify for traditional financial institutions due to the performance of their business during the recession and tightening credit standards. Craft3 Capital is a US Treasury-designated Community Development Financial Institution (CDFI) in the Pacific Northwest that has helped almost 5,000 people and businesses.

The **Pete Suazo Business Center** (PSBC) is a business resource in Salt Lake County, Utah, that is committed to the development and empowerment of Latino/Hispanic and underserved communities by promoting education in finance and business for existing and potential minority entrepreneurs. The PSBC offers classes that cover basic family financial literacy and essential concepts for aspiring entrepreneurs, including the Utah Valley University-certified business plan development entrepreneurship course. During 2011,

PSBC ran a successful pilot microloan program. Working together with contributors committed to the economic development of the local community, the Pete Suazo Business Center has developed a loan fund for microenterprises. PSBC students who demonstrate a high commitment to their business education at the Center and present a viable business plan may become eligible for a loan. In 2014, Morgan Stanley provided capital to support the expansion of the program. We also volunteered our expertise, helping with program design, implementation of origination and risk management software and support to take the program to full scale.

The White House launched the “Startup America” initiative in 2011 to celebrate, inspire and accelerate high-growth entrepreneurship throughout the nation. This mission to promote entrepreneurship is a core component of President Obama’s national innovation strategy for achieving sustainable growth and quality jobs. A key component of this strategy is the creation of Impact SBICs (Impact Small Business Investment Companies), which must deploy at least 50 percent of the total dollar amount of their investments into impact investments, such as those that target underserved markets and communities facing barriers to access credit and capital. In December 2014, the US Small Business Administration approved and licensed the Morgan Stanley Impact SBIC, which was formed by our Global Sustainable Finance team to promote economic development by providing debt capital to small businesses nationwide. Morgan Stanley Impact SBIC expects to invest a significant portion of its capital to businesses that are based in LMI neighborhoods and/or rural areas, businesses that serve LMI populations or businesses that operate in the education and health care sectors. To date, the Morgan Stanley Impact SBIC is one of six Impact SBICs in the nation and is the only bank holding company to be awarded an Impact SBIC license to date.

2 ABOUT MORGAN STANLEY

4 LETTER FROM THE CEO

6 SUSTAINABILITY AT
MORGAN STANLEY

14 GOVERNANCE AND ETHICS

18 RISK MANAGEMENT

25 SUSTAINABLE FINANCE
30 Environmental Finance
33 Public Finance
37 Social Finance

44 COMMUNITY
DEVELOPMENT

46 EMPLOYEES

53 PHILANTHROPY

60 OPERATIONS

68 AWARDS AND
RECOGNITION 2014

69 GRI INDEX

91 NOTES

The New Markets Tax Credit (NMTC) program was established by the US Congress to spur new or increased investments into operating businesses and real estate projects located in low-income communities. In 2014, Morgan Stanley received a \$60 million New Markets Tax Credits (NMTC) allocation to expand our investment programs to revitalize underserved communities. It was the highest amount awarded to any organization in the highly competitive selection process. In developing the application, Morgan Stanley worked closely with our Community Development Advisory Board to determine the areas of greatest need and committed that these national leaders in community development would review all allocations. The tax credits will support high-impact community development initiatives, including financing for health centers and small businesses.

ADDRESSING HEALTH NEEDS

Our **Healthy Futures Fund** addresses community needs by making connections between housing, poverty and health. The fund is a partnership with Local Initiatives Support Corporation (LISC) and the Kresge Foundation. It is managed by a LISC affiliate, New Markets Support Company, as part of its Building Sustainable Communities strategy for low-income neighborhoods.

The fund supports Federally Qualified Health Centers and affordable housing, and financed a unique program that co-located a health center alongside new housing units. This program is important because residents in these communities still find it difficult to access primary health care even with increased health insurance coverage. Due to the success of the program, we increased our commitment, growing the total fund from \$100 million in 2012 to \$230 million during 2014. The expanded program will serve 75,000 people, and the construction will create approximately 2,200 jobs.

The first health center, Family Health Center, in Omak, WA, opened in 2014. Family Health Center received \$6.4 million in financing for the new facility, which replaces a smaller, outdated facility. It nearly quadruples the size of the medical clinic and doubles the size of its pharmacy. The clinic is substantially more efficient, improving medical provider productivity and the quality of patients' medical care and experience. As a result, Family Health Center expects to serve an additional 6,000 patients annually, the vast majority of whom are low-income and uninsured.

We also provided grant support for the Utah Vision Initiative of **CharityVision International** (CVI), which brings sustainable eye care to underprivileged and low-income individuals. CVI runs free eye screening programs and provides glasses, referrals for laser treatment and other services to meet identified needs in the community. Screening in Utah takes place at schools and community centers throughout Salt Lake County, reaching more than 13,000 children. Helping children who are struggling because of poor eyesight can help reduce high school dropout rates and create a better future for the children.

BUILDING CAPACITY

Strong nonprofit organizations and skilled community development professionals are necessary to help communities to grow and thrive. We help to build this capacity in New York City, notably through our **Fellowship Program**. Each year, we partner with the Association for Neighborhood and Housing Development (ANHD) to provide Fellowships at nine community development corporations for students from New York area universities' planning, real estate and public administration programs. The program helps to build the next generation of community development professionals while helping local organizations and supporting important projects.

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
45	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

CASE STUDY

Morgan Stanley, LISC Make Clinton Global Initiative Commitment to Action

Building on a successful pilot program that brought support to some of the nation's most distressed neighborhoods, Morgan Stanley, along with the Local Initiatives Support Corporation (LISC) and CDC Small Business Finance, announced a \$25 million Clinton Global Initiative (CGI) Commitment to Action for an expansion of the Job Creation and Community Revitalization Fund.

This CGI Commitment to Action more than doubles the impact of the 2012 pilot program, allowing the program to expand to more communities and provide additional opportunities for small businesses in underserved markets across the country to access capital through year-end 2015. First launched by Morgan Stanley and LISC in 2012, the initial \$10 million fund has been invested in a range of companies, from a dental practice in Milwaukee and a construction firm in Phoenix to

a neighborhood café in Indianapolis—all of which have added jobs in economically distressed areas as a result.

This fund is the first of its kind to combine the benefits of the Small Business Administration (SBA) 504 program with New Markets Tax Credits (NMTCs). The innovative fund structure allows for investments that are smaller than those associated with typical NMTCs, making the capital more flexible and responsive to the needs of small businesses in distressed areas of the US. This program allows small businesses to access affordable capital that otherwise would not be available to build and grow businesses—and consequently is expected to create more than 150 new jobs, according to SBA projections. In addition, most of the investments through the fund are part of broader efforts to revive struggling commercial areas and improve the overall quality of life in disadvantaged communities.

"The market for small business loans continues to be very tough, especially when considering the difficulty of trying to start or build a business in areas marked by high crime, high unemployment and long-standing poverty," noted Kevin Boes, president of LISC's New Markets Support Company, which manages the fund. "This program is important to helping revive the commercial prospects of low-income areas and, in the process, transform them into good places to live and work."

In the program's first two years, Fellows have worked on projects, including:

- Developing and managing a food initiative at Bridge Street Development Corporation in Bedford-Stuyvesant, creating a space for a combined restaurant, workforce-training program and kitchen incubator.
- Assisting Lott CDC with the Northern Manhattan Collaborative, a five-member group of nonprofits that

collectively owns and/or manages more than 3,200 affordable apartments, leveraging economies of scale and creating potential joint ventures.

- Working on the construction of a scattered-site low-income housing project and securing financing for the oldest settlement house at St. Nicks Alliance.
- Supporting small, local business development and retention in East Harlem with Hope Community.

Employees

2 ABOUT MORGAN STANLEY

4 LETTER FROM THE CEO

6 SUSTAINABILITY AT
MORGAN STANLEY

14 GOVERNANCE AND ETHICS

18 RISK MANAGEMENT

25 SUSTAINABLE FINANCE
30 Environmental Finance
33 Public Finance
37 Social Finance

39 COMMUNITY
DEVELOPMENT

46 EMPLOYEES

53 PHILANTHROPY

60 OPERATIONS

68 AWARDS AND
RECOGNITION 2014

69 GRI INDEX

91 NOTES

Talented and highly engaged employees are key to Morgan Stanley's success. We foster a diverse, collegial and respectful culture with a commitment to excellence—which is based on the firm's core values of *Putting clients first, Doing the right thing, Leading with exceptional ideas and Giving back*.

We employ more than 55,000 people in more than 43 countries. The firm's strategy emphasizes the role our employees play in achieving our business goals. To achieve these goals, we are committed to providing challenging and rewarding career opportunities to top talent. We invest in employee engagement, inclusion, development and well-being to create a strong workforce with a collaborative, client-focused culture.

ENGAGING EMPLOYEES

We encourage feedback from employees through formal and informal ways, including open-door sessions with senior managers, brown bag lunches, town hall meetings and 360° feedback.

In 2014, a third party conducted our confidential biennial firmwide Employee Survey, in which more than 40,000 employees from across the globe participated. The vast majority of employees who responded said that the firm's values are important and that their skills and abilities are well-used. Year-over-year turnover rates have been generally flat and within expected ranges.

Employee survey highlights

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

Voluntary turnover rates by region (%)

REGION	2014	2013
Asia Pacific	13	12
EMEA	13	12
North America	10	11

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
47	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

STRENGTHENING DIVERSITY AND INCLUSION

We aim to provide a professional work environment that promotes equal opportunity, dignity and respect for all. Everyone in the firm is expected to recognize diverse viewpoints, make decisions based on merit and lead with integrity. Our employee Code of Conduct prohibits any form of discrimination or harassment on the basis of any characteristic that is protected by law.

Our commitment to a diverse workforce and inclusive culture begins at the top and is reflected through our increasingly diverse leadership. In 2014, a female director was added to the Board of Directors, one woman to the Operating Committee and five women to the Management Committee. The firm also focused on the development of senior women and multicultural leaders through mentorship and development planning. In 2014, we launched a Senior Mentorship Program to continue strengthening our leadership pipeline by providing additional visibility for high-potential, diverse talent. The program encourages relationship building and pairs individuals with members of the firm's Operating Committee and divisional management committees.

