Morgan Stanley

2011 Sustainability Report

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

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

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

Giving young people a strong start in life is the most meaningful way Morgan Stanley can contribute to the communities in which we live and work.

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About Morgan Stanley

Morgan Stanley is a global financial services firm that provides investment banking, securities, investment management and wealth management services to a large, diversified group of clients and customers, including corporations, governments, financial institutions and individuals. As of March 31, 2012, we have a workforce of nearly 60,000 employees worldwide.

OUR CLIENT-CENTERED BUSINESSES INCLUDE:

Institutional Securities—provides financial advisory and capital-raising services to a diverse group of corporate and other institutional clients globally. In 2011, we were ranked #1 in global completed M&A by Thomson Reuters and #1 in global IPOs by Bloomberg. High-profile deals we led included the Groupon and LinkedIn IPOs. We received numerous prestigious awards across our businesses, including Best Global M&A House and Best Global Equity House from Euromoney and European Financial Advisor of the Year from the Financial Times. We offer our clients best-in-class capabilities across a broad array of businesses, including advice on mergers and acquisitions, restructurings, real estate and project finance; corporate lending; sales, trading, financing and market-making activities in equity and fixed income securities and related products, including foreign exchange and commodities; and investment activities.

Global Wealth Management Group—which includes the Company's 51 percent interest in Morgan Stanley Smith Barney Holdings LLC, provides brokerage and investment advisory services to individual investors and small-to-medium sized businesses and institutions covering various investment alternatives; financial and wealth planning services; annuity and other insurance products; credit and other lending products; cash management services; retirement services; and trust and fiduciary services and engages in fixed income principal trading, which primarily facilitates clients' trading or investments in such securities. We serve our clients through a network of nearly 17,200 global representatives in approximately 740 locations, and as of March 31, 2012, the Global Wealth Management Group had $1.7 trillion in client assets. In 2011, Barron's named 232 Morgan Stanley Smith Barney financial advisors to its list of top 1,000 advisors, and seven of the firm's financial advisors were ranked first in their respective states.

Asset Management—provides a broad array of investment strategies that span the risk/return spectrum across geographies, asset classes and public and private markets to a diverse group of clients across the institutional and intermediary channels, as well as high net worth clients. With investment professionals around the globe, we provide in-depth local knowledge and expertise while using the strengths of our worldwide presence to deliver targeted investment solutions.

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ABOUT THIS REPORT

This report covers our global operations during the year ended December 31, 2011, unless otherwise stated. We explain our approach to sustainability—including the risks and opportunities—and outline our performance.

This year, our reporting aligns with version 3.1 of the Global Reporting Initiative (GRI) guidelines. A GRI content index can be found on page 53. We have self-assessed the report at application level B.

Financial Information ($ millions)

	2011	2010	2009
Net Revenues			
Institutional Securities	$17,208	$16,169	$12,742
Global Wealth Management Group	$13,423	$12,636	$9,390
Asset Management	$1,887	$2,685	$1,294
Net Revenues—Consolidated*	$32,403	$31,387	$23,280
Non-Interest Expense	$26,289	$25,156	$22,150
Net Income Applicable to Morgan Stanley	$4,110	$4,703	$1,346
Earnings (Loss) Applicable to Morgan Stanley Common Shareholders	$2,067	$3,594	$(907)

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

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Over 75 years ago, Morgan Stanley was created with a single objective: help launch new industries made possible by advances in science and technology. With access to capital from the public markets, these businesses could create employment, contribute to economic growth and provide a return for investors.

Today, innovation remains the key to creating a sustainable future, and we in the financial services industry can play an important role in helping to meet the many social and environmental challenges facing the world.

From making markets globally to building deep partnerships locally, there are many ways in which Morgan Stanley contributes to sustainable development. The skills and ingenuity of our 60,000 employees enable us to identify unique opportunities that can benefit all stakeholders. We support businesses that tackle pressing problems in energy, health, water, agriculture and access to capital for the billions who live largely outside the mainstream economy.

For us, this means acting as a trusted intermediary in environmental and social financing initiatives. We are acknowledged as one of the leading advisors in clean technology and renewable energy, having intermediated more than $4 billion in securities in this sector in 2011 alone. We intend to build on our strengths by developing new market opportunities in this vitally important area.

Capital markets play a key role in helping finance new highways, hospitals, schools, water and sewer systems, museums, student loans and environmental improvements. Funds raised in the public markets support existing jobs and help create new employment opportunities. With government and other organizational budgets increasingly stressed, finding efficient financing is especially important to minimize the burden on taxpayers. In the volatile market conditions since the 2008 credit crisis, we have led the negotiated sale of more than 970 public financings totaling $122 billion.

We are committed to using our capital, financial expertise and leadership to build healthy communities in which all residents have the opportunity to thrive. Our global microfinance activities have provided access to capital to more than 30 microfinance institutions, benefitting several million low-income entrepreneurs. In the U.S., we seek to revitalize communities by creating and preserving affordable housing and supporting small businesses that drive local economies and create jobs.

We are determined to run our operations in a sustainable manner by shrinking our environmental footprint. Through employee volunteerism and philanthropy, we enable and encourage our employees to support the communities where they live and work.

Throughout our history, the people of Morgan Stanley have demonstrated a broad and deep commitment to integrity, excellence and collaboration with our communities. We look forward to building on that tradition by delivering long-term value and working with all of our stakeholders to contribute to a sustainable future.

James P. Gorman
President and Chief Executive Officer

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Sustainability at Morgan Stanley

As a global investment bank, Morgan Stanley is in a unique position to contribute to sustainable development by focusing the firm's intellect, financial acumen and global reach to facilitate access to capital. Morgan Stanley harnesses the power and discipline of the capital markets to create innovative, sustainable business models that strengthen communities, advance economic opportunity and protect the environment.

GLOBAL SUSTAINABLE FINANCE

Morgan Stanley's Global Sustainable Finance (GSF) group drives the firm's sustainability strategy and reports directly to the Chief Financial Officer and an advisory board of senior leaders.

To execute this strategy, GSF coordinates with business units across the firm, including Investment Banking, Global Capital Markets, Fixed Income, Commodities, Research, Investment Management and Morgan Stanley Smith Barney. Together, we help investors and clients develop long-term sustainable business models and investment products capable of achieving financial, social and environmental returns.

We focus on three areas:

Environment—We leverage our financial expertise and global presence to promote the development of a low-carbon economy.

Social Finance—We increase economic opportunity in communities both in the U.S. and around the world by leveraging our capital markets expertise to provide sustainable financing to low-income communities.

Community Development—We seek to revitalize communities in the U.S. by creating and preserving affordable housing and building communities to expand economic development and job-creation programs.

Morgan Stanley strives to be a thought leader on sustainability issues. GSF initiates industry research, convenes experts in the field and engages environmental and social nongovernmental organizations (NGOs), policy makers, businesses and investors.

GSF Advisory Board

An advisory board of senior leaders representing key business functions guides our sustainability strategy and efforts. They focus on assisting in building the sustainability franchise, both internally and externally, and providing support to specific GSF initiatives.

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In 2011, Advisory Board members included senior executives from Finance, Global Research, Global Sustainable Finance, Institutional Securities, Investment Banking, Legal, Investment Management and Morgan Stanley Smith Barney.

ENVIRONMENTAL COMMITTEE

Our Environmental Committee, composed of senior leaders from across Morgan Stanley, implements our environmental policies and its commitments. As well as sharing information about environmental initiatives across the firm, the committee is responsible for identifying business opportunities that will build on our expertise in this area.

REMUNERATION AND SUSTAINABILITY PERFORMANCE

Remuneration is linked to sustainability performance for those working in areas at Morgan Stanley where sustainability is a key component. These groups develop annual targets around sustainability, and Morgan Stanley evaluates them on their performance against these goals.

INTERNAL COMMUNICATION

We communicate our sustainability efforts to employees globally through a dedicated intranet site featuring our sustainability accomplishments, news, research and guidance on how employees can become involved. In addition, each employee receives a copy of our Code of Conduct, which includes statements about sustainability and our commitment to the environment.

We have established informal working groups, both cross-divisional and within individual business units, to address relevant sustainability issues and explore business and thought leadership opportunities for Morgan Stanley.

We also regularly highlight both global and regional sustainability activities through articles on the Morgan Stanley intranet, allowing us to communicate with all employees around the world.

Our employee-led Environment and Social Finance Forum raises awareness and educates employees on sustainability issues. Based in Hong Kong, London and New York, the group now has 1,500 members globally. The Forum encourages engagement and discussion on the future of environmental and social financing through events. Examples of activities in 2011 include:

- A panel at our New York headquarters, titled, "The Future of Climate Change Policy: Federal, State and Local Approaches." Focused on market-based approaches to climate change, the event hosted Morgan Stanley employees from a broad range of business units and explored how policymakers are tackling climate change amidst a global economic downturn.
- A speaker event in Hong Kong in May, titled "Triple P (People, Profit and Planet): Nice Concept, But Doable?" Speakers addressed the question using examples from Indonesia.
- Microfinance Strategy Workshops with microfinance charity Five Talents, in London. In the first workshop, teams of

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participants learned about microfinance and devised strategies to help Five Talents raise funds. The second interactive workshop focused on microsavings and demonstrated how microfinance models operate and benefit small, isolated and developing communities.

- An event in New York in partnership with the Microfinance Club of New York, explored micro franchising as a means to promote economic growth in developing countries.
- A presentation, titled, "The Future of Work—how and where will we work in 2030?" The seminar looked at three possible future global warming scenarios established by the UK Government's Foresight Team and what work could be like in each of these scenarios.
- A panel discussion in Hong Kong about microfinance in Asia. Speakers included representatives from ACCION microcredit, Grameen Foundation and International Finance Corp.

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Environmental and Social Risk

We consider sustainability in all aspects of our business: The way we evaluate companies, transactions and risk; how we advise our clients and collaborate with our financing partners and employees; how we conduct our own operations; and how we promote and develop new market opportunities.

As a complex financial institution, Morgan Stanley has robust environmental risk management processes and due diligence policies and procedures in place (see Engagement & Governance).

ENVIRONMENTAL RISK POLICY

Our internal Global Environmental Risk Policy fosters consistency across those business units and cross-organizational functions for which environmental risk is considered relevant. The policy is reviewed and updated annually. Our Environmental Policy Statement, which outlines our commitment to specific activities and sustainability initiatives, complements the Global Environmental Risk Policy.

As part of our firmwide risk management process, each business unit for which it is relevant maintains procedures for assessing the environmental risks related to its business. These procedures are supported by an Environmental Risk Manager, an independent subject matter expert who resides in the Operational Risk group. Generally, the assessment of environmental risks associated with a particular transaction or business opportunity includes, but is not limited to:

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

In assessing the risks associated with a specific transaction, Morgan Stanley also considers a range of issues including climate change, effects on communities and biodiversity, human rights and occupational safety. The type of transaction and our role in it

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determine the focus of our due diligence, which includes assessing and appropriately mitigating or disclosing material environmental risks. We highlight any concerns about these risks during capital raising or strategic advisory assignments, and we weigh any risks associated with a deal when determining whether to proceed with a transaction. As necessary, transactions and their associated concerns may be escalated to business unit management and the firm's Franchise Committee for further consideration.

Where Morgan Stanley is acting in a lead role, we rely on guidance provided by the Equator Principles and directed by the Carbon Principles (see below). Our policy sets out the following examples:

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

See the Morgan Stanley Environmental Policy Statement for more information.

The Carbon Principles

Morgan Stanley is one of three financial institutions that founded and drafted the Carbon Principles with three leading NGOs: the Environmental Defense Fund, the National Resources Defense Council and Ceres. The Principles provide a consistent approach for banks and their U.S. power clients to evaluate and address the carbon risks associated with financing traditional power production facilities and aim to encourage development of low-power generation.

The Equator Principles

The Equator Principles are a benchmark for managing environmental and social risks in project financing. They are based on the policies of the World Bank and its private sector arm, the International Finance Corporation. We use the Principles for evaluating financing (including debt and equity underwriting transactions, loans and investment banking advisory assignments) when Morgan Stanley is acting in a lead role and can trace the transaction proceeds to a particular asset.

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Transactions Receiving Environmental Due Diligence

Industry	Number of Deals
Agriculture and Forestry	4
Services	158
Manufacturing	96
Mining	26
Oil and Gas	152
Utilities	28
Other	4
Total	**468**

Transactions Subject to Morgan Stanley's MTR Review Process

Total potential transactions involving MTR	20
Transactions that did not proceed	11

ENVIRONMENTAL AND SOCIAL RISK TRAINING

Training on environmental and social risks is mandatory for a number of teams at Morgan Stanley. Those that receive training include Corporate Services, Investment Banking, Global Capital Markets and Morgan Stanley Real Estate Fund. We continue to develop specific training for other business units, expanding the content and scope of the materials to address their needs.

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Environmental Financing Initiatives

Morgan Stanley's environmental finance activities leverage our wide-ranging financial expertise and global presence to promote the development of a low-carbon economy.

Rapid population growth, booming economies in the developing world and increased urbanization are leading to rising demand for energy and natural resources. To encourage clean technology development, we work with the public and private sectors to facilitate the financing needed to overcome the barriers to innovation.

An important part of our work is to bring together and engage with thought leaders from the business, NGO, government and academic sectors to promote capital markets solutions to environmental challenges.

FINANCING CLEAN TECHNOLOGY AND RENEWABLE ENERGY

Morgan Stanley's leading investment banking franchise provides financial advisory services to clean technology and renewable energy companies and investors. Since 2006, the firm has helped clean technology companies raise nearly $35 billion in capital to build their businesses and pioneer solutions to environmental challenges.

In 2011, our clean technology investment banking team intermediated more than $4 billion in securities in this sector through initial public offerings and other financing transactions. We worked with leading clean technology and renewable energy companies from around the globe such as Caparo Energy Limited, EDF EN, eSolar, Huaneng, NRG, Soitec and Solazyme.