In addition to driving change through leadership, several divisions sponsored business-specific efforts, including hosting our second annual Enhancing Diversity in Technology (EDIT) Forum, sponsored by our Technology Division. The forum brought together more than 170 technology

professionals to discuss technology trends, career advice and the importance of diversity to the industry's future. In 2014, the Institutional Securities Group and Operations Group each formed local diversity councils, joining Technology and several other divisions that use their councils to advance our diversity and inclusion goals.

We continued to demonstrate our commitment to lesbian, gay, bisexual and transgender (LGBT) talent. Morgan Stanley hosted the 2014 OutNEXT Summit, which convened more than 75 emerging LGBT leaders from financial services, the legal profession and the insurance industry to build leadership, business development and career-navigation skills. We also invited employees to attend an annual series of events in recognition of Pride Month, a celebration of the achievements, history, culture and contributions of the LGBT community.

Morgan Stanley has proudly signed on to three key amicus briefs before the US Supreme Court that support the right of same-sex couples to marry in every state.

As an increasing proportion of our workforce comprises millennials, senior executives participated in sessions that focused on generational differences with industry experts, including analyses from the employee survey and spending time with teams that have recently entered the workforce.

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
48	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

United States workforce diversity 2014

	BLACK OR AFRICAN-AMERICAN (%)	HISPANIC OR LATINO (%)	ASIAN (%)	AMERICAN-INDIAN OR ALASKAN NATIVE (%)	NATIVE-HAWAIIAN OR PACIFIC ISLANDER (%)	TWO OR MORE RACES (%)	WHITE (%)
Executives/ Senior Officials & Managers	2.0	2.5	7.7	0.1	0.0	0.3	87.4
First/Mid-level Managers	5.0	5.4	19.0	0.1	0.1	1.0	69.4
Professionals*	2.6	4.0	9.1	0.2	0.1	1.0	82.8
All Others**	9.7	9.2	6.8	0.3	0.3	1.4	72.4
2014 Total	5.0	5.7	10.8	0.2	0.2	1.1	77.0
2013 Total	4.7	5.4	10.5	0.1	0.1	0.9	77.8

* Includes EEO-1 category Sales Workers

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

*** Figures rounded to the nearest tenth.

CASE STUDY

Diversity in Recruitment

Diversity begins with building a strong pipeline of junior talent. Our programs to recruit a diverse workforce at these early stages include:

- The Richard B. Fisher Scholarship program, a competitive undergraduate scholarship that grants financial awards and sponsors summer internships for outstanding sophomore and junior black,

Hispanic, Native American and LGBT students for their exceptional academic achievement.

- Sponsors for Educational Opportunity, a program that places underrepresented multicultural students in internships across various industries.
- The Early Insights Program for women, black, Hispanic, veteran and LGBT students, which educates participants about the financial services industry and Morgan Stanley.

These programs give students the tools to become strong candidates for job opportunities in the financial services industry and position them for success as they begin their careers.

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
49	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

Supporting Women's Careers

As part of our commitment to recruiting candidates with diverse backgrounds and experiences, we launched Return to Work programs in New York and London in 2014. This 12-week paid internship program, open to professionals who have taken time away from their careers, aims to attract experienced female talent back into the workforce. Approximately two-thirds of the participants became full-time employees. Now in its second successful year, the program will be extended to Mumbai and Hong Kong in 2015.

Morgan Stanley Wealth Management held a Women's Leadership Summit that brought together 300 female financial advisors and managers for career development while engaging them in efforts to recruit more top women into the business. Wealth Management also became a founding partner of **MAKERS**, a television and digital video initiative from PBS and AOL, providing a platform for companies to recognize, celebrate and showcase outstanding female employees. Employees nominated more than 200 colleagues and the 15 most inspiring women were selected to be featured in the MAKERS collection. These 15 women shared their stories in a panel discussion and the video interviews are available on an internal website.

In addition, we support women's career development with several targeted programs and events, including a six-month Vice President Women Development series. The annual New Managing Director Conference includes a session specifically for women in 2014 and a separate conference was hosted for all newly promoted female Managing Directors.

In Asia, we launched a new program for female Vice Presidents—Unlocking Your Career Potential—focused on career planning, stakeholder management and developing resilience. A similar leadership program in Europe, the Middle East and Africa

(EMEA) provided career guidance for women professionals, and we ran a specific program for high-potential female Vice Presidents.

Additionally, in the UK, we began a new initiative—Women on Boards—with three workshops to help senior women use their professional skills and experience to find trustee and nonexecutive director roles.

In 2014, we launched a video series, featuring leading women from across the firm. *Insights: Women Leaders of Morgan Stanley* features the careers and accomplishments of female Managing Directors, who offer advice on leadership, career advancement and networking. The series was launched in conjunction with Women's History Month and International Women's Day, which we celebrated with several other events around the globe.

In Hong Kong, our Asia Women's Business Alliance hosted its second annual conference, focusing on the merits of gender diversity and the challenges that both women and men encounter as they seek to define and achieve their own version of success at work and at home.

Female employees by region (% of workforce)

2014

Asia Pacific	34
EMEA	33
Japan	39
North America	38
Global	37

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
50	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

Female employees by level of employment (% of workforce)

	FEMALE (%)
Executives/Senior Officials & Managers	16.5
First/Mid-level Managers	35.1
Professionals*	22.0
All Others**	74.6
2014 Total	38.6
2013 Total	37.9

* Includes EEO-1 category Sales Workers

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

Female employees to Managing Director (% of promotions)

	2014	2013
% of promotions	22	27

Sponsoring Networking

Networking provides invaluable opportunities for employees to share experience and advice. We sponsor more than 20 employee networks for a wide range of interest groups, including Family and Veterans Employee Networking Groups in North America, the African and Caribbean Business Alliance in EMEA and the Women's Business Alliance in Asia Pacific.⁶

The Family Network in North America was previously the Working Parents Employee Networking Group. The rebranding reflects a broader focus, with topics such as elder care, children's wellness, adoption, work-life integration and stress management. Following the launch in Hong Kong in late 2013, we established additional networks in India and Japan.

We began to launch the DisABILITY Taskforce program around the world in 2014. It aims to create a more positive, inclusive and disability-confident workplace by promoting the values and empowerment of people with disabilities. Five working groups focus on key areas, from recruitment to industry liaison.

The firm also hosts and participates in industry events and partners with key diversity organizations working with a variety of populations, including multicultural women, LGBT and veterans.

DEVELOPING EMPLOYEES

Our Talent Development Process provides employees with constructive feedback they need to improve their performance and develop their skills. It provides reviews twice a year, focusing on goals, performance and development areas. Managers also benefit from qualitative and quantitative performance feedback, which strengthens our promotion and rewards processes as well as identifies high-performing managers and their development needs.

To advance the skills of our employees, the firm provides learning solutions ranging from self-study to group sessions, catered to the needs of the business and employees. These tools include coverage of specific products, professional skills development and leadership programs. We also encourage employees to grow in other ways such as volunteering and participating in the Strategy Challenge (see [Philanthropy](#)).

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
51	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

In 2014, we launched a series of talent-development materials discussing management and development topics with employees. They were produced with leading online content producers like Harvard Business Publishing and Big Think videos to create an engaging experience for employees.

RECOGNIZING AND REWARDING ACHIEVEMENT

We aim to provide competitive packages that reward performance and discourage inappropriate risk-taking. Incentive awards include vesting, deferred payment, and cancellation and clawback provisions to protect the firm's interests.

Executive compensation is structured to promote sustained shareholder value creation by emphasizing discretionary variable annual performance payments and long-term incentives with specific financial targets. These payments reward achievement of the firm's financial and strategic objectives each year and performance that serves shareholders' interests in the longer term. We review our policies each year and do not encourage excessive risk taking (see [Governance and Ethics](#)). See our [Proxy Statement](#) for more information about our compensation policies.

We also recognize exceptional performance each year through honors such as the John J. Mack Leadership Award, named after our former CEO and Chairman. Winners are selected from employee nominations. Nominees have contributed beyond their day-to-day responsibilities and demonstrated leadership excellence to the firm's culture and values. In 2014, five recipients were honored at a reception in New York and each received \$5,000 to donate to the charity of their choice.

SUPPORTING EMPLOYEE HEALTH AND WELL-BEING

We strive to provide employees with a positive work atmosphere and to support them in improving the quality of their personal and professional lives.

As part of our comprehensive benefits program, we introduced Health and Wellness Advisors in January 2015. This personalized service is available to all US benefits-eligible employees. Advisors are experts in the firm's benefits and can help employees understand their health care options, which programs might be right for their personal health care needs and help them navigate the complexities of health insurance including finding quality doctors, understanding medical bills and resolving claims. The program is also available to employees' whole families, including their spouses, adult children, parents, in-laws and grandparents—at no cost to them. In 2014, our UK offices introduced a new health screening program available to all employees. The initiative has received positive reviews to date, and more than 2,000 employees are expected to participate by the middle of 2015.

We also offer training and resources to help US employees go beyond basic health care, helping them manage stress and take control of their health and the well-being of their families. Monthly lectures and seminars cover a variety of health and wellness topics. In the US, we hosted 120 events in 2014, attended by more than 5,200 employees. Ninety-three percent of participants said that they would recommend the sessions to a colleague.

To help employees all over the world manage the physical stress that can come with working in an office and reduce workplace injuries, we provide free ergonomic assessments and have done so

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
52	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

for nearly two decades. Each assessment results in an individualized plan for adjustments to furniture and equipment to optimize the space ergonomically. In 2014, we facilitated 196 assessments.

In London, our wellness team continued programs, launched in 2013, to help employees manage workplace stress. After receiving positive feedback on the program's first year, the team offered more than 40 events addressing stress management that attracted more than 700 employees.

Our New York City headquarters, remodeled in 2013, includes a 23,000-square-foot Wellness Center that has an on-site health center with full-time health care providers, an on-site physical therapy team from ColumbiaDoctors and a full-service fitness center. Globally, we have a total of five health centers that offer

medical services, exams, preventive and diagnostic testing, prescription-fulfillment services, and flu and allergy shots. Health services in our wellness centers are covered by the Morgan Stanley Medical Plan, and most services are offered at no cost to employees. During health care crises, such as the 2014 Ebola epidemic, our on-site medical providers and physicians at partner hospitals provide guidance to our employees.

Life is a continuum and wherever an employee may be at a particular point in time, the firm offers programs, resources and tools that help make it a bit easier to manage or navigate. Whether employees are concerned about a medical issue, looking to expand their family, preparing for the purchase of a home or providing care for their parents, the firm offers programs to help them at each stage of their life.

Philanthropy

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

For Morgan Stanley, effective philanthropy combines the strategic thinking of our people with the firm's financial resources. It's through this collective effort that the firm and our foundations can create lasting impact.

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.

IMPROVING CHILDREN'S WELL-BEING

Through our Global Alliance for Children's Health, Morgan Stanley has dedicated itself to improving the health and well-being of children through philanthropic partnerships and investments in pediatric care.

Long-View Approach

Morgan Stanley's Global Alliance demonstrates the firm's abiding value of creating long-term value. With commitments of more than \$128 million and more than 40 partners globally, the alliance has actively worked in our communities for 40 years to give children the healthy start they need for lifelong achievement. The program identifies leading nonprofits that have proven track records of improving children's well-being. Through a multi-disciplined approach—thought leadership, funding and direct volunteer engagement—we work with these partners over the long haul, creating excellence together that ensures continuity of services and sustainable outcomes.

2014 Highlights

- More than 29,000 employees volunteered 484,000 hours.
- The firm and our employees donated more than \$98 million, a roughly 8-percent jump from 2013. We set a new record for the firm of 209,304 hours of service during Global Volunteer Month.
- The 2014 Strategy Challenge delivered 13,000 hours of pro bono advice to 12 nonprofit partners, valued at \$2 million.⁷
- 74 percent of our employees (more than 43,000) participated in our giving, volunteering and pro bono programs.

Among the outcomes of these efforts:

- Built a state-of-the-art children's hospital at NewYork-Presbyterian that annually serves more than 55,000 children and sees some of the most complicated medical cases in the country. The firm and our employees contributed \$60 million towards its development.
- Created a new donor model for Feeding America that drives innovation through pro bono engagement. Our efforts, totaling more than \$13 million in funding and significant pro bono

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
54	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

hours, have delivered more than 10 million meals and 50 million servings of healthy foods for poor children and have also spurred infrastructure changes that annually save the organization millions of dollars in redundant costs.

- In the US, we were the first national funder of Grow Clinics, specialized centers that provide a multidisciplinary approach for children suffering from Failure to Thrive, primarily due to poverty. Our support, which totals more than \$3.5 million, supports clinics in Boston, Chicago, Houston and Los Angeles and annually nurses more than 1,000 babies and toddler back to health.
- Made a significant contribution towards the Morgan Stanley Clinical Building at Great Ormond Street Hospital in London, which has allowed the hospital to increase its services by 10 to 30 percent in three specialty wards. The center opened in 2012 and houses four state-of-the-art operating theaters, and modern Heart and Lung, Kidney and Neurosciences Centers with inpatient wards for children with acute and chronic conditions.
- Will have provided world-class fellowship training for 90 physicians from 12 different specialty areas from Beijing Children's Hospital through a unique exchange program with the Morgan Stanley Children's Hospital. These doctors then share their learnings through a train-the-trainer model with physicians from rural communities through the newly formed Beijing Children's Hospital Group—a national alliance of children's hospitals that work together to share research and best practices to help improve pediatric care across China.
- Partnered with Kids Company to open the Morgan Stanley Heart Yard, a unique, community-based structure that creates a much needed private, secure place for children and their

families to receive critical therapeutic support including one-on-one therapy sessions, group therapy, therapeutic play work, activities and other support. Focused on children whose lives have been disrupted by violence, abuse and neglect, in 2014, the Morgan Stanley Heart Yard provided a space for more than 850 children, young people and their families to receive support.

In addition to these prominent projects, in 2014, across the globe, these efforts played out locally in the communities where the firm has a significant presence.

In the United States

Morgan Stanley's Fill the Plate initiative with Feeding America provided more than \$1 million in grants to local food banks to launch, expand and/or sustain childhood feeding programs. Forty-nine cities in 26 states received grants ranging from \$7,500 to \$50,000 during the year, ultimately providing more than 7.9 million meals to 115,000 children and their families. In each site, local employees joined forces with the food bank to help sort and prepare food, help with fundraising and even mentor and advise leadership. All totaled, more than 3,600 employees contributed 12,300 hours of volunteer time to Feeding America food banks across the United States during the year.

In an effort to provide quality medical care in Miami, Chicago, San Francisco and New York, the Morgan Stanley Foundation partnered with Children's Health Fund in all four cities to expand delivery of care to indigent children. Our new, \$1MM three-year commitment will bring mobile medical clinics into disenfranchised communities, to provide ongoing medical and mental health care to children. Over this time period, the project is expected to provide more than 25,000 care visits to more than 6,300 pediatric patients each year.

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
55	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

Across Europe, the Middle East and Africa

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 UK, our Glasgow employees continued their support of Yorkhill Children's Hospital, raising more than £50,000, which was matched by the Morgan Stanley International Foundation. Funds were used for two developments: an entertainment hub to enable the children to watch films or star in their own plays; and a "Teddy Bear Clinic," which allows children to see first-hand the procedures they may need to go through by using miniature diagnostic equipment on their teddy bears. These developments will form part of a new hospital, which will be ready in 2015.

In Asia

In Hong Kong, employees and the firm delivered dollars, volunteer time and extensive pro bono strategic planning to the Rainbow Project to help the charity kick start a new program that will provide occupational and speech therapy services to underprivileged children.

In China, our volunteer and grant dollars were combined to enhance the care of orphaned children with disabilities through our partnership with Chun Miao Little Flowers. Our support enabled the charity to hire additional caregivers to improve the care of 200 children.

In Australia, in partnership with Starlight Children's Foundation, firm and employee giving and volunteer efforts

provided entertainment and fun for nearly 700 children suffering from serious illnesses.

In India, we completed our second year of fundraising and volunteering for Helen Keller Institute for the Deaf and Deafblind. These efforts, which have contributed a total of \$75,000, will help to construct a new home in Karjat, which will be used to house 25 deaf and deafblind children (many of whom are orphaned). In addition to the residency program, the new Karjat location will offer vocational training for local deaf and deafblind youth.

In Japan, the firm combined its funding with hands-on engagement to help Playground of Hope build a new playground for preschoolers in Tohoku, the region hit hardest by the March 2011 earthquake and tsunami. Created through employee-led fundraising and matching support from the firm, the project involved moving 20 tons of sand to create a solid foundation for a playset that features two towers, a slide and colorful benches. The new site will serve more than 150 children and is located at the Fukushima Lumbini Kindergarten.

The project is just one of many that our Japanese offices have undertaken since the horrific 2011 disaster. In addition to creating new play places for children, since 2012, these efforts have also included a reforestation project in Chiba that can be a critical breakwater in disaster mitigation for the future. A total of 220 employees and family members have made five visits to the affected area to plant, maintain and grow pine tree seedlings in conjunction with the NPO Forest Lifestyle Laboratory.

Fueling Innovation

In 2014, Morgan Stanley launched Healthy Cities, an innovative initiative that integrates the fundamentals that children need to thrive

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
56	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

in a single community. Delivered in concert with respected national and local partners, Healthy Cities addresses the specific needs of underprivileged children and their families by delivering the basic fundamentals—nutritious food, wellness screenings, nutrition education and safe play and exercise—in tandem with each other.

The program launched in Chicago, Ill., Newark, N.J., and Oakland, Calif., during the year, and by year-end, had delivered 534,000 meals, created regular fitness programs, provided screenings for more than 800 children and educated 950 families. Through the hands-on work of our employees, we built three new playgrounds, allowing 2,000 children to regularly access a safe place to play (a critical component to both physical and cognitive development).

Led by a triumvirate of the Morgan Stanley Foundation, KaBOOM! and Feeding America and its affiliated food banks, the program couples national expertise with local know-how, delivering direct services to families through a network of 12 local charities.

Following completion of the program's first 12 months, the Healthy Cities partners will release first-year evaluations confirming the impact of the projects and areas for improvement. We anticipate announcing 2015 Healthy Cities sites early in the year, including projects outside the United States.

CREATING OPPORTUNITIES

Recognizing the impact that early training and access can have on lifelong economic success, for more than 20 years, Morgan Stanley has supported minority business students and other underserved youth to develop their skills, achieve academic success and gain entry into the financial services sector. These initiatives have directly funded the educations of nearly 600 minority business students and supported education and early career counseling

programs to thousands more through partnership with A Better Chance, American Indian College Fund, Hispanic Scholarship Fund, Prep for Prep and Sponsors for Educational Opportunity.

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 2014, we provided \$630,000 in scholarships through the program, benefiting 44 students.

London employees continued their fundraising and volunteering partnership with the Prince's Trust, which launched in 2013. The UK-based charity supports disadvantaged young people, giving them the practical support they need to stabilize their lives and enabling them to move into work, education or training. Employees and the Morgan Stanley International Foundation raised £1.5 million towards the new Prince's Trust Morgan Stanley Centre, which will provide more than 500 young people annually a vital lifeline and a chance to plan a better future. Firm employees were recognized by the Prince's Trust with the "All Round Hero" award for the company with the best employee fundraising and volunteering participation in 2014.

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, to identify employment opportunities for local residents among the firm's

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
57	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

suppliers. In 2014, 90 young people benefited through mentoring, work experience and training placements, with 46 securing employment as a result of the project. Nearly 400 young people have benefited from this project over the past four years, and close to 1,000 employees have volunteered with ELBA throughout the year.