Bloomberg New Energy Finance recognized the firm's leadership by awarding Morgan Stanley the 2011 Public Markets Top Lead Manager Award. The BNEF Clean Energy and Energy Smart Technologies League Tables recognize deal makers driving the shift to a low-carbon economy.

We assist our clients in identifying strategic partners and transactions with the potential to position and develop their businesses.

We also work alongside our clients to finance clean technology and renewable energy companies, as well as in projects to advance these technologies and the industry. For example, in 2011, we financed the development and construction of a 50MW wind project in Texas and another 40MW project in Nebraska through Third Planet Windpower, a Morgan Stanley-owned wind project developer and operator.

We also provided a $320 million construction loan to Rim Rock, a 189MW wind power project developed by NaturEner USA that is currently under construction in Montana. Once the project is complete, San Diego Gas and Electric Company (SDG&E) will make a tax-equity investment in the project, the first for a California-regulated utility. The financing structure was designed to lower SDG&E's customers' utility costs. Morgan Stanley also

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will purchase the electricity from the project as part of a long-term, fixed-price purchase agreement and deliver it to market via the Alberta-Montana tie line, a new transmission line in the western U.S. and Canada.

COMMODITIES TRADING

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

Our Commodities Group provides capital and development services for photovoltaic solar projects run by strategic partnerships between developers, suppliers, installers, governmental agencies and end-users.

Morgan Stanley chairs the Green Exchange, a consortium of leading banks, brokers, trading firms and exchanges focused on promoting effective and innovative financial tools to develop environmental markets.

In 2011, through Morgan Stanley Solar Solutions, we supported the development of a 4.8MW solar facility installed at the Arizona Western College. This groundbreaking project utilizes five different technologies that will provide all of the college's daytime electricity

Solazyme

In May 2011, Morgan Stanley was the lead-left bookrunner on the $227 million initial public offering (IPO) of Solazyme. The company has pioneered an innovative industrial biotechnology that enables the production of high-value oils directly from microalgae, in a scalable, reliable and cost-effective way.

These renewable oils replace, enhance or supplement the use of petroleum-based fuels and oils with superior performance at a competitive cost. Morgan Stanley's expertise helped market and execute this renewable energy transaction in a difficult economic climate.

Huaneng Renewables

In June 2011, Morgan Stanley was the sole global coordinator, joint sponsor, joint bookrunner, and joint lead manager for the $852 million initial public offering (IPO) of Huaneng Renewables Corporation, a leading wind power generation company in China. Huaneng Renewables is a subsidiary of China Huaneng Group, the largest among China's top five power generation groups and the second-largest power company in the world (in terms of total installed capacity) at the end of 2010. Morgan Stanley played a pivotal role in ensuring the successful completion of the transaction. The offer generated significant institutional demand despite volatile capital market conditions at the time of the transaction.

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needs. In addition, our Commodities Group financed the development of solar projects providing 6.5MWs of power to municipal buildings in Arizona, California and Colorado.

EQUITY RESEARCH

Morgan Stanley's clean technology equity research team provides equity coverage and industry expertise covering solar, light-emitting diodes (LEDs), biofuels, electric vehicles, smart meters and energy storage. Since the group was formed in 2010, it has risen rapidly in Institutional Investor's industry rankings.

See more on how research by our clean technology group is influencing industry views (see Published Reports).

ENVIRONMENTALLY SUSTAINABLE BUILDINGS

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

In addition, increasing energy efficiency helps to create jobs, reduce emissions and preserve affordability by reducing energy bills for residents. Morgan Stanley partners with community development organizations and local governments, using our financial expertise to promote financing models that bring the benefits of energy efficiency to tenants, owners, investors and governments. For more information, see Community Development.

THOUGHT LEADERSHIP

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

- A founding member and participant of the U.S. Partnership for Renewable Energy Finance (USPREF), which seeks to enhance understanding of renewable energy finance policies;
- An advisory panel member of the Climate Bonds Initiative, which is examining how the private sector can constructively provide large-scale financing to the clean infrastructure and technology sector;
- An active participant in the Capital Markets for Climate Initiative, established by the UK government to examine how private sector financing can combine with public sector funds to provide large-scale climate finance;
- Co-chair of the International Emissions Trading Association climate finance working group; and
- A member of the Capital Markets for Climate Initiative's (CMCI) UK advisory panel. The CMCI helps policymakers understand how public sector action can help mobilize private capital and encourage new markets in low-carbon investments.

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We collaborate with experts to stimulate debate on solutions to environmental challenges. For example, in 2011, we partnered with:

Global Alliance for Clean Cookstoves
We are a founding partner of the Global Alliance for Clean Cookstoves, a public-private partnership dedicated to assisting the three billion people in the developing world who suffer from indoor air pollution and disease as a result of cooking with open fires in their homes. The Alliance seeks to foster the distribution of 100 million clean-burning stoves by the year 2020. In 2011, Morgan Stanley co-chaired the Finance and Investment working group and is focused on finding solutions that create scale in the cookstove market.

Atlantic Green Intelligence Forum
In November, we sponsored the fourth annual Atlantic Green Intelligence Forum, Creating the Sustainable City of the Future. The forum brought together the world's leading authorities on energy and the environment. Over two days, participants discussed issues at the forefront of the sustainability agenda, including macro trends in energy and the environment, and sustainable cities.

World Resources Institute
In June 2011, Morgan Stanley hosted a workshop in conjunction with the World Resources Institute and the Centre of Development Finance at our new Mumbai offices, to address challenges facing entrepreneurs in the clean energy sector. The workshop focused on issues of decentralized renewable energy (DRE), inadequate rural distribution and retail networks, and consumer financing/leasing options for affordable clean energy products. The goal was to identify specific opportunities and challenges for large corporations and entrepreneurial organizations to collaborate in the marketing, distribution and financing of clean energy.

Morgan Stanley is an active member of the World Resources Institute's Corporate Consultative Group.

Published Reports
Morgan Stanley regularly publishes thought leadership papers and equity research reports to enhance market awareness on specific issues. In 2011, our reports included:

- *Solar 2011: Lower Shipments and Lower Prices.* The clean technology team's report was the first on Wall Street to downgrade its expectations for the solar market in 2011, specifically noting an expectation for a collapse in solar module prices.
- *LED Lighting Demand Update: Faster Volume Growth on Lower Prices.* The study concluded that LED lighting is being adopted more rapidly than expected, and prices are falling more quickly as well.
- *Peak Water: The Preeminent 21st Century Commodity Story. Thematic investing.* The report discussed the declining supply and rising demand for freshwater and the potential investment opportunities offered by new developments in water treatment, desalination and agriculture. Freshwater stress, already high, is likely to increase, as water withdrawals rise and supply decreases due to drought, snow-cover melts and growing groundwater abstraction.

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Social Finance

Morgan Stanley's social finance activities aim to support the provision of basic services to poor and disadvantaged communities, including microfinance, affordable housing, microenergy, health care and water. Our role is to facilitate the flow of capital between investors and the businesses that deliver these services, to generate both financial and social returns. In this way, we aim to increase opportunities for communities to address poverty.

We increasingly engage in discussions with investors seeking to allocate capital to social finance, working to position the industry as an attractive investment opportunity in which the sector's social mission enhances its commercial value proposition.

SUPPORTING A SUSTAINABLE MICROFINANCE INDUSTRY

Microfinance can empower people with low incomes to achieve financial independence by providing financial services such as small loans to those who traditionally lack access to the mainstream banking sector. To meet the demand, microfinance institutions (MFIs) need access to affordable capital—a need that cannot be met by philanthropic and international aid alone. Morgan Stanley supports the development of a sustainable microfinance industry by acting as an intermediary, connecting MFIs with capital markets and providing specialized technical support.

Since 2006, Morgan Stanley has intermediated more than $700 million of microfinance securities, facilitating access to capital for more than 30 microfinance-related entities around the globe, and benefiting several million low-income entrepreneurs. We have worked on a wide range of projects and investments in the sector, including mergers and acquisitions, structured finance vehicles, debt issuances, equity private placements, venture capital investments and the management of a local currency debt portfolio. A core focus of our work in microfinance is innovation, and we are proud that each of our transactions has represented a key milestone for the industry.

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For example, in 2011:

- Morgan Stanley acted as an advisor on a private placement for Janalakshmi, a technology-focused MFI based in Bangalore, India, that serves the urban underbanked market.
- Morgan Stanley Private Equity Asia purchased a minority stake in CreditEase, the first and largest person-to-person (P2P) microfinance service provider in China. CreditEase serves as an intermediary platform by connecting urban lenders with surplus funds looking for fixed income investment returns with creditworthy borrowers seeking access to credit. CreditEase has a nationwide distribution network across 40 cities, and over 5,500 in-house sales staff, one of the largest sales teams among independent financial services providers in China.

INCREASING FINANCIAL INCLUSION IN THE U.S.

The Federal Deposit Insurance Corporation (FDIC) estimates that 26 percent of U.S. households—or nearly 60 million adults—are underbanked. The FDIC defines the underbanked as those who do not have a checking or savings account, or those who do but also rely on alternative financial services, such as money orders, check cashing, payday loans and pawn shops.

Morgan Stanley recognizes this lack of affordable, consistent access to basic financial services and is committed to leveraging our international social finance experience domestically. To support the development of a sustainable inclusive finance industry in the U.S., we provide equity, debt and grant capital,

Reinvigorating Carver Bancorp

Morgan Stanley invested $15 million in Carver Bancorp, as part of a larger capital injection of $55 million by institutional investors. Established in 1948, this Harlem-based bank is the largest African-American operated bank in the U.S. Carver plays a critical role in providing financing to individuals, businesses and institutions in underserved and low-income neighborhoods across New York City.

Morgan Stanley is proud to take a leading role as an investor in Carver, helping preserve Carver's mission to revitalize and support underserved neighborhoods in Brooklyn, Queens and Upper Manhattan.

Bridging the digital divide

The U.S. government estimates that about a third of all Americans—100 million people—do not have broadband access at home.

In November 2011, Morgan Stanley partnered with Connect to Compete, a new public-private initiative formed by the Federal Communications Commission (FCC), to close the digital divide by expanding broadband access in underserved communities.

We are contributing our microfinance expertise to assist Connect to Compete in developing a microcredit program to help families participate in the program.

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as well as technical assistance, to fund managers and nonprofit organizations in the financial sector. In addition, several senior Morgan Stanley employees serve on the boards of directors of leading organizations that promote inclusive finance.

SOCIAL FINANCE GRANTS AND VOLUNTEERING

In 2011, we made a grant to the Center for Financial Services Innovation (CFSI), an organization dedicated to transforming the U.S. financial services marketplace to help underbanked consumers achieve financial prosperity. The grant is supporting CFSI's new Financial Capability Innovation Fund, which focuses on projects that spur positive behavior changes and measurable outcomes for lower-income, underserved consumers. CFSI is prioritizing projects that involve partnerships between nonprofits, the private sector, and government agencies and those which are scalable and demonstrate long-term sustainability.

Employees from our Fixed Income Division in Asia volunteered for the Grameen Foundation's Bankers without Borders program. Employees used their financial skills to improve and upgrade Grameen's current model for financial projections and valuation of microfinance institutions. We aim to expand this volunteering opportunity once an assessment of the pilot program is complete.

THOUGHT LEADERSHIP

We also speak frequently at major industry conferences to promote knowledge sharing. During 2011, Morgan Stanley addressed stakeholders from around the globe on panels at five conferences: the Microfinance Investment Summit, the Microfinance Investment Congress, the Microfinance USA Conference, the Federal Reserve Bank of New York Microfinance Regulators Roundtable and the Microlumbia Microfinance Conference. In addition, Morgan Stanley engages the leading regional and global institutions in conversations on important financial inclusion topics, such as investor readiness and risk management.

In October, more than 140 people attended an event at our New York headquarters, titled "The U.S. Underbanked: People, Profit and Policy." The event informed employees and guests about the innovative products being developed to reach the underbanked. Panelists—leaders from the nonprofit, community banking (including the CEO of Carver Bancorp), corporate and venture capital sectors—outlined their initiatives to identify and invest in commercially attractive, policy-relevant business opportunities to serve this growing market.

Morgan Stanley and the Financial Women's Association (FWA) hosted a panel discussion in New York to explore the unique factors influencing the evolution of microfinance across Brazil, China, India and Russia. The conversation focused on the role that regulation has played to strengthen or hinder industry development in each region. More than 100 attended the event, including Morgan Stanley employees and Financial Women's Association members and their guests.

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Bringing patient capital to the U.S.

Morgan Stanley has partnered with the Acumen Fund on a new effort, a U.S. domestic initiative that is building on Acumen's proven emerging market impact investing model to replicate and adapt it to the U.S. market.

Today, the Acumen Fund deploys patient capital in East Africa, India and Pakistan. Patient capital refers to debt or equity investment in early-stage enterprises that provide low-income consumers with access to agricultural inputs, alternative energy, health care, housing or water. Since its founding 10 years ago, Acumen has invested $75 million in 69 companies across seven countries, creating an estimated 35,000 jobs.

Many capital-constrained companies in the U.S. seek growth capital so that they can deliver social, environmental and economic benefits in the regions in which they operate. Acumen's domestic initiative is exploring the feasibility of supporting high-growth, high-impact businesses that address key domestic challenges such as access to affordable, quality health care and education in under-served communities.

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Community Development

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

Working in partnership with government agencies and nonprofits in the U.S., we seek to improve the lives of thousands of low- and moderate-income people and families, bringing strength and vitality to local communities. We generate lasting social and economic benefits through affordable housing, small business loans and community services.

Since 2006, Morgan Stanley has made community development loans and investments totaling more than $5.3 billion. In 2011, Morgan Stanley continued its focus on preserving and building affordable housing, aiding in the creation of approximately 10,000 units and 4,200 construction and permanent jobs.

CREATING AND PRESERVING AFFORDABLE HOUSING

Morgan Stanley works through national and local community partnerships to support the construction and restoration of affordable housing in low- and moderate-income communities. This helps the communities to thrive, providing housing stability, stimulating economic activity and creating jobs. We provide affordable housing loans to developers. We also work closely with Community Development Financial Institutions (CDFIs) to increase access to capital markets for state and local agencies. By investing both financial and intellectual capital, we can achieve the greatest possible impact.

We help state and municipal housing finance agencies (HFAs) access capital markets to fund affordable housing. Morgan Stanley's Housing Finance Group has worked with HFAs across the U.S. to underwrite over $2.4 billion of municipal and state bonds to fund multifamily and single-family affordable housing since 2007. In 2011, the group underwrote more than $780 million in municipal and state bonds.

In September 2011, Morgan Stanley was the book-running senior manager for a $151 million refunding of outstanding high coupon debt previously issued by the State of New York Mortgage Agency. The refunding savings were used to subsidize and lower the cost of borrowing for first time, low- and moderate-income homebuyers throughout the State of New York.

In October 2011, we loaned $19 million to a new fund that is expected to fuel $100 million in low- and moderate-income housing developments by providing early financing and loan guarantees to investors and construction lenders. Launched by the Local Initiatives Support Corporation (LISC), the Neighborhood Revitalization Loan Fund will be disbursed through 30 LISC urban programs around the country, and through Rural LISC. The LISC Fund will focus on projects using Low Income Housing Tax Credits (LIHTC) to finance the construction.

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Morgan Stanley also invested $12.5 million in the Bay Area Transit-Oriented Affordable Housing (TOAH) Fund to establish—together with six CDFIs—a $50 million revolving loan fund to enable developers of affordable housing to finance land acquisition in select locations near rail and bus lines throughout the San Francisco Bay Area. The TOAH Fund addresses the critical need for affordable housing and community facilities near transit hubs in the Bay Area. The TOAH Fund will provide financing for developers to acquire land and create affordable housing and community facilities that will benefit low- and moderate-income families and provide easier access to jobs through public transportation. We estimate that the loan fund will support the construction of up to 3,800 units of affordable housing. The Fund will also finance other vital community services—including childcare centers, fresh food outlets and health facilities—in low- and moderate-income communities.

BUILDING COMMUNITIES

Morgan Stanley works with CDFIs whose primary mission is to provide a wide range of financial services and products to underserved communities. These CDFIs also provide training and technical assistance, and promote development efforts that enable individuals and communities to use credit and capital more wisely.

Morgan Stanley committed to lend $15 million to the California FreshWorks Fund, a $200 million public-private partnership announced by First Lady Michelle Obama in July 2011. FreshWorks will provide capital to bring healthy food choices to so-called "food deserts" in both inner cities and rural areas with little access to fresh food. The lending activities will spur economic development in underserved California communities. Growers, distributors, grocers and fresh-food retailers who borrow

Developing affordable houses in the wake of disaster

In 2011, severe storms, floods and tornadoes devastated mid-western and southern states in the U.S., and Hurricane Irene destroyed entire towns on the East Coast. Morgan Stanley responded rapidly to the great need for housing for displaced families in these regions, which lack significant financial and industry resources. The firm established a $100 million Rebuilding Local Economies Fund (RELEF) dedicated to developing affordable homes. RELEF has the potential to accelerate the construction of as many as 1,000 affordable housing units and create roughly 4,000 jobs during construction.

Rebuilding homes and communities after a disaster can take years. RELEF supports economic recovery in these regions by expediting the rebuilding of housing and creating jobs in areas most in need. The Fund targets disaster counties in 26 states by investing in projects using Low Income Housing Tax Credits to finance new construction or rehabilitation. The National Equity Fund (NEF), a leading national, nonprofit syndicator of low-income housing tax credit, manages the fund.

Together, we are working to accelerate the development of affordable properties with the aim of housing displaced families quickly by cutting six months from the typical development time. NEF is providing $4 million in predevelopment financing to fast-track construction.

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from the FreshWorks Fund will use loan proceeds to develop new distribution centers and retail outlets, creating or retaining approximately 6,000 jobs. By helping families lead healthy lives, we are building on our pledge to fight childhood malnutrition and obesity (see Philanthropy).

We partner with CDFIs across the U.S. through the Living Cities Integration Initiative. Founded in 1991, Living Cities is an innovative philanthropic collaborative of 22 of the world's largest foundations and financial institutions. The Integration Initiative brings together government, nonprofits, philanthropies and the business community to find solutions to the many challenges facing low-income residents and communities in urban areas, including access to education, housing, health care, transit and jobs. Living Cities and its members are making grants, loans and investments of up to $80 million.

Morgan Stanley has committed $4 million to a $12 million revolving loan fund to support ArtPlace, a private-public collaboration managed by the Nonprofit Finance Fund. ArtPlace is a nationwide initiative to drive metropolitan revitalization with investment models that put the arts at the center of economic development. The fund provides venture capital to seed entrepreneurial projects that strategically integrate artists and arts organizations into key local efforts in transportation, housing, community development and job creation.

STRENGTHENING COMMUNITIES THROUGH ENVIRONMENTAL IMPROVEMENTS

We are committed to strengthening communities by supporting environmental improvements, such as energy efficiency programs in buildings. This creates jobs, cuts energy bills and improves health.

New York City's affordable housing market faces many challenges, including the physical condition and energy efficiency of buildings, placing low-income families at risk.

We provided a grant to Enterprise Community Partners' Portfolio Retrofit Engagement Platform (PartnerPREP), which promotes energy efficiency in new construction and older housing in the city. PartnerPREP is a one-stop shop to help transform the energy efficiency and financial performance of entire building portfolios, addressing a critical community development need. The aim of the program is to ensure both short- and long-term affordability for landlords, renters and homeowners.

Morgan Stanley Solar Solutions

In 2011, Morgan Stanley Solar Solutions (MSSS) partnered with local governments, nonprofits and other partners to finance and develop solar installations at sites that benefit low- and moderate-income communities. MSSS partnered with Habitat for Humanity for the third year in its "Habitat for Heroes" program to install solar power technology on Habitat homes for veterans returning from Afghanistan and Iraq, at no cost to the homeowner.

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MSSS also partnered with the Association of California Community and Energy Services to install solar systems on low-income affordable houses throughout Southern California. This provides job training for workers under California's Low Income Home Energy Assistance Program. In addition, MSSS, with its strategic partners, executed a deal using the New Market Tax Credit program to install solar power at low cost on municipal buildings located in economically distressed communities throughout California.

Through a partnership with the Northern Manhattan Improvement Corporation (NMIC), a New York City—based nonprofit, MSSS provided the installation of a 5KW solar system on the roof of NMIC's Lead Safe House. The home provides emergency accommodations for families who have suffered lead poisoning. This system will offset the building's energy needs at no cost to NMIC.

COMMUNITY GRANTS AND VOLUNTEERING

Morgan Stanley contributes grants and technical assistance to support community development organizations.

For example, we provided the Community Development Corporation of Utah (CDCU) with $100,000 to help support its home ownership programs. The funding primarily will help sustain foreclosure mitigation counseling and neighborhood stabilization efforts. Our grant will assist at least 70 low- to moderate-income families to become and remain successful homeowners. It will provide homebuyer education, housing counseling and foreclosure mitigation assistance to more than 200 Utah families. The project also will rehabilitate 20 homes to achieve Energy Star efficiency. Lower energy costs will make home ownership more affordable to low-income families.

In addition to providing community development grants, we encourage employees to become personally involved through volunteer projects. Their hands-on engagement strengthens the programs with which we are involved, increasing our impact on the community.

THOUGHT LEADERSHIP

In 2011, we formed the Morgan Stanley Community Development Advisory Board made up of 17 nationally recognized community leaders. This board will serve as an informal think-tank for community development, focused on harnessing capital markets to revitalize communities.

Our employee-led Environment and Social Finance Forum (ESF) hosts events to educate our employees on broad community development issues throughout the year. See Engagement & Governance for more information.

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Bringing economic opportunity to New York City

As an international firm with employees around the globe, Morgan Stanley is involved in many communities. We have a special relationship with New York, our headquarters city, and we focus many of our efforts on local institutions to bring greater economic opportunity and financial capability to the city. This commitment is demonstrated by the breadth of our activities, which range from loans and other financing to grants, internship programs and the volunteer efforts of many of our employees (see Philanthropy). Below are a few examples of our local partnerships:

Center for Economic Development Social Innovation Fund—Jobs-Plus at BronxWorks
In February 2011, Morgan Stanley announced a significant grant to Jobs-Plus to help public housing residents in the Bronx achieve their employment goals, advance in the labor market and receive financial education. The Jobs-Plus program will be available to residents in New York City Housing Authority (NYCHA) developments in the Mott Haven neighborhood. Jobs-Plus participants will be eligible for employment placement, retention and advancement services, training and education. In addition to the employment services, Morgan Stanley's grant supports on-site financial counseling that provides individuals with important tools needed to shape their financial futures. BronxWorks operates the Jobs-Plus site and plans to engage as many as 600 residents annually.

The partnership, which involves the New York City Housing Authority, the Mayor's Fund to Advance New York City, the New York City Center for Economic Opportunity, and the New York City Office of Financial Empowerment, is one of five Social Innovation Fund programs planned for New York City. The Social Innovation Fund is a new public-private partnership established by the White House to support innovative and effective programs that address major social challenges.

Wildlife Conservation Society—Future Leaders Program
With the support of Morgan Stanley , the Wildlife Conservation Society (WCS) launched a new multiyear workforce development program for underserved teens and young adults. With the goal of encouraging academic success and improving participants' prospects for college and permanent employment, the Future Leaders Program offers much-needed job-skills training to "disconnected" youth. The program, now in its pilot phase, provides an opportunity to work at WCS's Bronx Zoo, located in the poorest of the nation's 435 congressional districts. It also gives participants training, career support and opportunities to explore careers and network with WCS staff in all areas of the organization.

Project Renewal—Culinary Arts Training Program
Homelessness in New York City has reached the highest levels since the Great Depression, with more than 40,000 people lacking housing each night. Project Renewal seeks to end homelessness by providing men and women with the tools needed to move from the streets to homes and employment. With a job placement rate of 83 percent, and a higher job-retention rate than the national average, the Culinary Arts Training Program demonstrates the benefits of its six-month training and internship program. In addition to culinary training, the program provides participants with support to help them adjust to the working world, helping to ensure their successful transition from homelessness to self-supporting.

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Public Finance

Capital markets play a key role in the growth and ongoing operations of our municipal, educational and cultural institutions. These public debt offerings help to pay for new highways, hospitals, schools, water and sewer systems, museums, mortgages for first-time homebuyers, student loans and environmental improvements. Many financings help state and local governments develop infrastructure, creating new jobs and supporting those that already exist. With government and other organizational budgets increasingly stressed, finding efficient and creative financing is especially important to minimize the burden on taxpayers.

In the volatile market conditions since the 2008 credit crisis, Morgan Stanley's creativity and expertise in public finance have made us one of the top four national municipal underwriters. Since 2008, we have led the negotiated sale of more than 970 public financings totaling $122 billion. We are recognized by Thomson Financial as the leading firm in health care, education, water and sanitation and affordable housing financing.

IMPROVING HEALTH CARE

Morgan Stanley provides investment banking services to nonprofit and governmental health care organizations in the U.S.

In January 2011, Morgan Stanley served as senior manager for Sutter Health's $750 million financing. Bond proceeds were used to finance new facilities in California, at Sutter General Hospital and the Women's and Children's Center in Sacramento, Sutter Medical Center in Castro Valley, and Alta Bates Summit Medical Center in Oakland. The new facilities are being designed to meet high standards of environmental sustainability.

In addition, Morgan Stanley was senior manager for a $106.7 million bond offering for the Children's Hospital of Orange County (CHOC) in October 2011. The bonds were issued to fund the hospital's expansion, which will see CHOC grow from a regional pediatric care center to a national children's hospital. The funds will also help build a state-of-the-art patient care center. On the day of pricing, Morgan Stanley committed to purchase over $2.5 million of bonds to ensure a successful financing.

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INCREASING OPPORTUNITIES FOR HIGHER EDUCATION

For the last 20 years, Morgan Stanley has been a key player in higher education funding, helping America's higher education institutions access the capital markets to build and improve their research facilities, dormitories and classrooms. Following the economic downturn, Morgan Stanley has helped these institutions raise more capital than any other firm in the industry, according to Thomson Reuters. The practice provides intellectual capital to guide institutions through the process of getting a credit rating, and assists with their financial planning and forecasting.

Since September 2008, Morgan Stanley has helped 52 higher learning institutions raise $18.9 billion, assisting nearly 1.6 million students.

SUPPORTING CULTURAL INSTITUTIONS

Morgan Stanley finances cultural institutions such as the Metropolitan Museum of Art, the American Museum of Natural History, Lincoln Center for the Performing Arts, the Smithsonian Institution, the J. Paul Getty Trust/Museum, and the Chicago Symphony Orchestra, among others. Since 2000, the firm has underwritten more than $4 billion in financings for 17 nonprofit institutions—more than any other firm in the industry during this time.

In 2011, Morgan Stanley served as sole underwriter on debt offerings for three cultural institutions, including the Sterling and Francine Clark Art Institute in Massachusetts, the Whitney Museum of American Art in New York City, and the Broad Collection in Los Angeles.

IMPROVING WATER AND SANITATION

Morgan Stanley underwrites water, sewer and combined utility system programs in the U.S. With our extensive experience structuring state revolving funds, we help local governments finance improvements to their water and sewer systems while lowering their borrowing costs and reducing the burden on taxpayers.

In 2011, Morgan Stanley served as senior manager on a number of public debt offerings to help local governments improve water and sanitation systems. These included:

- *City of Kansas, Missouri*—$89.18 million Sanitary Sewer System Improvement and Refunding Revenue Bonds, issued to improve the local sanitary sewer system.
- *Hampton Roads*—$45.7 million Wastewater Revenue Bonds for the Sanitation District, which was created to abate pollution in the Hampton Roads area of Virginia through the construction of wastewater treatment facilities.
- *City of Cincinnati*—$84.31 million fixed-rate new money and refunding revenue bond offering, issued to finance water quality and treatment efforts.

FINANCING AFFORDABLE HOUSING

Morgan Stanley underwrites state and local housing finance agencies throughout the country. For more information about our affordable housing initiatives, please see Community Development.