In Singapore, 500 employees were involved in a year-round fundraising and volunteer effort to renovate school premises for Child at Street 11, a local charity that provides subsidized education for underprivileged children.

In Taiwan, for the 11th 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 as judges in student competitions to share their knowledge and real-life business experience. These students also participate in consulting practicums for the firm, which deepens their exposure to more practical, tangible industry projects.

In Japan, Morgan Stanley senior leaders became teachers, educating students enrolled in the TOMODOCHI initiative about our industry, our work and the firm. The event was the culmination of a two-week immersion training program in Washington, D.C., that develops leadership in students from Japan through a unique education and cultural exchange program with students from the US. Morgan Stanley was one of the key sponsors of the initiative, which launched in 2013. Participating Japanese students were invited to our Tokyo headquarters in August both to learn more

about financial services and to share their major findings from the initiative and exchange ideas with our senior leaders.

DISASTER RELIEF

We are committed to giving generously and helping our communities recover following disasters. In India, the firm gave US\$330,000 to support disaster relief efforts for the devastation caused by the September floods in the northern India provinces of Jammu and Kashmir. With Prime Minister Modi declaring this a national-level disaster and pledging full resources to the campaign, the donation went to the Prime Minister's National Relief Fund, with the government the principal driver of the relief efforts.

DRIVING EMPLOYEE ENGAGEMENT TO INCREASE IMPACT

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 illicit the highest impact for our partners. Through training, recognition and funding, we support our employees and seek to increase their impact.

Volunteering

Global Volunteer Month remains a high point of our year-round volunteering efforts and an opportunity for our employees worldwide to be engaged. In June 2014, our ninth annual Global Volunteer Month broke all records, with nearly 27,000 employees giving 209,304 hours, exceeding last year's record of 180,539 hours. Employees helped communities in 500 cities and 24 countries.

To increase the impact of our volunteering, in addition to our universal Global Volunteer Month efforts, the firm works through

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
58	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

36 philanthropy committees to deepen our engagement, bring more skills-based services to bear and more regularly engage employees. These committees currently drive efforts in 20 countries.

Tapping into the advanced talents of our most senior leaders, we also deliver the Nonprofit Leaders Program, a training and placement program that works to improve the service skills of our Managing Directors board. Delivered through beginner, advanced and deep-dive sessions, the program hones the skills of our Managing Directors, helping them to better deliver governance, strategic thinking and planning to boards and, where possible, introducing them to new opportunities to serve. Nearly 300 of our Managing Directors have participated in our training, many joining new boards as a result.

Strategy Challenge

The Morgan Stanley Strategy Challenge is the epitome of Morgan Stanley's innovative approach to creating sustainable solutions for our nonprofit partners. Delivered annually, this signature pro bono program connects the firm's top-performing employees for an eight-week pro bono consulting project to create concrete deliverables and help our nonprofit partners amplify their meaningful impact on the communities they serve. Since 2009, it has delivered more than 45,000 hours, at a market value of about \$6.9 million,⁸ to 77 nonprofit organizations. Its real value, however, is in the customized recommendations and strategies that help our nonprofit partners create more effective business models, expanded services and productivity improvements.

In 2014, we brought Strategy Challenge to the UK, delivering advisory services to four London-based entities, and continued our annual engagement in the US, serving 12 New York and San Francisco-area charities. Nearly 70 high-performing employees

Meet the Winners

The Morgan Stanley teams working with American Foundation for Suicide Prevention (AFSP) (US) and Community Links (UK) were the respective winners of the Strategy Challenge in 2014.

American Foundation for Suicide Prevention:

The organization is exclusively dedicated to understanding and preventing suicide through research, education and advocacy. The Morgan Stanley team working with AFSP developed a plan to expand usage of a proprietary screening tool that identifies at-risk individuals in need of mental health support. Today, the tool is used successfully by many of the nation's universities. AFSP wanted to amplify its impact by incorporating the tool in workplace settings without draining current resources. The Morgan Stanley team developed a cost-effective way to scale the program, recommending that AFSP partner with employee-assistance programs to implement the screening tool into the EAP offerings to corporations instead of having the organization market the tool on their own.

Community Links:

Community Links seeks to tackle the causes and consequences of social exclusion in East London by raising aspirations for a better life, reducing poverty, extending opportunities in education and employment and building a stronger community. The Morgan Stanley team, working with Community Links, developed a strategy and operating model for growth that will help to effectively expand the charity's services into a new borough in East London that complements other existing social and charitable services, reaching many more beneficiaries who need vital support.

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
59	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

participated in this year's challenge, collectively donating more than 13,000 hours—a record for the program, with a market value equivalent of \$2 million.

Surveys of the 2014 participating charities found:

- 100 percent of organizations believed the project was critical to their ability to meet its mission.
- 100 percent of organizations believed that the project provided them with a framework to address similar challenges in the future.
- 100 percent would recommend that other nonprofits participate in the Strategy Challenge.

Incentives

Morgan Stanley is committed to supporting those charities to which our employees donate their time, talent and resources, and to highlighting the incredible work of our people. Through a series of recognition and funding offerings, we hope not only to support existing volunteers, but to encourage more to get involved.

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 anywhere 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, US employees who give to our Annual Appeal receive up to \$4,000 in matched funding to donate to a US charity of their choice through a Charitable Spending Account. More than 14,000 employees received these accounts in 2014, which totaled more than \$9.1 million.

Similarly, the Morgan Stanley Foundations and our Asia Pacific Community Affairs corporate program make grants to nonprofits where employees volunteer through our global Volunteer Incentive Program. In 2014, these efforts awarded more than \$2.9 million to roughly 900 charities across the US, Asia and Europe.

Operations

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

We take our environmental stewardship and responsible sourcing commitments seriously and continually seek to improve our operational impacts. The energy and water we use in our buildings, the products and services we buy and the waste we generate all affect society and our environment. We work with partners and employees to implement best practices and improve our performance, supplier responsibility and supplier diversity.

Our most significant direct environmental impacts arise from our buildings, particularly the energy we use in our offices and data centers. We set high standards for buildings and equipment and engage employees to put continual performance improvements into practice. We also work with suppliers to extend our impact on sustainability along the supply chain and to enhance supplier diversity. Our direct impacts are relatively minor compared to our financial markets activities, which are reported in [Sustainable Finance](#).

A THOROUGH APPROACH TO MANAGING IMPACTS

Our [Environmental Policy Statement](#) asserts our commitments and guides our approach to operational sustainability. It recognizes the importance of a healthy environment for our business and our people, as well as global society and the economy. It commits us to best practice in facilities management and product procurement and leads us to develop effective relationships with contractors and suppliers to encourage best practice and to support our environmental objectives.

The firm was an early supporter of the [CDP](#) (formerly Carbon Disclosure Project), a nonprofit through which institutional investors encourage transparency on companies' greenhouse

gas (GHG) emissions. We have reported environmental data to the CDP since 2006 and ensure the accuracy of data through verification in accordance with the ISO 14064-3 standard. Morgan Stanley was included in the CDP S&P 500 Climate Disclosure Leadership Index for the fifth consecutive year in 2014. In 2014, we outperformed our industry group and overall average in both disclosure and performance, with a disclosure score of 99 and a performance rating of B.

Our London offices operate an Environmental Management System based on the ISO 14001 standard, designed to improve environmental impacts and risks from operational activities. Our UK Operations team was certified to the Carbon Trust Carbon Standard for the third time, based on carbon emission reductions across the UK portfolio, including data centers and ground transport.

High Building Standards

Our standards for all new construction and renovation projects are guided by organizations such as Leadership in Energy and Environmental Design (LEED) and Building Research Establishment Environmental Assessment Methodology (BREEAM). We prefer environmentally responsible technologies

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
61	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

and equipment, including recycled or local materials and high-efficiency lighting, office equipment and bathroom fixtures. Workspace design principles include daylight for all employees and other features to enhance employees' experience.

Twenty-seven of our office buildings have LEED certifications, covering 4.5 million square feet, including Gold for our global headquarters in New York, N.Y., which is undergoing a multiyear infrastructure upgrade and renovation. In 2014, our Otemachi Financial City office in Japan received a LEED Gold certification and call centers in Ohio and Utah achieved LEED Silver.

At present, one of the buildings we occupy in London is going through a refurbishment program where BREEAM is being applied to the fit-out works as well as the UK refurbishment assessment scheme Ska for part of the works. This project is due for completion at the end of 2016.

MINIMIZING ENERGY AND EMISSIONS

We are making progress towards our goal of a 15-percent reduction in office space emissions per square foot from 2012 to 2017 achieving a 5.65 percent decrease through 2014. This effort builds upon our previous progress in GHG reductions, and, when achieved, will represent a total reduction in emissions per square foot of 38 percent since 2006. We have already met our target to increase data center efficiency by 5 percent over 2012. Since 2008, our data center efficiency has improved by a total of 24 percent.

Our strategy for achieving the emission goals is twofold:

- Reduce our actual energy use through investments in projects that improve efficiency at our offices and data centers.

- Use renewable, low- or zero-emission energy, where appropriate, for energy usage we cannot eliminate through efficiency improvements.

Continually Improving Energy Efficiency

Our programs identify opportunities to reduce energy consumption at our sites around the globe. In upgrading our headquarters building we have integrated measures such as high-efficiency lighting, occupancy sensors and high-efficiency chillers for the HVAC system. In 2014, we replaced lighting in several buildings with more efficient LED lights:

- At 522 5th Avenue, we completed an LED retrofit of the existing "high hat" light fixtures. This will reduce energy consumption by approximately 850,000 kilowatt hours (kWh) each year, cutting annual GHG emissions by 241 metric tons. We are currently rolling out this retrofit to other buildings in the New York area. The combined benefit will be an annual reduction of 2.1 million kWh and 594 metric tons of CO₂e.
- At 2000 Westchester Avenue, we replaced the exterior lighting with LEDs, saving approximately 150,000 kWh annually and reducing our GHG emissions by 42 metric tons each year.
- In 2014, we converted certain exterior lights at 1585 Broadway to LEDs, which will reduce our annual electricity use by approximately 250,000 kWh and reduce our annual CO₂e emissions by 72 metric tons.