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Environment—Operations

Morgan Stanley aims to be a leader in the efficient use of energy and sustainable materials. We are determined to run our operations in a sustainable manner by reducing our environmental footprint.

MANAGING OUR IMPACTS

Morgan Stanley's Environmental Policy Statement outlines our sustainability goals and values and is implemented by our Environmental Committee. In 2011, we introduced software to track energy use and greenhouse gas emissions more regularly, allowing us to respond to concerns quickly and easily. For example, the software delivered the results of energy audits at our large locations, helping us identify sites with the highest energy intensity. We used this information to complete more than 20 efficiency projects across these sites, reducing annual energy use by approximately 400,000 kWh, the equivalent use of around 35 U.S. homes.

Morgan Stanley is an early signatory to the Carbon Disclosure Project (CDP), an institutional investor-led nonprofit organization that collects and publishes energy and greenhouse gas emissions data from corporations. Each year, we disclose emissions data from our corporate real estate portfolio and corporate air travel. In 2011, Morgan Stanley was featured in the CDP's S&P 500 Carbon Disclosure Leadership Index (CDLI) and—for the first time—in the Global 500 Carbon Performance Leadership Indexes (CPLI). We were one of only two U.S. financial institutions to be selected for the Global 500 CPLI. We ensure the accuracy of our CDP data through external verification. Bureau Veritas, a third-party assurance provider, audits our U.S. data, while the Carbon Trust, a UK government agency that helps businesses cut carbon emissions, certifies our UK operations.

Green buildings

We evaluate all of our new construction and renovation projects for environmental efficiency. We have a set of nonnegotiable, internal environmental standards that all projects must meet or surpass. The standards encourage us to implement projects such as high-efficiency lighting and office equipment, the use of recycled or local materials, low volatile organic compound materials, high efficiency bathroom fixtures that reduce water use, and lighting controls such as occupancy sensors. In 2011, we evaluated 224 projects against these standards.

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We are guided by external certifications, such as Leadership in Energy and Environmental Design (LEED), the U.S. Green Building Council's independent efficiency rating system. In 2011, four buildings in our real estate portfolio achieved LEED certification. We have 17 offices around the world with LEED certification, including all of our call centers, our Hong Kong headquarters, and our new India headquarters in Mumbai which has been awarded LEED Platinum. In Europe, we are piloting Ska, a sustainable refurbishment standard for offices that has been established and administered by the UK's Royal Institute of Chartered Surveyors.

ENERGY AND CLIMATE

We reduce our energy use and GHG emissions by improving efficiency in our offices and data centers, using renewable energy where appropriate.

Office Energy Efficiency

Our strategic investment in efficiency, together with firmwide policies to influence employee behavior, have put us on target to achieve our emissions reduction goal from our global real estate portfolio (owned and leased). We aim to reduce our emissions 15 percent by 2013, against a 2006 baseline on a per-square-foot basis.

To date, we have completed an extensive retro-commissioning process, implementing more than 100 energy conservation projects, such as replacing outdated light fixtures and air conditioning equipment with more efficient models. We also introduced new equipment, such as variable frequency drives, lighting occupancy sensors and thermal storage systems, and we optimized the efficiency of existing building systems including heating, ventilation and air conditioning (HVAC).

Other energy efficiency projects have included:

- Feasibility studies of fuel cell, solar electric and solar thermal projects
- Piloting the use of LED lighting
- Participating in peak-load curtailment programs where we agree to limit our electricity use when demand on utilities is highest
- Simple changes, such as drawing shades to block out the sun and setting thermostats to maximize heating and cooling efficiency
- Lowering lighting levels to 90 percent

Cooling the urban heat

Cities are significantly warmer than surrounding areas, resulting in increased energy used to cool buildings. "Green roofs"—roofs covered with vegetation—improve insulation and keep buildings cool, reducing the need for air conditioning. In 2012, we will green the roof of our Canary Wharf office in London, reducing its energy consumption.

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Total Office GHG Emissions

Year	Normalized Office Emissions (tCO_2/Thousand Square Feet)
2006	14.1
2007	14.2
2008	13.8
2009	12.8
2010	12.2
2011	11.2

2011 Energy Use (Direct and Indirect)

	MWH	MMBtu
Direct		
Diesel—Stationary	5,605	19,129
Diesel—Mobile	958	3,270
Natural Gas	49,937	170,437
Indirect		
Purchased Cooling	22,840	77,953
Purchased Electricity	744,944	2,542,493
Purchased Heating	11,167	38,113

Total Energy Use (MMBTu)

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

Total Scope 1, 2 and 3 GHG Emissions (tCO_2e)

Year	Scope 1	Scope 2	Scope 3	Total
2006	11,867	290,797	77,647	380,312
2007	12,694	310,663	89,748	413,105
2008	12,935	349,752	72,467	435,154
2009	12,290	359,249	50,371	421,910
2010	14,322	344,751	63,103	422,176
2011	14,903	366,830	65,810	447,544

Total Emissions in 2011 by Region (tCO_2e)

Region	Emissions
Americas	285,507
Europe	95,379
Asia	66,658

Total Emissions by Source (tCO_2e)

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

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Data Center Efficiency

Energy used to power and cool data centers makes up a large proportion of our global electricity consumption and carbon emissions.

We use power usage effectiveness (PUE) as a measure to evaluate our data centers. We are on target to achieve our goal of reducing PUE by five percent by 2013, from a 2008 baseline.

A significant portion of the energy consumed by data centers is lost during distribution and cooling, so we strive to improve the way heat is removed and IT equipment is cooled. We evaluate all IT purchases carefully to ensure that equipment is as efficient as possible and is configured to work most effectively within the structure of our facilities. In 2011, we received LEED Gold rating for one of our data centers in New Jersey.

Employee Travel

We have a company-wide directive to reduce business travel, and we discourage unnecessary travel by promoting videoconferencing and telecommuting. We provide the CO_2 emitted for each trip prior to booking, so that employees can gauge the full cost of travel. When employees do travel, we encourage the use of energy-efficient vehicles. While a growth in some business activities in 2011 resulted in more travel than in recent years, the deliberate use of new technologies has slowed the business travel from rising further.

REDUCING WASTE

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

In 2011, we recycled nearly 50 percent of the waste from our New York offices, while also reducing the total waste produced. A range of initiatives in our Canary Wharf, London, offices has resulted in a 25 percent reduction in waste generated in 2011, compared with 2010. We recycle approximately 65 percent of that waste. In Asia Pacific, we introduced an employee initiative to eliminate paper cups from 14 offices, saving about 6,000 paper cups a day. We discourage unnecessary printing and ask employees to print double-sided as a default. We encourage the use of electronic holiday cards, which has reduced the number of paper cards sent by approximately 50 percent between 2010 and 2011.

Our on-site cafeterias have implemented a new tracking system that allows us to closely monitor our food production that helps minimize waste. In our New York headquarters, we further reduce food waste by using an organic waste digester. In 2011, this diverted over 70,000 pounds of wet waste from landfill. In addition, in 2011 we donated more than 21,000 meals from our cafeterias to City Harvest, a nonprofit organization that rescues food for New York's hungry. Recognizing the Corporate Services

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Amenities Team's efforts, the Green Restaurant Association awarded a 3-Star Certified Green Restaurant Association Seal to four of Morgan Stanley's New York cafeterias.

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

Year	Paper	Wet waste	Metal, glass and plastic
2009	1,391	1,229	20
2010	1,290	1,344	37
2011	996	1,232	67

*We are unable to monitor waste in all of our buildings due to lease arrangements; where we are able, we collect data to ensure that we manage and recycle as much waste as possible.

Paper Use

In January 2012, we are introducing a new paper policy in Morgan Stanley's Investment Management division. All prospectuses and shareholder reports will be printed on paper that contains at least 20 percent recycled paper. We are exploring ways to expand this program to include other parts of the firm.

Conserving Water

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

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

In 2012, we will participate in the Carbon Disclosure Project's water disclosure survey for the first time.

ENGAGING EMPLOYEES

Employees across the firm are responsible for helping us achieve our environmental commitments, and we want them to be our environmental advocates. We train employees to understand and manage the environmental risks and opportunities affecting our businesses and operations. Each employee receives a copy of our Code of Conduct, which includes statements about sustainability and our commitment to the environment. Internal websites report progress against our objectives to employees.

We use global events, such as Earth Hour, when participants promote climate change awareness by turning off lights for one hour at a predetermined time, and Earth Day. In 2011, our Earth Day activities included:

- Office tours for employees to learn about efforts to reduce our environmental footprint; and
- Green Fairs to educate employees, encourage personal environmental responsibility and teach strategies to reduce home energy use and emissions.

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MANAGING OUR SUPPLY CHAIN

We spent approximately $11.2 billion with nearly 23,000 suppliers during 2011, compared with $11.3 billion with more than 22,000 suppliers in 2010.

We divide our suppliers into two tiers: Tier 1, our direct suppliers, and Tier 2, our indirect suppliers further down the supply chain. We have an opportunity to improve the sustainability performance of both tiers. We include sustainability criteria in our sourcing strategy, and we engage with contractors and suppliers to help them improve their sustainability performance. Morgan Stanley prefers to use suppliers that certify their operations to reputable environmental standards (e.g., ISO 14001 and LEED).

Sustainable Sourcing

Our Firmwide Sourcing (FWS) Policy commits us to source sustainable products and services where appropriate. The policy's environmental criteria include minimum standards for green cleaning supplies and maximum volatile organic compound levels in paints and sealants. When we buy information technology equipment, such as servers, we take care to select the most energy-efficient models, to reduce energy consumption and operating costs. In our New York offices, 34 percent of our total spending on office supplies in 2011 was on products with recycled content.

Supplier Risk Management

Morgan Stanley's Supplier Risk Management Program (SRMP) monitors risks posed by external suppliers and service providers. As part of the SRMP, our Corporate Securities and Investigations Group (CSI) investigates potential suppliers to identify and assess possible reputational risks, including environmental, social and governance concerns. This information is then provided to the requesting business unit, and any noted issues are escalated following the firm's documented procedures. We formally reassess our contracted suppliers periodically.

In 2011, CSI began a pilot program with approximately 50 suppliers to identify potential risks between formal assessments. In 2012, we will expand this pilot to additional suppliers that provide high or critical risk services. We will review whether to expand this program to include all suppliers in the future.

More than 30 percent of sourcing managers have completed training on our Supplier Risk Training Program.

Supplier Diversity

A diverse supplier base provides Morgan Stanley with a broad array of high-quality products, while strengthening competition and cost savings. It also supports the communities in which we operate.

Morgan Stanley's Supplier Diversity Program aims to increase the number of women- and minority-owned businesses, including lesbian, gay, bisexual, transgender (LGBT), disabled and veteran owners, that provide goods and services to the firm.

In 2011, we spent $163.4 million with diverse Tier 1 and Tier 2 suppliers. This is a 23 percent increase over 2010, which only

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included Tier 1 suppliers. Our goal is to increase spending with diverse vendors to five percent or more of our total supplier spending over the next two years and to continue to increase our spending with this group by one percent each year thereafter. Our 2011 spending on diverse suppliers was 3.8 percent of our overall supplier spending in North America.

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

We are members of diverse supplier groups, including the National Gay and Lesbian Chamber of Commerce, National Minority Supplier Development Council, the New York/New Jersey Minority Supplier Development Council, the U.S. Hispanic Chamber of Commerce, the Women's Business Enterprise National Council and the Women Presidents' Educational Organization. Our involvement with these organizations helps us to attract qualified diverse businesses and build relationships with vendors.

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Employees

Morgan Stanley employs nearly 60,000 people in 43 countries around the world. The success of our business depends largely on the quality of our people and the relationships we build with our clients. We work hard to attract, develop and retain the brightest talent by offering competitive rewards and training to help people reach their full potential. We see diversity as a business advantage because it improves understanding of our markets and helps us create responsible financial products that anticipate and meet our clients' needs.

ENGAGING EMPLOYEES

Our ability to execute our business strategy depends on employees understanding our priorities and performance. Clear and open communication motivates our people and helps them contribute to our success. We encourage two-way dialogue with our employees and regularly communicate through our intranet, town hall meetings and business unit strategy meetings. We seek direct feedback through formal third-party managed employee surveys every two years. The next global survey will be completed in 2012.

We encourage a culture of open communication, partnership and debate between employees at all levels. Morgan Stanley has a firmwide open door policy to give all employees access to senior management and the board. Management teams host weekly open door sessions, and our CEO hosts one each month. Our Quarterly Open Forum, a global teleconference, allows employees anywhere in the world to ask questions of senior management. We also hold periodic Lunch 'n' Learn sessions on themes or topics of shared interest. These are intended to expand employees' knowledge and personal networks, as well as break down silos.

Morgan Stanley Today—our daily online news portal, provides regional and global news about firmwide activities, community relations, employee initiatives and links to our latest research, webcasts, open forums, town halls and other communications.

LEARNING AND DEVELOPMENT

Our aim is to recruit and retain top talent and drive exceptional performance. We support our employees in advancing their careers, offering personal and professional growth at every level.

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We invest in our employees, from interns to the most senior managing director, by providing global learning solutions that are relevant, enduring and support our business needs. We help employees learn about the firm, our culture and the financial services industry. Our leadership practice provides networking opportunities, executive coaching and targeted skills development; a number of groups within the firm provide training tailored to business units and individual needs. To make learning practical, we provide leadership forums to discuss the implementation of our firm's strategy and priorities.

To encourage employees to acquire new skills, Morgan Stanley supports education by paying a portion of tuition fees. Our Learning Portal also allows employees to access many career development resources online.

Talent is evaluated annually, with the goal of linking business goals to employees' performance. This review process also provides guidance for further development activities.

In 2011, Morgan Stanley presented its first John J. Mack Leadership Award to five employees, recognizing their exemplary contributions to the company, their colleagues and their communities.

REWARD AND RECOGNITION

Morgan Stanley offers competitive and fair compensation plans and benefits programs to attract and retain top talent. Compensation plans are designed to reward performance and mitigate excessive risk-taking while aligning with shareholder interests and adhering to global regulatory standards. Morgan Stanley offers a significant portion of long-term payment in the form of equity and deferred compensation to better align employee interests with the firm's goals. Long-term employees receive Morgan Stanley Service Awards and added vacation benefits.

See our 2011 Proxy Statement for more information.

DIVERSITY AND INCLUSION

To maintain our industry leadership, we need in-depth knowledge of global markets. This means employing skilled and creative people who represent our global community.

Our goal is to build and maintain a diverse workforce, attracting the best and the brightest. We create an inclusive environment by providing diverse employees with the right tools for career development, and we foster a culture that leverages differences, bringing together employees with similar goals and interests to encourage relationship-building throughout the firm. By valuing professionals with different backgrounds, talents, perspectives, cultural identities and experiences, we foster the innovative thinking that helps produce groundbreaking financial products and solutions for our clients.

Gender Diversity

	Female (%)
Management positions (Advisory Directors, Managing Directors, Executive Directors and Vice Presidents)	20
Total employee workforce	38

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Diversity Leadership

Diversity and Inclusion at Morgan Stanley is part of an integrated talent management strategy. The Diversity and Inclusion function reports to the Global Head of Human Resources who is also a member of the firm's Operating Committee, the most senior executive committee at Morgan Stanley. A global Diversity Senior Leadership Team of managing directors, led by a member of the Operating Committee, is complemented by Diversity Champions in each business; together they execute initiatives to meet their divisions' specific diversity priorities which are part of our integrated talent management strategy.

Annually, our Chairman and CEO meets with each Global Division Head, and business unit leaders meet with senior management, to review progress. These discussions include outreach and recruitment, representation, training and advancement, as well as the pipeline of high-potential diverse talent.

When we enter a new market, we strive to achieve appropriate levels of local management, while ensuring that experienced Morgan Stanley leaders are available to transfer institutional knowledge and foster the extension of our corporate culture.

Attracting Diverse Talent

Our recruiting efforts reflect our desire to attract and retain the most talented employees. We are committed to being the employer of choice for prospective employees and to being inclusive in our recruiting strategies. In the U.S., our diversity recruiting efforts include:

- Early identification initiatives for diverse students. Students receive unparalleled early exposure to Morgan Stanley and the financial services industry.
- Scholarship and internship programs. Students are placed with teams of professionals across divisions to acquire knowledge and experience of working within a global firm. Programs include Bridging the Gap Internship Program, Sophomore Internship Program and scholarship programs like the Richard B. Fisher Scholarship and MBA Fellowship.
- Recruiting events that target diverse candidates. Events include: Association of Latino Professionals in Finance and Accounting Conference, National Association of Black Accountants Regional Conference, National Black MBA Association Conference, Out for Undergraduate Business Conference for Lesbian, Gay, Bisexual and Transgender (LGBT) Students, Reaching Out MBA Conference for LGBT Students, Society of Hispanic Professional Engineers National Convention, Society of Women Engineers National Convention and The Grace Hopper Celebration of Women in Computing.
- Partnerships with diversity-focused organizations to develop programs and identify opportunities to attract talent. Our partnerships include: A Better Chance, Management Leadership for Tomorrow, New York Needs You, Robert Toigo Foundation, Sponsors for Educational Opportunity, MBA and Undergraduate Jumpstart and Council of Urban Professionals.

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To enhance our diversity-focused recruiting efforts for Morgan Stanley Smith Barney, we launched a blog in 2011 called the Multicultural Financial Advisors Forum (MFAF). In addition to providing useful information for people considering a career in wealth management, the blog offers our multicultural financial advisors an opportunity to share insights about their work. The blog is modeled on the successful Women Financial Advisors Forum (WFAF), which was launched in 2009.

To ensure that we remain engaged in discussions about LGBT equality and making Wall Street a destination for top talent, Morgan Stanley—as a founding sponsor and leadership committee member—joined with other senior leaders from Wall Street firms and allied industries to launch the Out on the Street LGBT Leadership Summit in 2011. Together we aim to make Wall Street a destination for the best employees and enhance the careers of LGBT senior leaders by creating connections that increase opportunities for their development.

In the UK and in Asia, we recruit diverse talent through:

- The *Morgan Stanley School Outreach Program*. This partnership with 30 high-performing state and private sector schools in and around London provides female students with early access to the firm and educates them on potential career opportunities in our industry. The program culminates with a three-day work experience program, "Step In, Step Up."
- *Leading the Way*. Campus events, sponsored by the Women's Business Alliance, target female students at UK universities.
- *Sponsors for Educational Opportunity* (SEO), as in the U.S., helps us source diverse talent for our internship programs.
- *EmployAbility*, a UK, nonprofit organization, helps us identify, select, and manage the integration of students with disabilities into our internship programs.
- Our Gay and Lesbian Employees at Morgan Stanley (GLEAMS) network sponsors the Cambridge University LGBT Student Union and LSE University LGBT Student Union.
- Multi-bank recruiting initiatives, such as Freshlook for gender, ThisAbility for disability, and Inside and Out for sexual orientation, allow us to attract potential interns and full-time employees.
- Large-scale campus recruiting events in Asia include activities for women interested in technology positions in finance.

Career Development and Employee Engagement

Continuous development and engagement of our people is critical to our success. Our strong, principled culture helps us continue to attract talented individuals who shape and strengthen our business and bring value to our clients.

Programs across all employee levels are designed to deliver business and career development content. In the U.S., some of these initiatives include our Leadership Program for Newly Promoted Women Managing Directors, Leader Engagement and Development (LEAD) Program (developed in partnership with the Council of Urban Professionals), Rising Stars Program for Women Vice Presidents, Morgan Stanley Smith Barney

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Multicultural and Women's Business Exchanges, and newly developed analyst and associate acclimation programs.

In the UK, initiatives include three new female career development programs, Project Career for Associates/Directors, Project Impact for Vice Presidents and the Platinum program for female Executive Directors. Women also participate in our Executive Director Leadership Program in Asia.

In addition, employee networking groups enhance employee engagement, connect business units, encourage idea-sharing and advance our overall culture of inclusion. These groups operate in the U.S., EMEA and Asia Pacific and include support for women, disabled, veteran, gay and lesbian employees and working parents, among others. During 2011:

- The Morgan Stanley Women's Business Alliance (WBA) and the Morgan Stanley Smith Barney Women's Employee Networking Group, which are open to all employees, hosted speaker events and development programs for their members. The WBA, launched in the U.S. in 2010, expanded to EMEA and Asia in 2011. Since inception, it has hosted more than 30 events.
- Nearly 30 members of the Veterans Employee Networking Group gathered in New York in July to participate in the New Jersey Employer Support of the Guard and Reserve (ESRG) Awards Ceremony. The event recognized Morgan Stanley for its exceptional support of veterans.
- Our African Caribbean Network (ACN) celebrated Black History Month, sponsoring several events which showcased different aspects of African Caribbean culture.
- Employees in EMEA celebrated Diversity Month throughout September, an initiative designed to increase awareness and encourage best practices around diversity. The events were broadcast live via webcast and were available on demand after the event.
- Morgan Stanley honored Asian-Pacific American employees with events during Asian-Pacific American Heritage Month, celebrated in the U.S. during May.
- Our Black and Latino Networking Groups in the U.S. launched a Managing Director Leadership Series. Hosted monthly by a rotation of Managing Directors, the events provide an opportunity for Executive Directors and Vice Presidents to have informal, candid discussions about leadership, career development, business issues and other matters of professional interest.
- We launched the Ally Program and Ally Recruiting Program. The programs draw upon the support of advocates or "allies" who are not LGBT. Allies receive an office placard to identify them as supporters of the LGBT community. They help build greater awareness of diversity and inclusion at Morgan Stanley and create advocates and resources for LGBT students and prospective hires.

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- The India Women's Committee brought together over 170 employees from our three Mumbai offices, as well as our Bangalore, Kolkata and Delhi offices, for the Morgan Stanley Women's Conference. The first of its kind for the group, the event provided a forum for women to discuss their careers and to network.
- We launched Pride and Ally networks in Hong Kong, expanding our commitment to our LGBT employees.

Our professional development programs and employee networking groups build on relationships with key external partners, including American Corporate Partners, Asia Society, Center for Talent Innovation, Empire State Pride Agenda, Executive Leadership Council, Hispanic Scholarship Fund, Human Rights Campaign, Posse Foundation, Stonewall, Studio Museum in Harlem, Williams Institute and Women's Bond Club.

U.S. Workforce Diversity

	White %	Black or African American %	Hispanic or Latino %	Asian %	American-Indian or Alaskan Native %	Native-Hawaiian or Pacific Islander %	Two or More Races %	Females %
Executives / Sr. Officials and Managers	89.4	1.5	2.9	6.1	0.0	0.0	0.1	14.6
1st/Mid-level Managers	73.8	4.4	4.8	16.1	0.1	0.2	0.6	33.3
Professionals	61.2	5.8	5.5	26.0	0.1	0.1	1.2	38.4
All Others*	82.6	5.4	5.8	5.1	0.3	0.2	0.7	41.5
Total	77.7	5.1	5.5	10.6	0.2	0.1	0.7	38.7

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

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SAFETY, HEALTH AND WELL-BEING

Our Health and Safety Policy ensures that we maintain a safe workplace. We provide employees with the information, training, supervision and resources needed to create a safe working environment. All new employees are directed to our internal health and safety intranet pages to ensure that they are aware of our policies and procedures.

Morgan Stanley has installed more than 1,000 Automatic External Defibrillators (AEDs) in offices across the globe, underscoring our commitment to safety. Employees can volunteer to receive CPR and AED training.

We foster a culture of health and wellness by providing tools to enable employees to improve the quality of their personal and professional lives. Our Global Wellness Committee, representing the Asia Pacific, EMEA and the U.S., develops our wellness strategies and initiatives.

We offer employees and dependents private medical insurance, and disease-prevention programs including physicals and cancer screening. Our programs in the U.S. focus on providing employees and their families with the support, education and resources they need to improve their wellbeing. More than 15,000 employees and/or their family members took advantage of our Personal Health Teams to create action plans that promote success in achieving personal wellness goals. These include tobacco cessation, exercise and nutrition management, diabetic support, cardiac health and management of a chronic medical condition. A 24-hour registered nurse line is available to answer general health questions. We provide on-site health care at six locations, and physical therapy is available at two locations. In our larger offices, we offer on-site fitness centers. Where this is not possible, we offer discounted gym memberships.

In London, our wellness strategy focuses on four areas: mind, body, family and money. We hold educational and practical events, providing employees with the support and tools they need to be successful both personally and professionally.

In 2011, we hosted more than 125 global health and wellness events, with 10,000 participants. In Asia, events were organized across eight countries including lunch seminars, workshops and road shows. Key activities included a sports day in China, a health and wellness campaign in Japan, a dance workshop in India and a work life balance week in Hong Kong.

Although our employees are mainly office-based and face few direct risks, Morgan Stanley aims to ensure that all employees avoid injury. In 2011, there were no fatalities reported in the U.S. or EMEA.

Work-life Balance

We understand that finding the right balance between home and career is not easy. Our work-life programs respond to the needs of our employees, addressing physical and emotional health, working parents and flexible working. For example, we offer monthly work-life seminars, access to counseling on personal

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issues, parental leave and emergency backup childcare and eldercare. Flexible work arrangements are available for employees who work at least 20 hours per week, based on their manager's approval. These include:

- *Flextime*—allowing employees to stagger the start and end times of their workday;
- *Job sharing*—the responsibilities of a full-time position are shared by two employees;
- *Compressed workweek*—allowing employees to compress a full-time work schedule into three to four days;
- *Telecommuting*—a work-at-home arrangement for one to five days per week; and
- *Reduced work schedule*—an employee works less than a full work schedule, for example, during a phased return from a leave of absence or a phased retirement.

Morgan Stanley is committed to the development and retention of parents through different points in their careers and lives. We offer a series of workshops for employees planning to go on parental leave each quarter. Sessions are open to those who are expecting a baby or planning to adopt in the near future.

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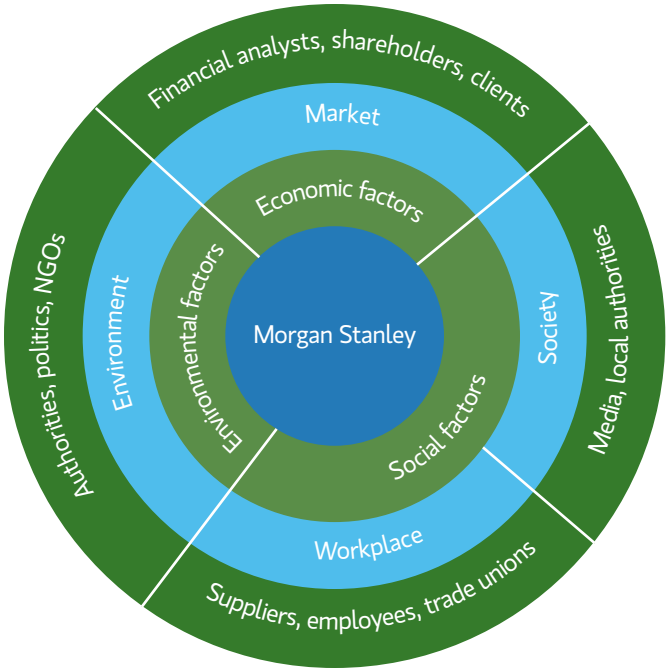
Engagement & Governance

STAKEHOLDER ENGAGEMENT

As a global institution, Morgan Stanley engages with a range of stakeholders to understand their perspectives and respond to their inquiries. These discussions help us determine our most material sustainability issues, to define our priorities, and to report on our social and environmental performance.



Client Relationships

A trusted brand is integral to our business success. We aim to be recognized as the leading provider of financial services in each of the markets we serve. To achieve this, we must forge strong client relationships by offering innovative products and outstanding service. We also have a responsibility to protect our clients' privacy and communicate clearly with our stakeholders. Engaging in regular dialogue with our diverse stakeholders helps us understand their perspectives and support them in achieving their goals.