To continue improvements in our data centers, we added "free cooling" systems in two UK data centers in 2014, which saves energy by using the ambient air instead of mechanical refrigeration. This system is sufficient to cool the IT Loads for about 93 percent of the year and for 33 percent of the year we are able to cool the

2 ABOUT MORGAN STANLEY

4 LETTER FROM THE CEO

6 SUSTAINABILITY AT
MORGAN STANLEY

14 GOVERNANCE AND ETHICS

18 RISK MANAGEMENT

25 SUSTAINABLE FINANCE
30 Environmental Finance
33 Public Finance
37 Social Finance

39 COMMUNITY
DEVELOPMENT

46 EMPLOYEES

53 PHILANTHROPY

62 OPERATIONS

68 AWARDS AND
RECOGNITION 2014

69 GRI INDEX

91 NOTES

entire data center load without mechanical refrigeration. This change is projected to reduce the data center efficiency (power usage effectiveness or PUE) by approximately 15 percent.

In the UK, Corporate Services are continuously working to identify energy-reduction initiatives within our office buildings, which are coordinated through monthly meetings focusing on high-consumption areas, out-of-hours energy loads and specific project opportunities. The London Campus has a 5 percent annual reduction target that is tracked month by month and reported against our goal. In total, the London campus achieved a 10 percent energy consumption reduction compared to 2013 levels, saving 2,442 metric tons of GHG emissions.

Some of the contributing factors in helping to deliver improved energy efficiency include chiller and UPS replacement projects, plant operation time control management, out-of-hours consumption targeting, lighting to LED replacements and air-validation projects.

The firm's UK offices and data centers are participants in the UK's Carbon Reduction Commitment Legislation, which ensures financial accountability for the emissions associated with the UK Portfolio. Morgan Stanley in the UK is also going through the process to comply with the European Union's Emissions Trading Scheme (EU ETS). In addition, a priority focus for 2015 is compliance with the European Union's Energy Efficiency

Energy and greenhouse gas emissions

	2014	2013	2012
Normalized office emissions (tCO₂/thousand square feet)	9.90	10.08	10.48
Total direct energy use (MMBtu)	464,586	458,547	468,233
Total direct energy use (MWh)	136,157	136,387	137,226
Total indirect energy use (MMBtu)	2,255,131	2,420,863	2,513,754
Total indirect energy use (MWh)	660,914	709,485	736,708
Direct energy use by source (MWh)			
Natural gas—stationary	93,774	94,957	99,858
Jet fuel—mobile	35,383	30,391	29,708
Diesel—stationary	5,398	6,071	4,928
Diesel—mobile	0	2,027	1,751
Gasoline—mobile	1,601	940	980

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
63	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

Energy and greenhouse gas emissions *(continued)*

	2014	2013	2012
Indirect energy use by source (MWh)			
Purchased electricity	629,128	671,843	701,524
Purchased cooling	18,715	25,208	25,409
Purchased steam	13,071	12,434	9,775
Total GHG emissions by scope (tCO₂e)	444,563	440,321	456,490
Scope 1	31,268	30,554	30,990
Scope 2	295,972	310,807	317,533
Scope 3	117,322	98,960	107,967
Total emissions by region (tCO₂e)	444,563	440,321	456,490
Americas	212,976	224,675	227,665
Europe	59,823	59,126	64,020
Asia	45,852	49,843	49,323
Travel	125,912	106,677	115,482
Total emissions by activity (tCO₂e)	444,563	440,321	456,490
Travel	125,912	106,677	115,482
Data center	146,852	150,881	148,406
Office	171,799	182,763	192,602

Directive, known in the UK as the Energy Savings Opportunity Scheme (ESOS), requiring regular audits and demonstration of energy efficiency management.

While energy use in buildings is the main source of emissions, business travel is also significant. The nature of our business means that much employee travel for face-to-face meetings is unavoidable, but we encourage videoconferencing and telecommuting when possible. We also encourage the use of energy-efficient vehicles and

make sure employees understand the impact of travel by displaying the associated CO₂e emissions when people are booking trips.

USING RENEWABLE ENERGY

A large solar photovoltaic array at our Westchester campus, installed in 2013, produced more than 1 million kWh of electricity in 2014, which reduced the firm's GHG emissions by 304 metric tons of CO₂e in 2014.

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
64	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

Waste: owned buildings in New York

	2014	2013	2012
Total waste in United States tons (New York offices only)*	2,346	2,026	2,001
Dry waste	685	671	702
Wet waste	1,379	1,118	1,066
Metal, glass and plastic	100	121	128
Compost	182	116	105

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

In 2014, we installed a solid oxide fuel cell at our Westchester property. The fuel cell runs on natural gas and produces 250 kW of reliable, continuous baseload power. Placed into service in late August, the fuel cell produced over 830,000 kWh by the end of the year.

REDUCING WATER, CHEMICALS AND WASTE

We aim to save water and reduce waste, and we promote recycling of waste material leaving our sites. Low-flow fixtures are installed in restrooms at many buildings and London's Canary Wharf building has waterless fixtures that use enzymes to clean and maintain the system. At 25 Cabot Square in London, we are testing low-flow filters on taps in an effort to further reduce our water consumption.

In 2014, we began testing a chemical-free cleaning method in our 20 Bank Street, London offices. Known as Lotus Pro, the process creates ionized water that is more effective than bleach in killing bacteria. The water can be used in mop buckets, sprays or other cleaning tools instead of conventional chemical products.

Most offices have dedicated recycling bins, but we do not always have control over the waste-handling arrangements in the leased spaces that

make up the majority of our real estate. Where we have control over waste disposal, we have contracted with vendors to segregate recyclable waste off-site, even if the waste was mixed into a general waste bin.

The London campus continued to send zero waste to landfill. The offices recycled 62 percent of the total waste collected, with the remainder sent for incineration to produce energy. In addition, 17 percent more food waste than in 2013 was sent for energy generation through anaerobic digestion.

Saving paper

Wasteful printing is reduced by default duplex printing and by introducing secure printing, which holds documents until the user requests them, minimizing copies that are no longer needed. The London campus has reduced the number of printers and encourages employees to use multifunction devices, and, in 2014, three quarters of printing paper was recycled after use.

We use certified sustainable paper in our UK offices and for documents, such as prospectuses, produced by the North American Investment Management division. Wealth Management clients

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
65	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

are encouraged to use electronic delivery and email instead of hard copies whenever possible.

ENGAGING EMPLOYEES IN ENVIRONMENTAL ACTION

Our employees' commitment to environmentally sound practices is essential to achieving our goals. Our Code of Conduct includes a formal requirement for environmental responsibility, and we encourage employee involvement in several ways.

The Environmental and Social Finance (ESF) Forum is an employee-led group that raises awareness and promotes discussion on sustainability. It had more than 1,000 members at the end of 2014 and was active in each of our regions. In 2014, ESF Forum events included:

- **The Morgan Stanley Sustainable Investing Challenge**, conducted jointly with the Kellogg School of Management at Northwestern University and INSEAD. More than 80 ESF Forum members helped select the finalists, reviewing submissions from 229 graduate students at 39 institutions.
- **Global Supply Chains: How Retailers Are Improving Sustainability**, hosted by the firm's New York ESF Forum.
- **Looking for Change, Building Solutions**, a screening of *Spent: Looking for Change* and a panel discussion about potential solutions to issues posed by the film.

We also host a Sustainability Month each year, exemplifying our commitment to advancing environmental sustainability and social responsibility through work with clients, partners and the communities where employees live and work. Hundreds of employees in the US, EMEA and Asia Pacific participated in discussions, volunteer projects and other events, including:

CASE STUDY

A Network of Champions in London

In London, a Sustainability Champions network was launched in 2013 that leads efforts to educate and engage employees in ways to reduce the environmental footprint of our operations. Sustainability Champions represent sustainability leadership in their divisions, encourage recycling, share information about upcoming events, collaborate with other Sustainability Champions and identify new initiatives to implement.

In 2014, the Champions met monthly to discuss ideas for new campaigns. They hosted an event with the World Wetlands Trust and partnered with the London ESF Forum to host a "Sustainability Awareness" speaker series that featured Urban Bees, Trucost and East End Homes. They also led a campaign to reduce office energy use by encouraging employees to turn off their personal computers at the end of the day. This network has also been adopted in the Glasgow office with the formation of the "Green Team."

- India—a workshop was held on recycling organic waste.
- London—volunteers spent a day with a local social housing charity, helping with leaf-mulching, raking and planting more than 1,000 daffodil bulbs for their community gardens.
- New York—volunteers assisted a nonprofit food rescue organization that prevents wholesome cuisine from being wasted by collecting from restaurants and delivering to partner nonprofits.

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
66	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

Many offices have also observed Earth Hour for several years. On March 29, 2014, more than 40 offices joined this World Wildlife Fund campaign to switch off lights for an hour, emphasizing the importance of individual actions, however small. Cafeterias also hosted events for Earth Day on April 22 and throughout the week, highlighting local and sustainable food offerings.

SUSTAINABILITY IN THE SUPPLY CHAIN

We spent more than \$11 billion in 2014 with almost 27,000 suppliers spanning real estate, IT, office supplies, professional services and travel. Our procedures 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.

By integrating sustainability considerations in our purchasing decisions, we can expand our impacts far beyond our own operations. We review suppliers' policies and compliance and require them to respect human rights. We prefer those who demonstrate a commitment to social, ethical and environmental programs and look for adherence to international standards such as ISO 14001 as well as inclusion in the Dow Jones Sustainability Index and FTSE4Good where eligible. The Standard Conduct for Service Providers sets standards and stringent policies equal to those set for our employees for all of our external service providers.