To ensure that we are unified in our approaches to serving our stakeholders, we have created a new group, Global Corporate Affairs, to combine Corporate Communications, Marketing and Community Affairs. The head of this group is a member of Morgan Stanley's Management Committee.

In addition, to address our clients' needs more effectively, we recently combined our Firmwide Marketing and Morgan Stanley Smith Barney Marketing groups under one Chief Marketing Officer. We continually receive feedback from clients and look for ways to improve our service.

Marketing Communications

Morgan Stanley has policies and processes in place to help ensure that we adhere to marketing, advertising and promotional laws in all of the countries in which we operate.

We value our clients, and it is our goal to provide them with clear information about the products and advice that we may offer. In 2011, we did not identify incidents of noncompliance with regulations concerning our marketing communications that would be expected to have a material adverse effect on our operations or our ability to perform the services we offer.

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Privacy

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

Read our Privacy Pledge and our policies for EMEA and Asia, Japan and the U.S.

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

In 2011, Morgan Stanley was not subject to fines or nonmonetary sanctions for noncompliance with laws and regulations with respect to personal data.

PUBLIC POLICY

Morgan Stanley regularly communicates with governments and participates in public policy debate on issues relevant to our business. Morgan Stanley's Government Relations group monitors legislative and regulatory changes that relate to how we or our clients are taxed, access capital and make investments, as well as how we provide guidance on wealth management.

Employees can pursue legitimate political activities and make political contributions as permitted under law. The Morgan Stanley Code of Conduct, Policy on U.S. Political Contributions and Activities and Anticorruption Policy establish our policies and procedures regarding political contributions, both in the U.S. and in other countries. All employees are expected to abide by these codes and policies.

All donations to the Morgan Stanley Political Action Committee (MSPAC) are made voluntarily by employees; reportable contributions are disclosed to the Federal Elections Commission and made publicly available. MSPAC does not make contributions at the state and local level in the U.S. and does not make political contributions outside the U.S.

Morgan Stanley publicly discloses corporate political contributions beyond what is required by applicable law. In 2011, Morgan Stanley made no corporate political contributions to candidates, political parties, political committees and other political entities organized and operating under 26 U.S.C. Section 527.

Read Morgan Stanley's Corporate Political Contributions Statement.

CORPORATE GOVERNANCE

In 2011, Morgan Stanley's Board of Directors was composed of 14 leaders, 10 of whom were independent. Two directors were female.

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The Board of Directors has a lead director and five key standing committees:

- Audit
- Compensation, Management Development and Succession
- Nominating and Governance
- Operations and Technology
- Risk

A written charter for each committee outlines the mission, membership qualifications, operations and duties of committee members.

Shareholders and other interested parties may contact the Board of Directors by writing to them at Morgan Stanley, Suite D, 1585 Broadway, New York, NY 10036.

Please see our website for detailed information about our corporate structure, board committees and charters, governance policies and ethics practices and procedures.

EXECUTIVE COMPENSATION

In recent years, Morgan Stanley has made significant changes to our executive compensation program in response to the lasting impact of the global financial crisis on the industry. In 2011, Morgan Stanley continued to refine the way we pay our executives, consistent with global regulatory principles, evolving best practices and our risk policies and reflecting shareholder input, the firm's performance and the broader economic environment so that a significantly greater portion of total compensation is "at-risk," subject to clawback and tied to long-term company performance. We believe these changes advance our goals of delivering pay-for-performance, attracting and retaining top talent and encouraging responsible risk-taking in a way that is aligned with the long-term interests of Morgan Stanley's shareholders.

Furthermore, our compensation decisions for 2011 demonstrate our focus on long-term profitability and our commitment to balancing adequate returns for shareholders with appropriate rewards to retain and motivate top talent throughout economic cycles. A complete description of our current executive compensation practices may be found in our annual proxy statement, which is published in conjunction with our annual shareholder meeting.

RISK MANAGEMENT

Morgan Stanley continually assesses new risks that could affect our business. We employ an enterprise risk management (ERM) framework to incorporate risk evaluation into decision-making processes across the firm. Morgan Stanley has policies and procedures in place to identify, assess, monitor and manage the significant risks involved in the activities of its Institutional Securities, Global Wealth Management Group and Asset Management business segments, as well as at the holding company level.

For example, we have enterprise-wide principles that define how we identify, measure, control and monitor the risks of Morgan Stanley and our consolidated subsidiaries. These principles establish that risks are interrelated and require firmwide management.

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These principles also help our Chief Executive Officer and members of senior management to understand and monitor risks consistently and proactively. They outline the roles, responsibilities and guidelines that formalize the risk governance and management processes that are central to maintaining Morgan Stanley's Enterprise Risk Management standards.

Morgan Stanley's Global Franchise Risk Policy sets forth a framework to address potential risks to the franchise as a whole, including the way in which the firm is perceived by external parties, such as our shareholders, clients, regulators and the public. Regional franchise committees monitor and manage all franchise risk, escalating issues to a global franchise committee made up of senior management and sector specialists, as appropriate. We rely on training to help employees understand how to evaluate, manage and mitigate franchise risks in transactions.

Morgan Stanley's Board of Directors, which has oversight for the firm's ERM framework, has authorized the committees within the ERM framework to help facilitate the Board's risk oversight responsibilities.

BUSINESS STANDARDS

Our Code of Conduct is a statement of our commitment to integrity and high ethical standards in all that we do at Morgan Stanley. The Code defines the standards of conduct that we expect from every employee and helps us make the right decisions in the course of performing our jobs. All employees are required to certify annually that they have read, understand and are in compliance with the policies and procedures described in Code, as well as any specific business unit and regional policies and procedures that apply to their role.

All new hires are required to complete mandatory online training that covers key topics from the Code, and current employees are provided with training that covers relevant ethics-related topics, including antimoney laundering, anticorruption, reporting misconduct, conflicts of interest and franchise risk. In addition, targeted compliance training also is provided for specific groups within Morgan Stanley, and all training is documented to ensure participation.

Antimoney Laundering and Anticorruption

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

We prohibit all forms of bribery. In particular, we prohibit offering, promising, giving or authorizing others to give anything of value, either directly or indirectly, to any party in order to gain an unfair business advantage, such as obtaining or retaining business. We have implemented policies and procedures that are

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designed to comply with anticorruption laws and regulations. In addition, we provide training to all employees on anticorruption related topics.

The Audit Committee of the Board of Directors has ultimate responsibility for oversight of Morgan Stanley's Compliance program, which includes oversight of the antimoney laundering and anticorruption programs. Compliance senior management reports to the Audit Committee at least quarterly.

Reporting Misconduct

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

Alternatively, employees may report potential legal, regulatory or ethical misconduct anonymously through our Integrity Hotline. All concerns are treated confidentially, as appropriate. Morgan Stanley takes allegations of misconduct seriously and prohibits retaliation for reports of misconduct made in good faith. If a report of potential misconduct is filed, the matter is referred to an internal unit for appropriate follow-up and is dealt with promptly.

For more information, see Integrity Hotline/Reporting Misconduct.

HUMAN RIGHTS

Morgan Stanley's policies, standards and practices, including our Code of Conduct and Statement on Human Rights support and promote human rights as defined by the Universal Declaration of Human Rights.

Direct Influence

Our own engagement with employees provides us with the best opportunity to protect and promote human rights.

We train all new employees on our Code of Conduct, and all employees acknowledge the Code annually. Investment Banking and Global Capital Markets teams receive environmental and social risk management training. Morgan Stanley respects employees' right to associate, as outlined in our Code of Conduct. Approximately 1.5 percent of employees are represented by unions or works councils. We maintain a global commitment to a workplace that is free of discrimination and harassment and promotes equal opportunity, dignity and respect. Our Global Code of Conduct affirms this commitment, and regional policies—such as our Non-Discrimination and Anti-Harassment and Dignity at Work Policies—contain procedures for reporting allegations of discrimination or harassment. A no-retaliation policy applies to such reports. The firm will promptly review and investigate such matters and take effective remedial action where appropriate.

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In addition, our U.S.-based employees may contact our Convenient Access to Resolutions for Employees (CARE) program administrator, which is a supplemental resource for the handling of employee concerns, including those relating to discrimination or harassment.

Indirect influence

We protect and promote human rights indirectly through our work with suppliers and clients. We have a thorough risk management process for all transactions, which incorporates due diligence on potential human rights issues, among other concerns, that may warrant further inquiry before a potential transaction is completed.

Morgan Stanley engages with clients and encourages them to take human rights criteria into consideration when pursuing investment or banking opportunities. We also act on behalf of our investment management clients to convey concern to portfolio companies that are strategic investors in regions where human rights may be at risk or compromised.

Our Firmwide Sourcing Policy commits us to sustainable sourcing. It includes a commitment to using suppliers who protect and promote human rights.

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Philanthropy

For 50 years, the Morgan Stanley Foundation has been dedicated to supporting the communities where our employees live and work. Our signature initiative, the Morgan Stanley Global Alliance for Children's Health, provides grants to help children get the healthy start they so vitally need for lifelong achievement.

We also contribute to diversity education and career development, and we extend our financial resources to underserved people globally. In 1994, we launched the Morgan Stanley International Foundation in Europe, along with corporate contributions programs in each region, to extend the firm's philanthropic activity worldwide.

Our giving is characterized by the close connection between our grantees and employees. We are proud that employees consistently give their time, money and expertise to enhance the Foundation's partnerships and to help our grantees make an even greater difference in their communities. These collaborations contribute greatly to the success of our philanthropy programs.

GLOBAL ALLIANCE FOR CHILDREN'S HEALTH

During the past 40 years, we have donated well over $100 million to the Morgan Stanley Global Alliance for Children's Health. Our Alliance aims to give more children a healthy start in life by focusing on eliminating preventable death and disease in young children. We fund leading centers of pediatric care, as well as other prominent children's outreach groups that provide direct care to the underserved.

The Alliance's flagship center is the Morgan Stanley Children's Hospital of New York-Presbyterian (MSCH), which opened in 2003. This state-of-the-art hospital is the result of a four-year initiative by Morgan Stanley and the fundraising efforts of our employees, who contributed nearly $65 million toward building this institution. Our outreach extends internationally, including partnerships with the Great Ormond Street Hospital in London and Beijing Children's Hospital. Our involvement helps these institutions bring next-generation care to children while also providing focus for our employee volunteer efforts, resulting in thousands of hours of service.

Each year, through the Morgan Stanley Ambassadors Program, the firm provides a financial analyst to MSCH to assist in projects that will benefit from their expertise. Paid by Morgan Stanley, the analyst works for the hospital for the entire year.

In addition to these critical centers of excellence, which serve over two million children annually, we work with a series of local charities that deliver direct services and health care to children. Our employees support these efforts both financially and, more critically, through the donation of their time and expertise. Some of our 2011 projects are highlighted below.

Morgan Stanley Gives Children A Healthy Start

Over a billion people live in hunger, and children are the most vulnerable. Even in the developed world, food insecurity is on the rise. In the U.S. and UK, one in five children lives with hunger, and families often struggle to afford nutritious foods such as fruit and vegetables.

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Led by the Foundation, Morgan Stanley works to prevent malnutrition, a major cause of childhood death and disease. Since 2005, we have provided access to nutritious food and health services for children suffering from malnutrition in the U.S. and abroad. We are the first major corporate supporter of Grow Clinics, which support families with children suffering from medical complications associated with malnourishment caused primarily by poverty.

Since 2009, we have contributed more than $11 million to nutrition programs, including our U.S.-based "Fill the Plate" program and our global "Step up to the Plate" initiative. These efforts have already delivered 4.3 million nutritious meals and snacks to children, adding 11.5 million new servings of fresh fruit and vegetables for children's food programs.

In 2010, Morgan Stanley made a two-year commitment of more than $5 million to support Feeding America's efforts to address malnutrition. Our efforts are focused on two initiatives to:

- Expand the BackPack Program, which provides needy kids with bags of nutritious food before they leave school to return home for the weekend.
- Support the National Produce Program, which addresses childhood obesity by ensuring access to fresh produce in low-income communities.

Morgan Stanley also provided additional in-kind support to Feeding America to help the organization raise its profile through a series of advertisements that appeared in The Wall Street Journal.

Our work goes far beyond our grant making. More than 6,000 employees have become involved with our nutrition programs in the past two years; over 2,500 employees gave their time in 2011 alone. These employees donated thousands of hours to 88 volunteer projects, making donations and learning more about programs to prevent hunger. Our efforts have already touched more than 200 communities across six continents.

We go the extra mile to tackle malnutrition in emergency situations through grants to relief organizations. For example, in 2011 drought and armed conflict resulted in a nutritional crisis in The Horn of Africa. More than 12 million people were affected, with the most severe conditions in Somalia. Children suffered disproportionately, and the United Nations estimated that without medical intervention more than 500,000 children were at risk of dying from malnutrition. In August, the Morgan Stanley Foundation donated $100,000 to the French nongovernmental organization (NGO) Doctors Without Borders/Médecins Sans Frontières (MSF) for its emergency response in Somalia. According to MSF, this gift is expected to help more than 1,200 malnourished children regain their health.

Helping Children in Need Access Care

Most recently, the Foundation's efforts focused on reaching children who do not have access to quality medical facilities and therapeutic care. In 2011, two significant new initiatives were launched to reach thousands of young people.

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In London, employees adopted Kids Company as their Charity of the Year for 2011 and 2012, and set a goal to raise £800,000, including matching through a Morgan Stanley International Foundation grant. Kids Company's services reach 14,000 children across London, including those most deprived and at risk whose parents are unable to care for them due to their own practical and emotional challenges.

The money we raise will enable Kids Company to purchase a building in South London, to be named the Morgan Stanley Heart Yard. The center will open in 2013 and will provide a safe place where children and young people with extreme levels of need and vulnerability will receive specialist care, including psychiatric support, child and adolescent therapy, counseling and related treatments. The center will feature a garden, kitchen and nursery that offer respite, peace and comfort. For many of the children, it will be the first time they have experienced such a nurturing environment.

In the U.S., we launched a new partnership with Children's Health Fund (CHF) to guarantee continuing access to quality medical care for children in Chicago, New York and San Francisco through a fleet of state-of-the-art mobile medical centers.

Our $750,000 grant will expand CHF's ability to provide an enhanced medical facility to children who otherwise have no access to primary medical care. This includes mental health, nutrition and dental services, along with a strong health education component. Over the course of the next three years, our funding will enable CHF to deliver more than 65,000 health visits for children in its urban programs.

Extending Our Support to Adult Health Care

In October 2011, Morgan Stanley pledged $15 million over four years to New York-Presbyterian Hospital for a new adult emergency department, in honor of the firm's outgoing chairman, John Mack. The department currently handles 77,000 visits per year, despite being equipped to handle just 55,000. This project will increase the department's size by 60 percent and almost double the number of treatment rooms. Building experts, doctors and patients will collaborate to design the facility, with a view to cut waiting times, reduce overcrowding and speed compassionate care.

EDUCATION

Morgan Stanley invests in students from minority and underserved communities. In each region, we focus on academic and career development through scholarships, fellowships, job training and internships, concentrating on students at the post-secondary level. We prioritize programs that inspire talented young people, particularly initiatives offering opportunities in the financial services sector. In 2011, the firm provided more than $4.2 million towards these initiatives.

In the U.S., the Foundation also supports scholarships and internships for minority business students. Through our Richard B. Fisher scholars program, which was founded in 1993, we aided 47 students in 2011. Since its inception, this program has given more than 360 students education and real-world experience in the financial services sector.

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Our MBA Fellowships initiative supports Black, Hispanic, Native American, LGBT and female students. Successful candidates are given $30,000 towards the first year of tuition and related academic expenses (or $15,000 if tuition is already covered). We also offer them an internship at Morgan Stanley between their first and second years of study. Upon successful completion of the internship and acceptance of a full-time offer with Morgan Stanley, the students receive a second tuition scholarship payment of up to $60,000 for the second year of business school (or $15,000 if tuition is already covered).

Employees from Morgan Stanley Institutional Equities offered work experience to students from Cristo Rey High School in East Harlem, NY, throughout 2011. Five students visited Morgan Stanley each week to assist with administrative tasks and work on special projects, providing valuable experience working in the financial sector. Cristo Rey offers low-income students a high-quality college preparatory education and experience at banks, insurers, law firms and other prestigious employers. All of Cristo Rey's 228 graduates were accepted to college last year.

In addition, Morgan Stanley Smith Barney supports Cristo Rey through its Gifts for Good Catalog, a program that enables clients of MSSB to donate to a selected group of organizations that have been identified as leaders in their charitable areas. The Gifts for Good program also provides webinars to these organizations, giving nonprofit managers the opportunity to work with attorneys, investment management professionals, fundraising experts and other consultants who can help them to strengthen their operations.

DISASTER RELIEF

When crisis hits, Morgan Stanley responds. Following the March 11 earthquake and tsunami in Japan, we took action in many ways—as a firm, as individuals and together with organizations such as the Red Cross.

Morgan Stanley has been a member of the Red Cross Annual Disaster Giving Program since 1999. In 2011, we completed a $1 million pledge to the program, and we donated an additional $50,000 to provide immediate assistance following a series of devastating tornados across the U.S. These donations are augmented by individual gifts from employees, who donate through a portal on the firm's intranet, as well as through volunteer activities.

EMPLOYEE COMMUNITY ENGAGEMENT

Employee community engagement is a cornerstone of our culture and is central to our charitable efforts. We encourage all employees to learn about causes, and to give, volunteer or offer their skills to charity. We reward employees' generosity through grant making, matching initiatives and recognition.

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Skills-based Volunteering

In late 2011, we pledged to join A Billion + Change, a national campaign to mobilize billions of dollars in skills-based volunteer services to help build the capacity of nonprofit organizations to meet community needs effectively. As a new signatory, Morgan Stanley pledged $2 million worth of pro bono services by July 2013. We anticipate that joining the campaign will strengthen our own pro bono program, the Strategy Challenge.

Volunteer Incentive Program

To support employee volunteer efforts, our Foundation offers grants through our Volunteer Incentive Program (VIP). These grants support health, human service and environmental charities for which our employees volunteer. The VIP enables us to help local, community-based organizations that may not have access to traditional sources of funding. Since its inception in 1993, the VIP has provided more than $30 million in support. In 2011, we donated $3.5 million through the program.

Morgan Stanley Japan supports victims of earthquake and tsunami

One of the largest earthquakes on record struck Northern Japan in early March 2011, resulting in a devastating tsunami.

Immediately after the disaster, and in addition to the firm's immediate commitment of 100 million yen, the Tokyo-based Morgan Stanley offices held a local relief appeal, to help homeless and displaced victims. The firm matched local employee contributions to raise a total of JPY 100,239,160 ($1,174,580), which we donated to the Japanese Red Cross Society. Since then, groups of employees have continued fundraising and have plans for more events in 2012.

Employees have dedicated more than 800 hours of volunteering towards the relief effort. Morgan Stanley Japan offered employees up to five paid days to volunteer in the region from March 31st to December 31st 2012. More than 80 employees organized a food drive, collecting 1.5 tons of nonperishable food for food bank Second Harvest Japan. Others collected sewing materials and assembled craft kits, crayons, paint and sketchbooks for children in shelters and elementary schools.

Morgan Stanley arranged three weekend volunteer trips to the region for as many as 30 employees each trip, in cooperation with charity organizations. Volunteers cleaned mud-covered debris in houses and cleared streets. We will continue to organize these trips in 2012. Groups of employees have also travelled independently to the region to support the relief efforts. Some individuals at Morgan Stanley have gone even further. A director in Morgan Stanley Corporate Security has been spending his weekends as a Red Cross volunteer pilot, ferrying medical personnel and supplies to the stricken regions of the North.

We also have been supporting the cause outside of Japan. In June, Japanese nonprofit organization Ashinaga raised money in Times Square. Ashinaga supports children who have lost one or both parents in disasters. The firm ran ticker messages about the campaign outside our 1585 Broadway headquarters and provided a press conference space for Ashinaga students who lost their parents, to speak about the organization's impact. Morgan Stanley covered part of the visiting students' accommodation costs.

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To recognize employees' efforts, we put the names of every employee who reports volunteer hours through our programs on the electronic ticker tape outside Morgan Stanley headquarters in New York City at the end of each calendar year.

Global Volunteer Month

Morgan Stanley's Global Volunteer Month encourages employees worldwide to give back to the communities in which we live and work, by volunteering at least one hour in June. The campaign engages employees in teams and individually on local service projects, with a view to encouraging year-round volunteering.

In 2011, well over 21,000 employees volunteered on nearly 1,000 projects, contributing over 171,000 hours in 530 cities around the world. Over 30 percent of employees participated, 14 percent more than in 2010.

We offered our first Global Volunteer Month charitable grant lottery in 2011. Names of employees globally who logged five or more volunteer hours were entered into a drawing, and the winner received a $5,000 grant to the charity of their choice.

Examples of global employee volunteering across the firm:

- In Mumbai, Morgan Stanley employees spent a Saturday with nearly 350 underprivileged children in partnership with Light of Life Trust (LOLT), a nongovernmental organization that seeks to educate and empower underprivileged children. Volunteers dispensed supplies to LOLT centers and participated in activities with the children including dancing, painting, craft making and drama.
- In Singapore, more than 100 employees teamed up with 78 students between ages 12 and 16 from Children-at-Risk Empowerment Association (CARE) for day-long team-building activities.
- In New York, 197 Morgan Stanley volunteers traveled to Pelham Bay Park in the Bronx to clean up half a mile of shoreline.
- In Hong Kong, two Morgan Stanley teams raised a record $40,000 at the annual International Dragon Boat Championship for a local charity that supports children and youth suffering from cancer.
- In London, 19 employees and vendors from the London offices teamed up to help charity Thames21 clean up trash and debris from river banks in East London.
- In Shanghai, a charity soccer match between teams from Morgan Stanley's Shanghai and Singapore offices raised CNY30,000 (~$4,500) and SGD4,100 (~$3,000) to improve the health, nutrition and education of migrant children in Shanghai.

Following the success of Global Volunteer Month and in an effort to deepen our impact on communities, we began rolling out our new Year-Round Volunteer Program in 2011. Driven by divisional leadership, the new program will create tools and partnerships to allow employees to use more of their skills to help charities. By year-end, 16 divisions selected partner "Charities of the Year" and began to set out an aggressive 18-month schedule of team, individual and skills-based volunteering opportunities for employees.

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Employee Giving and Matching

Our giving campaigns encourage employees to donate to good causes by simplifying the giving process and providing matching opportunities for their contributions. Each year this benefits more than 12,000 local charities and our Foundation's core programs. In 2011, employees gave more than $35 million globally through these campaigns, a 15 percent increase over 2010.

Morgan Stanley offers a unique initiative called Charitable Spending Accounts. The Accounts provide U.S. employees who contribute to the Annual Appeal with up to $4,000 in matched corporate funds to give to charities. Charitable Spending Accounts allow employees to donate the matched funds to any U.S. charity, not only those that they have personally funded. Since the program was launched in 2008, employees have allocated more than $22 million dollars through the initiative.

The Strategy Challenge

Each year, cross-divisional teams of outstanding employees participate in our signature initiative—the Strategy Challenge—working directly with nonprofit organizations to provide pro bono strategic advice.

In 2011, Morgan Stanley employees worked with 15 nonprofits in Chicago, New York and San Francisco, contributing more than 6,500 hours of pro bono service. The organizations focus on a range of missions, including education, youth development, financial literacy and the environment.

The strategic plans developed by our pro bono teams aim to help the nonprofits achieve their missions more effectively and efficiently. Their hard work culminates in a public, day-long competition in which leading experts from the academic, private and nonprofit sectors evaluate employees' recommendations.

The top three teams win cash grants for their organization to implement the strategies developed by their advisory teams. In 2011, the winning team worked with the Women's Initiative for Self Employment, providing the organization with key financial and organizational recommendations to develop a strong platform for national growth.

Since its inception, the Strategy Challenge has provided 14,500 hours of pro bono service to 36 nonprofits.

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Strategy and Analysis				
1.1	Core	Statement from the most senior decision maker of the organization about the relevance of sustainability to the organization and its strategy	Yes	Letter from the CEO
1.2	Core	Description of key impacts, risks and opportunities	Yes	Letter from the CEO Sustainability at Morgan Stanley Environmental and Social Risk
Profile				
2.1	Core	Name of reporting organization	Yes	Morgan Stanley
2.2	Core	Primary brands, products and or services	Yes	About Morgan Stanley
2.3	Core	Operational structure of the organization including main divisions, operating companies, subsidiaries and joint ventures	Yes	About Morgan Stanley 10K Disclosure
2.4	Core	Location of organization's headquarters	Yes	About Morgan Stanley
2.5	Core	Number of countries where organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	Yes	Global Offices
2.6	Core	Nature of ownership and legal form	Yes	10K Disclosure
2.7		Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries)	Yes	10K Disclosure
2.8		Scale of the reporting organization including: Number of employees; Net sales; Total capitalization broken down in terms or debt and equity; and Quantity of products or services provided	Yes	10K Disclosure

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2.9		Significant changes during the reporting period regarding size, structure or ownership, including: Location of, or changes in, operations, including facility operations, closings, and expansions; and Changes in the share capital structure and other capital formation, maintenance and alteration operations	Yes	10K Disclosure
2.10		Awards received in the reporting period	Yes	Awards & Recognition
Report Parameters				
3.1		Reporting period for information provided	Yes	About this Report
3.2		Date of most recent previous report	Yes	2010
3.3		Reporting cycle	Yes	Annual
3.4		Contact point for questions regarding the report or its contents	Yes	sustainability@morganstanley.com
Report Scope and Boundary				
3.5		Process for defining report content, including: Determining materiality; Prioritizing topics within the report; and Identifying stakeholders the organization expects to use the report	Yes	Sustainability at Morgan Stanley Stakeholder Engagement
3.6		Boundary of the report	Yes	All Morgan Stanley's impact on the market unless otherwise stated
3.7		State any specific limitations on the scope or boundary of the report	Yes	All Morgan Stanley offices unless otherwise stated
3.8		Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	Yes	All Morgan Stanley operations as described in our 10K disclosure

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3.9		Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report	Yes	We use the Greenhouse Gas Protocol in conjunction with the U.S. EPA's Climate Leaders Greenhouse Gas Protocol to calculate our emissions
3.10		Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	Yes	Our financial information has been re-stated in line with changes in our 10K disclosure. Our Total Emissions by Source table (2010 datacenters and offices only) has been re-stated due to the availability of higher quality and more accurate real estate data
3.11		Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	Yes	No such changes
GRI Content Index				
3.12		Table identifying the location of the Standard disclosures in the report	Yes	This index
Assurance				
3.13		Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider	Yes	Environment—Operations (Managing Our Impacts)

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Governance, Commitments and Engagement				
Governance				
4.1		Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	Yes	Corporate Governance
4.2		Indicate whether the Chair of the highest governance body is also an executive officer (and if so, their function within the organization's management and the reasons for this arrangement)	Yes	Corporate Governance
4.3		For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or nonexecutive members	Yes	Corporate Governance
4.4		Mechanisms for stakeholders and employees to provide recommendations or direction to the highest governance body	Yes	Policy regarding communication with Board of Directors
4.5		Linkage between compensation for members of the highest governance body, senior managers and executives (including departure arrangements) and the organization's performance (including social & environmental performance)	Yes	Corporate Governance Remuneration and Sustainability Performance
4.6		Processes in place for the highest governance body to ensure conflicts of interest are avoided	Yes	Nominating and Governance Committee Charter
4.7		Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental and social topics	Partial	Nominating and Governance Committee Charter