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

The Supplier Management Program includes rigorous processes to evaluate and monitor vendor risk when applicable vendors

are engaged and when services are altered significantly. Critical services and those with high inherent risk are monitored at least quarterly. Approximately 3,200 suppliers providing 4,400 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 suppliers providing products or services with high inherent risk.

Increasing Supplier Diversity

We are committed to supplier diversity because it improves competition and supports communities and small businesses. We aim to use competitive bidding wherever appropriate and have a long history of working with minority- and women-owned businesses.

Diverse spending is reviewed every quarter to identify opportunities for improvement. Each Sourcing Manager has supplier diversity targets by commodity. Overall spending with diverse suppliers in 2014 was \$269 million (compared with \$245 million in 2013). This represents 5 percent of the estimated procurement spend eligible for diverse suppliers, meeting our 5 percent overall goal, including Tier 1 and Tier 2 spend.

The firm is a member of several US groups, including the Women's Business Enterprise National Council, the National Gay and Lesbian Chamber of Commerce, the National Minority Supplier Development Council and the New York & New Jersey Supplier Development Council. The firm's Supplier Diversity Manager discussed our program in several meetings, including The National Women's Business Council (NWBC) in Washington, D.C., and the Women President's Educational Organization (WPEO) in New York.

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
67	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

When the Supplier Diversity team finds new qualified suppliers, they are added to our internal database and potential bidding opportunities are researched. Twice a year, a full listing of qualified suppliers is distributed to sourcing managers for inclusion in appropriate bids. We also continually review the project pipeline to ensure diverse-owned suppliers are being considered for potential opportunities. In 2014, diverse-owned businesses were included in 68 RFPs out of 354, representing 19 percent of the total compared to 16 percent in 2013.

To ensure suppliers understand the importance of the firm's Supplier Diversity Program, our primary suppliers are encouraged to partner with us. In 2014, 32 primary suppliers provided quarterly reports on supplier diversity spend related to the Morgan Stanley account (the Tier 2 Spend).

In 2014, we identified a new supplier diversity affiliate, WEConnect International, which certifies women-owned businesses internationally. They will broaden our supplier diversity program, initially in the UK followed by the Asia Pacific region.

The Supplier Diversity team also partnered with Morgan Stanley Wealth Management in an internal networking event, providing information for women-owned businesses on the theme of Women and Wealth: Building a Sustainable Business. It was an opportunity to explain the firm's procurement process, the Supplier Diversity program and how it can help women to sustain their businesses.

In 2014, Morgan Stanley was recognized for our commitment to supplier diversity by several publications, including the "Who's Who in Supplier Diversity" in the *Minority Business News* magazine.

Awards and Recognition 2014

2	ABOUT MORGAN STANLEY	Best Bank for Corporate Social Responsibility <i>Euromoney magazine</i> Awards for Excellence 2014 (Global)	Top 50 Military Friendly Employer <i>MilitaryFriendly.com</i> (United States)
4	LETTER FROM THE CEO	2014 S&P 500 Carbon Disclosure Leadership Index CDP (Global)	Top Corporate Ally for Diversity for Women and LGBT <i>Difference Matters magazine</i> (United States)
6	SUSTAINABILITY AT MORGAN STANLEY	Top 50 Employers for Women (4th consecutive year) <i>The Times</i> (United Kingdom)	#15 Ranking for The World's Most Attractive Employers Universum (United States)
14	GOVERNANCE AND ETHICS	#43 Best Companies for Diversity <i>Hispanic Business magazine</i> (Global)	Top 100 Women Financial Advisors <i>Barron's</i> awarded Morgan Stanley 16 spots, including the number 1 position (United States) ⁹
18	RISK MANAGEMENT	Top LGBT Friendly Companies <i>Hispanic Network magazine</i> (United States)	#14 Ranking in Top 100 Employers <i>Stonewall Workplace Equality Index</i> (United Kingdom)
25	SUSTAINABLE FINANCE	Top Diversity Employers <i>Hispanic Network magazine</i> (United States)	#70/100 Corporate Inclusion Index <i>Hispanic Association on Corporate Responsibility (HACR)</i> (United States)
30	Environmental Finance	Top Finance and Banking Companies <i>Hispanic Network magazine</i> (United States)	One of "Montreal's Top Employers in the 2014" <i>Montreal Gazette: Canada's Top 100 Employers</i> (Americas)
33	Public Finance	#42 Ranking on 50 Best Companies to Work for in the US <i>LATINA Style magazine</i> (United States)	Distinguished Corporate Citizen Award (Tom Nides) <i>A Better Balance</i> (Americas)
37	Social Finance	Top LGBT Friendly Companies <i>Black EOE Journal</i> (United States)	#4 of the 2014/2015 Guide of 100 #topemployers for undergraduates
39	COMMUNITY DEVELOPMENT	40 Best Companies for Diversity <i>Black Enterprise magazine</i> (United States)	Rate My Placement: The Top 100 Undergraduate Employers 2014 – 2015 (EMEA)
46	EMPLOYEES	Best Places to Work 100% on Corporate Equality Index <i>Human Rights Campaign</i> (United States)	
53	PHILANTHROPY		
60	OPERATIONS		
68	AWARDS AND RECOGNITION 2014		
69	GRI INDEX		
91	NOTES		

GRI Index

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
69	GRI INDEX
91	NOTES

GENERAL STANDARD DISCLOSURES		INDICATOR MET	LOCATION
Strategy and Analysis			
G4-1	Statement from most senior decision maker.	Fully	CEO Letter
G4-2	Key impacts, risks and opportunities.	Fully	Sustainability at Morgan Stanley; Governance and Ethics; Risk Management; Operations
Organization Profile			
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	Website, 2014 10-K disclosure
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	Global Offices
G4-7	Nature of ownership and legal form.	Fully	2014 10-K disclosure
G4-8	Markets served (including geographic breakdown, sectors served and types of customers and beneficiaries).	Fully	2014 10-K disclosure
G4-9	Scale of organization.	Fully	2014 10-K disclosure
G4-10	Total workforce by employment contract and gender.	Partially	Employees/Strengthening Diversity and Inclusion
G4-11	Percentage of total employees covered by collective bargaining agreements.	Partially	Approximately 2% of our contingent employees are represented by unions or work councils
G4-12	Describe the organization's supply chain.	Fully	Operations/Sustainability in the Supply Chain

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
70	GRI INDEX
91	NOTES

GENERAL STANDARD DISCLOSURES		INDICATOR MET	LOCATION
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership or its supply chain.	Fully	2014 10-K disclosure
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
G4-15	Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or which it endorses.	Fully	Operations/A Thorough Approach to Managing Impacts; Governance and Ethics/Respecting Human Rights; CDP
G4-16	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: <ul style="list-style-type: none"> • Has positions in governance bodies; • Participates in projects or committees; • Provides substantive funding beyond routine membership dues; or • Views membership as strategic. 	Fully	Sustainability at Morgan Stanley/Stakeholder Engagement; Operations/Sustainability in the Supply Chain; Social Finance/Expanding Access to Financial Services; CDP
Identified Material Aspects and Boundaries			
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	2014 10-K disclosure , 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	Sustainability at Morgan Stanley/Sustainability Strategy
G4-19	All the material Aspects identified in the process for defining report content.	Fully	Sustainability at Morgan Stanley/Sustainability Strategy
G4-20	The Aspect Boundary within the organization for each material Aspect.	Not Reported	

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
71	GRI INDEX
91	NOTES

GENERAL STANDARD DISCLOSURES		INDICATOR MET	LOCATION
G4-21	The Aspect Boundary outside the organization for each material Aspect.	Not Reported	
G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements.	Fully	The firm's results have been restated to reflect financial figures reported in the firm's Annual Report on Form 10-K for the year ended December 31, 2014. Scope 1, 2 and 3 emissions have been recalculated as noted on p. 62-63
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	Not Reported	
Stakeholder Engagement			
G4-24	A list of stakeholder groups engaged by the organization.	Fully	Sustainability at Morgan Stanley/ Stakeholder Engagement; CDP
G4-25	The basis for identification and selection of stakeholders with whom to engage.	Fully	Sustainability at Morgan Stanley/ Stakeholder Engagement
G4-26	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	Sustainability at Morgan Stanley/ Stakeholder Engagement
G4-27	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	Sustainability at Morgan Stanley
Report Profile			
G4-28	Reporting period for information provided.	Fully	About Morgan Stanley/ About This Report
G4-29	Date of most recent previous report (if any).	Fully	2013

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
72	GRI INDEX
91	NOTES

GENERAL STANDARD DISCLOSURES		INDICATOR MET	LOCATION
G4-30	Reporting cycle.	Fully	Annual
G4-31	The contact point for questions regarding the report or its contents.	Fully	sustainability@morganstanley.com
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
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 UK, our offices and data centers are certified by the Carbon Trust
Governance			
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; Sustainability at Morgan Stanley/Sustainability Governance; Risk Management
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	<u>Policy Regarding Communication by Shareholders and Other Interested Parties with the Board of Directors</u>

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
73	GRI INDEX
91	NOTES

	GENERAL STANDARD DISCLOSURES	INDICATOR MET	LOCATION
G4-38	<p>G4-38 Report the composition of the highest governance body and its committees by:</p> <ul style="list-style-type: none"> • Executive or nonexecutive • Independence • Tenure on the governance body • Number of each individual's other significant positions and commitments and the nature of the commitments • Gender • Membership of under-represented social groups • Competences relating to economic, environmental and social impacts • Stakeholder representation. 	Fully	2014 Proxy Statement
G4-39	Whether the chair of the highest governance body is also an executive officer (and, if confirmed, 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	2014 Proxy Statement
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	Nominating and Governance Committee Charter
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	2014 Proxy Statement

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
74	GRI INDEX
91	NOTES

	GENERAL STANDARD DISCLOSURES	INDICATOR MET	LOCATION
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
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	Nominating and Governance Committee Charter
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; Sustainability at Morgan Stanley; 2014 10K disclosure
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	2014 Proxy Statement
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