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4.8		Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental and social performance, and the status of their implementation	Yes	Sustainability at Morgan Stanley Business Standards (Code of Conduct)
4.9		Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	Yes	Corporate Governance
4.10		Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	Yes	Nominating and Governance Committee Charter
Commitments to External Initiatives				
4.11		Explanation of whether and how the precautionary approach or principle is addressed by the organization	Yes	Morgan Stanley does not employ the precautionary approach to environmental issues Environmental and Social Risk
4.12		Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or endorses	Yes	The Carbon Principles The Equator Principles United Nations Universal Declaration of Human Rights
4.13		Members in associations and/or national/international advocacy organizations in which the organization: Has positions in governance bodies; Participates in projects or committees; Provides substantive funding beyond routine membership dues; or Views membership as strategic	Yes	The Carbon Principles U.S. Partnership for Renewable Energy Finance Climate Bonds Initiative

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Stakeholder Engagement				
4.14		List of stakeholder groups engaged by the organization, E.g., communities, civil society, customers, shareholders and providers of capital, suppliers and employees, other workers and their trade unions	Yes	Stakeholder Engagement
4.15		Basis for identification and selection of stakeholders with whom to engage Includes process for defining stakeholder groups and for determining the groups with which to engage	Yes	Stakeholder Engagement
4.16		Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group E.g., surveys, focus groups, community panels, corporate advisory panels, written communication, management/ union structures and other vehicles. Say whether any engagement was undertaken specifically as part of the report preparation process	Yes	Stakeholder Engagement Engaging Employees Internal Communication
4.17		Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	Yes	Stakeholder Engagement
Performance: Economic				
Disclosure on Management Approach				
		Provide a concise disclosure on the Management Approach items outlined below with reference to the following economic aspects: economic performance, market presence and indirect economic impacts	Yes	Corporate Governance Sustainability at Morgan Stanley

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Economic Performance Indicators				
Aspect: Economic Performance				
EC1	Core	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Yes	Financial Information
EC2	Core	Financial implications and other risks and opportunities for the organizations activities due to climate change	Yes	Sustainability at Morgan Stanley Environmental and Social Risk Environmental Financing Initiatives
EC3	Core	Coverage of the organization's defined benefit plan obligations	Yes	10K Disclosure
EC4	Core	Significant financial assistance received from government	Yes	No
Aspect: Market Presence				
EC5	Additional	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	Not reported	
EC6	Core	Policy, practices and proportion of spending on locally based suppliers at significant locations of operation	Not reported	
EC7	Core	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	Yes	Diversity Leadership
EC8	Core	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement	Yes	Social Finance Community Development Public Finance Philanthropy
EC9	Additional	Understanding and describing significant indirect economic impacts, including the extent of impacts	Yes	Social Finance Community Development Philanthropy

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Performance: Environmental				
Disclosure on Management Approach				
		Provide a concise disclosure on the management approach items outlined below with reference to the following environmental aspects: materials, energy, water, biodiversity, emissions, effluents and waste, products and services, compliance, transport and overall	Yes	Environment — Operations
Environmental Performance Indicators				
Aspect: Materials				
EN1	Core	Materials used by weight or volume	No	
EN2	Core	Percentage of materials used that are recycled input materials	Yes	Paper Use
Aspect: Energy				
EN3	Core	Direct energy consumption by primary energy source	Yes	Energy and Climate
EN4	Core	Indirect energy consumption by primary source	Yes	Energy and Climate
EN5	Additional	Energy saved due to conservation and efficiency improvements	Yes	Energy Uses
EN6	Additional	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives	Partial	Environmental Financing Initiatives Strengthening Communities through Environmental Improvements
EN7	Additional	Initiatives to reduce indirect energy consumption and reductions achieved	Yes	Energy and Climate

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Aspect: Water				
EN8	Core	Total water withdrawal by source	Not reported	
EN9	Additional	Water sources significantly affected by withdrawal of water	Not applicable	
EN10	Additional	Percentage and total water volume of water recycled and reused	Not reported	
Aspect: Biodiversity				
EN11	Core	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity outside protected areas	Not applicable	
EN12	Core	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Yes	Not material to Morgan Stanley's own operations See Environmental and Social Risk regarding lending and project financing policies
EN13	Additional	Habitats protected or restored	Not applicable	
EN14	Additional	Strategies, current actions and future plans for managing impacts on biodiversity	Not applicable	
EN15	Additional	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Not applicable	
Aspect: Emissions, Effluents and Waste				
EN16	Core	Total direct and indirect greenhouse gas emissions by weight	Yes	Energy and Climate
EN17	Core	Other relevant indirect greenhouse gas emissions by weight	No	
EN18	Additional	Initiatives to reduce greenhouse gas emissions and reductions achieved	Yes	Energy and Climate

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		GRI Guideline	Inclusion	Location	
EN19	Core	Emissions of ozone-depleting substances by weight	Yes	**Refrigerant**	**Refrigerant emissions (kg)**
				HFC 134a	595.87
				R407C	275.38
				R-417A	15.57
				R-410a	30.26
				HFC 143A	197.75
				R-22	55.74
				R-123	15.47
EN20	Core	NOx, SOx and other significant air emissions by type and weight	Not applicable		
EN21	Core	Total water discharged by quality and destination	Not reported		
EN22	Core	Total weight of waste by type and disposal method	Partial	Reducing Waste	
EN23	Core	Total number and volume of significant spills	Not applicable		
EN24	Additional	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII, and percentage of transported waste shipped internationally	Not applicable		
EN25	Additional	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected but the reporting organization's discharges of water and runoff	Not applicable		
Aspect: Products and Services					
EN26	Core	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Yes	Environmental and Social Risk Management	
EN27	Core	Percentage of products sold and their packaging materials that are reclaimed by category	Not applicable		

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Aspect: Compliance				
EN28	Core	Monetary value of significant fines and total number of nonmonetary sanctions for noncompliance with environmental laws and regulations	Yes	In 2011, Morgan Stanley did not receive any significant fines for noncompliance with environmental laws or regulations. For a description of Morgan Stanley's legal proceedings, please see its SEC filings
EN29	Additional	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	Yes	Employee Travel
Aspect: Overall				
EN30	Additional	Total environmental protection expenditures and investments by type	Partial	Since 2006, Morgan Stanley has invested $10.9 million in capital projects intended to improve the efficiency of operations and use of energy
Performance: Labor Practices and Decent Work				
Disclosure on Management Approach				
		Provide a concise disclosure on the management approach items outlined below with reference to the following labor aspects: employment, labor/management relations, occupational health and safety, training and education and diversity and equal opportunity	Yes	Employees

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		GRI Guideline	Inclusion	Location
Labor Practices and Decent Work Performance Indicators				
Aspect: Employment				
LA1	Core	Total workforce by employment type, employment contract and region	Not reported	
LA2	Core	Total number and rate of employee turnover by age group, gender and region	Not reported	
LA3	Additional	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Not reported	
Aspect: Labor/Management Relations				
LA4	Core	Percentage of employees covered by collective bargaining agreements	Yes	Human Rights
LA5	Core	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	Not reported	
Aspect: Occupational Health and Safety				
LA6	Additional	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	Not reported	
LA7	Core	Rates of injury, occupational diseases, lost days, absenteeism and number of work-related fatalities by region	Partial	Safety, Health and Well-Being
LA8	Core	Education, training, counseling, prevention and risk-control programs in place to assist workforce members, their families or community members regarding serious diseases	Yes	Safety, Health and Well-Being
LA9	Additional	Health and safety topics covered in formal agreements with trade unions	Not reported	

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Aspect: Training and Education				
LA10	Core	Average hours of training per year per employee by employee category	Not reported	
LA11	Additional	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing their careers	Yes	Learning and Development
LA12	Additional	Percentage of employees receiving regular performance and career development reviews	Yes	All active permanent employees are eligible to participate in performance management process
Aspect: Diversity and Equal Opportunity				
LA13	Core	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity	Yes	Diversity and Inclusion
LA14	Core	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Not reported	
Performance: Human Rights				
Disclosure on Management Approach				
		Provide a concise disclosure on the management approach items outlined below with reference to the following human rights: investment and procurement practices, non-discrimination, freedom of association and collective bargaining, abolition of child labor, prevention of forced and compulsory labor, complaints and grievance practices, security practices and indigenous rights	Yes	Human Rights

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Human Rights Indicators				
Aspect: Investment and Procurement Activities				
HR1	Core	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Yes	Environmental and Social Risk Human Rights
HR2	Core	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Yes	Human Rights
HR3	Additional	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees that are trained	Partial	Business Standards
Aspect: Nondiscrimination				
HR4	Core	Total number of incidents of discrimination and actions taken	Not reported	
Aspect: Freedom of Association and Collective Bargaining				
HR5	Core	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	Not applicable	
Aspect: Child Labor				
HR6	Core	Operations identified as having a significant risk for incidents of child labor, and measures taken to contribute to the elimination of forced or compulsory labor	Not applicable	
Aspect: Forced and Compulsory Labor				
HR7	Core	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	Not applicable	

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Aspect: Security Practices				
HR8	Additional	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	Yes	All security personnel are trained on Morgan Stanley's Code of Conduct.
Performance: Society				
Disclosure on Management Approach				
		Provide a concise disclosure on the management approach items outlined below with reference to the following society aspects: community, corruption, public policy, anti-competitive behavior and compliance	Yes	Risk Management Business Standards Public Policy
Society Performance Indicators				
Aspect: Community				
SO1	Core	Percentage of operations with implemented local community engagement, impact assessments and development programs	Not reported	
Aspect: Corruption				
SO2	Core	Percentage and total number of business units analyzed for risks related to corruption	Yes	All of our business units are analyzed for risks related to corruption
SO3	Core	Percentage of employees trained in organization's anticorruption policies and procedures	Yes	Business Standards
SO4	Core	Actions taken in response to incidents of corruption	Yes	10K Disclosure
Aspect: Public Policy				
SO5	Core	Public policy positions and participation in public policy development and lobbying	Yes	Public Policy
SO6	Additional	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	Yes	www.fec.gov

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Aspect: Anti-Competitive Behavior				
SO7	Additional	Total number of legal actions for anticompetitive behavior, antitrust and monopoly practices and their outcomes	Yes	See SEC filings
Aspect: Compliance				
SO8	Core	Monetary value of significant fines and total number of nonmonetary sanctions for noncompliance with laws and regulations	Not reported	
Performance: Product Responsibility				
Disclosure on Management Approach				
		Provide a concise disclosure on the management approach items outlined below with reference to the following society aspects; customer health and safety, product and service labeling, marketing communications, customer privacy and compliance	Yes	Client Relationships Marketing Communications Privacy
Product Responsibility Performance Indicators				
Aspect: Customer Health and Safety				
PR1	Core	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Not applicable	
PR2	Additional	Total number of incidents of noncompliance with regulations and voluntary codes concerning health and safety impacts of products and service during their life cycle, by type of outcomes	Not applicable	
PR3	Core	Type of product and service information required by procedures, and percentage of significant products and service subject to such information requirements	Not reported	

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PR4	Additional	Total number of incidents of noncompliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	Not reported	
PR5	Additional	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Partial	Client Relationships
Aspect: Marketing Communications				
PR6	Core	Programs for adherence to laws, standards and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship	Yes	Marketing Communications
PR7	Additional	Total number of incidents of noncompliance with regulations and voluntary codes of concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	Yes	Marketing Communications
Aspect: Customer Privacy				
PR8	Additional	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Yes	Privacy
Aspect: Compliance				
PR9	Core	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	Not reported	
Financial Services Sector				
Financial Services Sector: Specific Disclosure on Management Approach				
FS1	Core	Policies with specific environmental and social components applied to business lines	Yes	Environmental Policy Statement
FS2	Core	Procedures for assessing and screening environmental and social risks in business lines	Yes	Environmental and Social Risk

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		GRI Guideline	Inclusion	Location
FS3	Core	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	Yes	Environmental and Social Risk
FS4	Core	Processes for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	Yes	Environmental and Social Risk Training
FS5	Core	Interactions with clients/investors/business partners regarding environmental and social risks and opportunities	Yes	Environmental and Social Risk Environmental Financing Initiatives Social Finance Community Development
Financial Services Sector: Product and Service Impact Indicators				
Aspect: Product Portfolio				
FS6	Core	Percentage of the portfolio for business lines by specific region, size and by sector	No	
FS7	Core	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	Partial	Social Finance Community Development Public Finance
FS8	Core	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Partial	Environmental Financing Initiatives
Aspect: Audit				
FS9	Core	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	Not reported	

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

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2011 Global 500 Carbon Performance Leadership Index and S&P 500 Carbon Disclosure Performance Index

Member, Dow Jones Sustainability Index World and Dow Jones Sustainability Index North America

Maplecroft Climate Innovation Indexes (CII)—Benchmark, Leaders and US 100 listings

SAM—named Morgan Stanley a 2012 "Sector Mover"

Top Public Markets Lead Manager for Clean Energy/Renewables
Bloomberg/New Energy Finance (United States)

100 Best Companies for Working Mothers
Working Mother magazine (United States)

Ranked in Top Ten
Great Place to Work Institute (Japan)

Top 50 Employers for Women
The Times (United Kingdom)

One of the Best Places to Work on Wall Street
Vault (United States)

50 Top Employers of College Grads
Bloomberg Businessweek (United States)

15 Top MBA Employers
CNN Money (United States)

Top Diversity Employers and Top Supplier Diversity Programs
Professional Woman's magazine (United States)

Best in Class for Code of Conduct
Ethisphere Institute (United States)

Top 100 Women Financial Advisors
Barron's awarded Morgan Stanley 22 spots, including the top two (United States)

100% Corporate Equality Index
Human Rights Campaign (United States)

Ranked as one of the Top Companies that Care about LGBT equality and rights
MetroSource magazine (United States)

Top Diversity Employers for African Americans
Black EOE Journal magazine (United States)

50 Best Companies to Work for in the U.S.
LATINA Style magazine (United States)

Top Supplier Diversity Programs for Hispanics and Top Diversity Employers for Hispanics
Hispanic Network magazine (United States)

Best Companies for Hispanics
Hispanic Business magazine (United States)

Employer of the Year
The New York City Bar Committee on Recruitment and Retention of Lawyers (United States)

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