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
75	GRI INDEX
91	NOTES

GENERAL STANDARD DISCLOSURES		INDICATOR MET	LOCATION
G4-49	The process for communicating critical concerns to the highest governance body.	Fully	Policy Regarding Communication by Shareholders and Other Interested Parties with the Board of Directors
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.	Partially	Board of Directors Corporate Governance Policies; Policy Regarding Communication by Shareholders and Other Interested Parties with the Board of Directors
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	2014 Proxy Statement
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	

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
76	GRI INDEX
91	NOTES

GENERAL STANDARD DISCLOSURES		INDICATOR MET	LOCATION
Ethics and Integrity			
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; Corporate Governance Website
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/Promoting High Ethical and Business Standards; Corporate Governance Website
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/Promoting High Ethical and Business Standards; Corporate Governance Website
SPECIFIC STANDARD DISCLOSURES		INDICATOR MET	LOCATION
As in G4-19	Material Aspects List identified material Aspects.	Fully	Sustainability at Morgan Stanley
INDICATORS BY ASPECTS			
Category: Economic			
G4-DMA	Disclosures on Management Approach: Economic Aspects	Partially	2014 10-K disclosure ; About Morgan Stanley; Environmental Finance; Community Development; Sustainable Finance; Social Finance; Public Finance
Economic Performance			
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	2014 10-K disclosure ; About This Report

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
77	GRI INDEX
91	NOTES

SPECIFIC STANDARD DISCLOSURES		INDICATOR MET	LOCATION
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/Managing Environmental and Social Risk; CDP Report
G4-EC3	Coverage of the organization's defined benefit plan obligations.	Partially	2014 10-K disclosure
G4-EC4	Financial assistance received from government.	Fully	Morgan Stanley did not receive government financial assistance in 2014
Market Presence			
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	
Indirect Economic Impacts			
G4-EC7	Development and impact of infrastructure and services supported.	Fully	Environmental Finance; Community Development; Sustainable Finance; Social Finance; Public Finance
G4-EC8	Significant indirect economic impacts, including the extent of impacts.	Fully	Environmental Finance; Community Development; Sustainable Finance; Social Finance; Public Finance
Procurement Practices			
G4-EC9	Proportion of spending on local suppliers at significant locations of operation.	Partially	Operations/Sustainability in the Supply Chain

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
78	GRI INDEX
91	NOTES

SPECIFIC STANDARD DISCLOSURES		INDICATOR MET	LOCATION
Category: Environmental			
G4-DMA	Disclosures on Management Approach: Environmental Aspects	Partially	Operations; Sustainability at Morgan Stanley
Materials			
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
Energy			
G4-EN3	Energy consumption within the organization.	Fully	Operations; CDP Report
G4-EN4	Energy consumption outside of the organization.	Fully	Operations; CDP Report
G4-EN5	Energy Intensity.	Not Reported	
G4-EN6	Reduction of energy consumption.	Fully	Operations; CDP Report
G4-EN7	Reduction in energy requirements of products and services.	Not Reported	Not Applicable
Water			
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.	Partially	Operations

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
79	GRI INDEX
91	NOTES

SPECIFIC STANDARD DISCLOSURES		INDICATOR MET	LOCATION
Biodiversity			
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
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
Emissions			
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1).	Fully	Operations; CDP Report
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2).	Fully	Operations; CDP Report
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3).	Fully	Operations; CDP Report
G4-EN18	Greenhouse gas (GHG) emissions intensity.	Fully	Operations; CDP Report
G4-EN19	Reduction of greenhouse gas (GHG) emissions.	Partially	Operations; CDP Report
G4-EN20	Emissions of ozone-depleting substances (ODS).	Not Reported	Not Applicable
G4-EN21	No _x , So _x , and other significant air emissions.	Not Reported	Not Applicable
Effluents and Waste			
G4-EN22	Total water discharge by quality and destination.	Not Reported	Not Applicable

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
80	GRI INDEX
91	NOTES

SPECIFIC STANDARD DISCLOSURES		INDICATOR MET	LOCATION
G4-EN23	Total weight of waste by type and disposal method.	Partially	Operations
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 ² Annex I, II, III and VIII, and percentage of transported waste shipped internationally.	Not Reported	Not Applicable
G4-EN26	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Not Reported	Not Applicable
Products and Services			
G4-EN27	Extent of impact mitigation of environmental impacts of products and services.	Not Reported	
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category.	Not Reported	Not Applicable
Compliance			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	Fully	In 2014, Morgan Stanley did not receive any significant fines for noncompliance with environmental laws or regulations. For a description of Morgan Stanley's legal proceedings, please see SEC Filings
Transport			
G4-EN30	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Partially	Operations

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
81	GRI INDEX
91	NOTES

	SPECIFIC STANDARD DISCLOSURES	INDICATOR MET	LOCATION
Overall			
	G4-EN31 Total environmental protection expenditures and investments by type.	Partially	Environmental Finance/Financing Low-Carbon Technologies
Supplier Environmental Assessment			
	G4-EN32 Percentage of new suppliers that were screened using environmental criteria.	Partially	Operations/Sustainability in the Supply Chain
	G4-EN33 Significant actual and potential negative environmental impacts in the supply chain and actions taken.	Partially	Operations/Sustainability in the Supply Chain
Environmental Grievance Mechanisms			
	G4-EN34 Number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms.	Fully	Morgan Stanley did not receive any grievances related to environmental impacts in 2014
Category: Social			
Labor Practices and Decent Work			
	G4-DMA Disclosures on Management Approach: Labor Practices and Decent Work Aspects	Partially	Employees; Operations
Employment			
	G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region.	Partially	Employees/Engaging 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 global maternity retention rate in 2014 was 80.5%.

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
82	GRI INDEX
91	NOTES

SPECIFIC STANDARD DISCLOSURES		INDICATOR MET	LOCATION
Labor/Management Relations			
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements.	Not Reported	
Occupational Health and Safety			
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.	Partially	The following offices have a formal health and safety committee where managers and employees are represented: Frankfurt, Glasgow, Istanbul, Luxembourg, Milan, Moscow, Paris, and London.
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.	Fully	We had a total of 101 injuries in 2014. 30 injuries in EMEA; 1 injury in Asia; 70 injuries in the Americas
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation.	Not Reported	
G4-LA8	Health and safety topics covered in formal agreements with trade unions.	Not Reported	
Training and Education			
G4-LA9	Average hours of training per year per employee by gender, and by employee category.	Not Reported	
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 Employees
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employment category.	Partially	Employees/Developing Employees
Diversity and Equal Opportunity			
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

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
83	GRI INDEX
91	NOTES

	SPECIFIC STANDARD DISCLOSURES	INDICATOR MET	LOCATION
Equal Remuneration for Women and Men			
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	Not Reported	
Supplier Assessment for Labor Practices			
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria.	Partially	Operations/Sustainability in the Supply Chain; Risk Management
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken.	Not Reported	
Labor Practices Grievance Mechanisms			
G4-LA16	Number of grievances about labor practices filed, addressed and resolved through formal grievance mechanisms.	Fully	Morgan Stanley did not receive any grievances related to labor practices in 2014
Human Rights			
G4-DMA	Disclosures on Management Approach: Human Rights	Fully	Governance and Ethics ; Statement on Human Rights
Investment			
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/Respecting Human Rights; Risk Management/ Environmental and Social Risks; Statement on Human Rights
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

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
84	GRI INDEX
91	NOTES

SPECIFIC STANDARD DISCLOSURES		INDICATOR MET	LOCATION
Nondiscrimination			
G4-HR3	Total number of incidents of discrimination and corrective actions taken.	Not Reported	
Freedom of Association and Collective Bargaining			
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/Respecting Human Rights; Operations/Sustainability in the Supply Chain
Child Labor			
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/Respecting Human Rights; Operations/Sustainability in the Supply Chain
Forced or Compulsory Labor			
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/Respecting Human Rights; Operations/Sustainability in the Supply Chain
Security Practices			
G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations.	Fully	All security personnel are trained on Morgan Stanley's Code of Conduct
Indigenous Rights			
G4-HR8	Total number of incidents of violations involving rights of indigenous people and actions taken.	Fully	Morgan Stanley was not involved in any violations related to rights of indigenous people; Statement on Human Rights; Respecting Human Rights

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
85	GRI INDEX
91	NOTES

SPECIFIC STANDARD DISCLOSURES		INDICATOR MET	LOCATION
Assessment			
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments.	Not Reported	
Supplier Human Rights Assessment			
G4-HR10	Percentage of new suppliers that were screened using human rights criteria.	Partially	Operations/Sustainability in the Supply Chain
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken.	Not Reported	
Human Rights Grievance Mechanisms			
G4-HR12	Number of grievances about human rights impacts filed, addressed and resolved through formal grievance mechanisms.	Fully	Morgan Stanley is not aware of grievances filed in relation to human rights; Statement on Human Rights; Respecting Human Rights
Society			
G4-DMA	Disclosures on Management Approach: Society	Partially	Governance and Ethics; Community Development; Philanthropy; Operations
Local Communities			
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments and development programs.	Fully	Community Development; Philanthropy
G4-SO2	Operations with significant actual and potential negative impacts on local communities.	Fully	None

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
86	GRI INDEX
91	NOTES

	SPECIFIC STANDARD DISCLOSURES	INDICATOR MET	LOCATION
	Anti-corruption		
	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
	G4-SO4 Communication and training on anti-corruption policies and procedures.	Fully	Governance and Ethics/Promoting High Ethical and Business Standards
	G4-SO5 Confirmed incidents of corruption and actions taken.	Partially	2014 10-K disclosure
	Public Policy		
	G4-SO6 Total value of political contributions by country and recipient/beneficiary.	Fully	Governance and Ethics/Contributing Responsibly to Public Policy; www.fec.gov
	Anti-competitive Behavior		
	G4-SO7 Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices and their outcomes.	Fully	See SEC Filings
	Compliance		
	G4-SO8 Monetary value of significant fines and total number of nonmonetary sanctions for noncompliance with laws and regulations.	Fully	2014 10-K disclosure
	Supplier Assessment for Impacts on Society		
	G4-SO9 Percentage of new suppliers that were screened using criteria for impacts on society.	Partially	Operations/Sustainability in the Supply Chain; CDP
	G4-S10 Significant actual and potential negative impacts on society in the supply chain and actions taken.	Not Reported	

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
87	GRI INDEX
91	NOTES

SPECIFIC STANDARD DISCLOSURES		INDICATOR MET	LOCATION
Grievance Mechanisms for Impacts on Society			
G4-S11	Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms.	Fully	2014 10-K disclosure
Product Responsibility			
G4-DMA	Disclosures on Management Approach: Product Responsibility	Partially	Risk Management; Sustainability at Morgan Stanley; Risk Management
Customer Health and Safety			
G4-PR1	Percentage of significant products and service categories for which health and safety impacts are assessed for improvement.	Not Reported	Not Applicable
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
Product and Service Labeling			
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
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
G4-PR5	Results of surveys measuring customer satisfaction.	Partially	Sustainability at Morgan Stanley/ Stakeholder Engagement

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
88	GRI INDEX
91	NOTES

SPECIFIC STANDARD DISCLOSURES		INDICATOR MET	LOCATION
Marketing Communications			
G4-PR6	Sale of banned or disputed products.	Fully	Morgan Stanley does not sell banned or disputed products
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.	Partially	Risk Management/Managing Risk in Marketing and Sales
Customer Privacy			
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Fully	In 2014, Morgan Stanley did not receive any fines or sanctions for noncompliance with laws and regulations on personal data handling
Compliance			
G4-PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	Fully	2014 10-K disclosure
FINANCIAL SERVICES SECTOR SUPPLEMENT		INDICATOR MET	LOCATION
Financial Services Sector: Social			
Aspect: Society			
FS13	Access points in low-populated or economically disadvantaged areas by type.	Partially	Community Development

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
89	GRI INDEX
91	NOTES

FINANCIAL SERVICES SECTOR SUPPLEMENT		INDICATOR MET	LOCATION
FS14	Initiatives to improve access to financial services for disadvantaged people.	Fully	Social Finance; Community Development
Financial Services Sector: Product Responsibility			
Aspect: Product and Service Labeling			
DMA	Policies for the fair design and sale of financial products and services (former FS15).	Fully	Risk Management/Managing Risks in Marketing and Sales; Community Development
DMA	Initiatives to enhance financial literacy by type of beneficiary (former FS16).	Fully	Social Finance; Philanthropy/Creating Opportunities
Aspect: Product Portfolio			
DMA	Policies with specific environmental and social components applied to business lines (former FS1).	Fully	Environmental Policy Statement
DMA	Procedures for assessing and screening environmental and social risks in business lines (former FS2).	Fully	Risk Management/Managing 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/Managing Environmental and Social Risk
DMA	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines (former FS4).	Fully	Risk Management/Managing Environmental and Social Risk
DMA	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities (former FS5).	Fully	Risk Management; Social Finance; Community Development; CDP; Environmental Finance; Sustainable Finance

2	ABOUT MORGAN STANLEY
4	LETTER FROM THE CEO
6	SUSTAINABILITY AT MORGAN STANLEY
14	GOVERNANCE AND ETHICS
18	RISK MANAGEMENT
25	SUSTAINABLE FINANCE
30	Environmental Finance
33	Public Finance
37	Social Finance
39	COMMUNITY DEVELOPMENT
46	EMPLOYEES
53	PHILANTHROPY
60	OPERATIONS
68	AWARDS AND RECOGNITION 2014
90	GRI INDEX
91	NOTES

	FINANCIAL SERVICES SECTOR SUPPLEMENT	INDICATOR MET	LOCATION
FS6	Percentage of the portfolio for business lines by specific region, size (e.g., Micro/SME/Large) and by sector.	Fully	Form 10-K; Risk Management/Managing Environmental and Social Risk
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
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line, broken down by purpose.	Fully	Environmental Finance
Aspect: Audit			
DMA	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures (former FS9).	Not Reported	
Aspect: Active Ownership			
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	

Notes

2 ABOUT MORGAN STANLEY

4 LETTER FROM THE CEO

6 SUSTAINABILITY AT
MORGAN STANLEY

14 GOVERNANCE AND ETHICS

18 RISK MANAGEMENT

25 SUSTAINABLE FINANCE

30 Environmental Finance
33 Public Finance
37 Social Finance

39 COMMUNITY
DEVELOPMENT

46 EMPLOYEES

53 PHILANTHROPY

60 OPERATIONS

68 AWARDS AND
RECOGNITION 2014

69 GRI INDEX

91 NOTES

¹ <http://www.unpri.org/about-pri/about-pri/>

² http://www.morganstanley.com/sustainableinvesting/pdf/Thematics_Aug14_Summary.pdf

³ Dealogic; Syndicated Green Bonds

⁴ 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>

⁵ Job creation numbers are collected using a combination of industry-accepted methods

⁶ For more detail, please see <http://www.morganstanley.com/about/careers/enetworking.html>

⁷ According to standards developed by the Taproot Foundation

⁸ Based on standards developed by the Taproot Foundation

⁹ Source: Barron's "Top 100 Women Financial Advisors," June 9, 2014. Barron's is a registered trademark of Dow Jones & Company, L.P. All rights reserved. Barron's "Top 100 Women Financial Advisors" bases its ratings on qualitative criteria: professionals with a minimum of seven years of financial services experience, acceptable compliance records, client retention reports, customer satisfaction, and more. Financial Advisors are quantitatively rated based on varying types of revenues and assets advised by the financial professional, with weightings associated for each. Because individual client portfolio performance varies and is typically unaudited, this rating focuses on customer satisfaction and quality of advice. The rating may not be representative of any one client's experience because it reflects a sample of all of the experiences of the Financial Advisor's clients. The rating is not indicative of the Financial Advisor's future performance. Neither Morgan Stanley Smith Barney LLC nor any of its Financial Advisors pay a fee to Barron's in exchange for the rating.

DISCLOSURE

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

This report does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. Any securities mentioned are provided for informational purposes only and should not be deemed as a recommendation to buy or sell. Securities discussed in this report may not be suitable for all investors. It should not be assumed that the securities transactions or holdings discussed were or will be profitable. Morgan Stanley recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives.

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

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

This material is not a product of Morgan Stanley's Research Department or a research report, but it may refer to material from a research analyst or a research report. For copies of reports from Morgan Stanley's Research Department please go to <http://www.morganstanley.com/institutional/research/MorganStanley>.

Morgan Stanley, its affiliates, Financial Advisors and Private Wealth Advisors do not provide tax or legal advice. This material was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer. Clients should consult their tax advisor for matters involving taxation and tax planning and their attorney for matters involving trust and estate planning and other legal matters.

Third parties, including charities, mentioned within this material are not affiliated with Morgan Stanley. It is important to note that Morgan Stanley is not guaranteeing the review or diligence of the charities or philanthropic opportunities listed herein. Any mention of the third parties should in no way be considered to be a solicitation or endorsement by Morgan Stanley on behalf of the third parties named. If you choose to support any of the charities or philanthropic endeavors listed or any other charity that you separately identify, we recommend that you evaluate the charity or philanthropic endeavor, and make your own independent decision as to its legitimacy and merits.

Morgan Stanley will not receive referral fees from any of the charities listed herein or for donations from clients. Morgan Stanley is part of a diversified financial services company with millions of individual clients, and corporate, institutional and governmental clients in various countries around the world. Morgan Stanley routinely enters into a variety of business relationships for which either Morgan Stanley receives compensation, or pays for services, and such business relationships may include relationships with charities named herein, or with their employees or agents. It is not known whether the listed clients approve or disapprove of Morgan Stanley or the advisory services provided.

By providing a link to a third party website or online publication or article, Morgan Stanley is not implying an affiliation, sponsorship, endorsement, etc. with the third party or that any monitoring is being done by Morgan Stanley of any information contained within the article or web site. Morgan Stanley is not responsible for the information contained on the third party web site or your use of or inability to use such site. Nor do we guarantee their accuracy and completeness. The terms, conditions, and privacy policy of any third party web site may be different from those applicable to your use of any Morgan Stanley web site. The opinions expressed by the author are solely their own and do not necessarily reflect those of Morgan Stanley. Professional designations mentioned in the articles may or may not be approved for use at Morgan Stanley. Securities, investments, strategies or products mentioned or discussed on the third party website or online publication are neither an endorsement nor solicitation by Morgan Stanley. The information and data provided by the third party web site or publication is as of the date of the article when it was written and is subject to change without notice. Past performance is not a guarantee of future results.

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

Bonds are subject to interest rate risk. When interest rates rise, bond prices fall; generally, the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which is the risk that the issuer will redeem the debt at its option, fully or partially, before the scheduled maturity date. The market value of debt instruments may fluctuate, and proceeds from sales prior to maturity may be more or less than the amount originally invested or the maturity value due to changes in market conditions or changes in the credit quality of the issuer.

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

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

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

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

Morgan Stanley & Co LLC and Morgan Stanley Smith Barney LLC (collectively "Morgan Stanley") are registered Broker/Dealers, and not a bank. Where appropriate, Morgan Stanley has entered into arrangements with banks and other third parties to assist in offering certain banking related products and services. Investment services are offered through Morgan Stanley. **Unless specifically disclosed in writing, investments and services offered through Morgan Stanley are not insured by the FDIC, are not deposits or other obligations of, or guaranteed by, Morgan Stanley's bank affiliates and involve investment risks, including possible loss of principal amount invested.**

Investment services are offered through Morgan Stanley & Co LLC and Morgan Stanley Smith Barney LLC, members SIPC. Unless specifically disclosed in writing, investments and services offered through Morgan Stanley are not insured by the FDIC, are not deposits or other obligations of, or guaranteed by, the Bank and involve investment risks, including possible loss of principal amount invested.

