

2017 UK Gender Pay Gap Report

Morgan Stanley is committed to a workforce and work environment that promotes equality, diversity and inclusion where everyone is treated with dignity and respect. Our policies and practices, including those on pay, reflect and promote this commitment. Attracting, retaining and developing the best and most diverse talent is a key strategic priority. Our commitment to an inclusive culture where everyone can maximise their potential, regardless of gender, ethnicity, sexual orientation, disability or any other characteristics, is fundamental to driving our business forward.

Proactively increasing the number of women in senior management roles and nurturing the future pipeline is a top priority for our global leadership team. Significant effort is being made towards achieving greater gender balance across all levels and functions. The correlation between gender-balanced teams and improved decision-making, innovation and performance aligns with our core values of leading with exceptional ideas, putting clients first and doing the right thing.

The gender pay gap should not be confused with equal pay. Simply put, the gender pay gap is the average pay difference between men and women across the whole organisation, irrespective of role or level. Equal pay is ensuring men and women are being paid equally for the same or similar role, or for work of equal value. Ensuring compensation decisions are made fairly and consistently, regardless of gender, race, or any other diverse demographic and are based on an individual's role, performance and experience, is at the heart of our meritocratic culture.

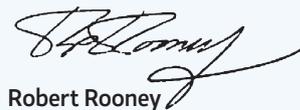
In accordance with the UK Government's Gender Pay Gap Reporting regulations, in this report we publish our UK gender pay gap figures. The results reflect that despite our efforts to close the gap, we currently have a greater proportion of men than women in our senior positions, and therefore in more highly paid roles. Addressing this gender imbalance is key to narrowing the pay gap.

CEO Statement

Throughout my career, I have been a champion of strong accountability, robust talent management and transparent metrics to address the gender imbalance in our senior ranks. Not only is this a critical aspect of my responsibilities as CEO of Morgan Stanley International, it is fundamental to my role as Executive Champion of the HM Treasury Women in Finance Charter. I am proud that Morgan Stanley was an early signatory of this pledge to build more gender balance across the UK Financial Services industry, and the first major US investment bank to do so.

Unfortunately, the gender pay gap is an issue across the Investment Banking sector and the Financial Services industry as a whole. I am encouraged by the efforts Morgan Stanley has already made to increase female representation in senior management, but our metrics are not where we would like them to be. Significant improvement requires continued proactive focus. There is much more work to do. We acknowledge that meaningful and sustainable change will take time. We reiterate our strong commitment to develop, promote and retain talented women across the firm and make this change happen.

I confirm the data in this report is accurate.



Robert Rooney
CEO of Morgan Stanley International

Our Results

In line with the UK Gender Pay Gap Reporting regulations, we are providing gender pay gap data for the two Morgan Stanley UK entities that had 250 or more employees as at 5 April 2017—Morgan Stanley UK Limited (MSUK—predominantly Infrastructure divisions) and Morgan Stanley Employment Services Limited (MSES—predominantly Revenue divisions).

First, we review the consolidated median data for these two entities referred to as Morgan Stanley UK Group, which is a more accurate reflection of our UK workforce. The median is the middle figure when the hourly rates of all relevant employees are listed in ascending order.

Headline Data for Morgan Stanley UK Group

Morgan Stanley UK Group Median Gender Pay Gap

Over a snapshot period of a month in April 2017, our Morgan Stanley UK Group median gender hourly pay gap was 35.2%. This means that when we look at the hourly median rate of pay for men compared with women, without differentiating by role or level, a woman’s hourly pay was 35.2% less than a man’s. This is based on 5,010 employees within Morgan Stanley UK Group, of which 34% were women. This figure is in line with the anticipated average size of the Financial Services gender pay gap, currently estimated to be approximately between 35% and 38% (from the Office for National Statistics and the World Economic Forum).

We are committed to ensuring that our gender pay gap is not due to our compensation policies or practices. We have robust practices in place and carry out annual reviews of the compensation framework as part of the year-end compensation process. From these reviews, and through this process, we have identified that the gender pay gap is more a reflection of the fact that there are not enough women in senior positions. The fact that there are comparatively more women in some of our infrastructure divisions and support roles also contributes.

MORGAN STANLEY UK GROUP MEDIAN GENDER HOURLY PAY GAP



Morgan Stanley UK Group Bonus Data

Employees who are eligible to be considered for a discretionary bonus may receive an annual award of variable pay dependent on a number of factors (including, but not limited to):

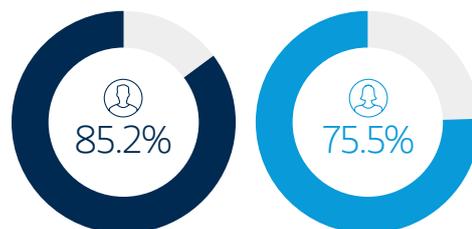
- An individual employee’s performance, relative contributions and conduct
- The performance of the Firm, division and team
- The employee’s rate of pay relative to internal and external markets
- The extent to which the employee upheld the firm’s values
- Business and market conditions

In accordance with the regulations, the median bonus data is calculated over the 12-month period preceding 5 April 2017. When we consider the annual bonus, without differentiating by role or level, a woman’s annual bonus was 55.6% less than a man’s. 85.2% of men received a bonus versus 75.5% of women.

MORGAN STANLEY UK GROUP MEDIAN GENDER BONUS GAP



MORGAN STANLEY UK GROUP PROPORTION OF EMPLOYEES WHO RECEIVED AN ANNUAL BONUS



Morgan Stanley UK Group Proportion of Men and Women in Each Pay Quartile

PROPORTION OF EMPLOYEES IN EACH PAY QUARTILE

PAY QUARTILE	WOMEN	MEN
Lower	50.0%	50.0%
Lower Middle	39.5%	60.5%
Upper Middle	29.2%	70.8%
Upper	19.3%	80.7%

This table shows the gender split for Morgan Stanley UK Group when we order hourly rates of pay from highest to lowest, and group into four equal employee quartiles.

In our lowest pay quartile, we had an equal distribution of men and women, although as a proportion of the female workforce as a whole, women are overrepresented in some infrastructure and support roles. The representation of women decreases in the next three quartiles, highlighting the gender imbalance in our senior ranks.

Gender Pay Gap Reporting 2017 by Entity

Morgan Stanley UK Limited–MSUK

PAY AND BONUS DIFFERENCE BETWEEN MEN AND WOMEN

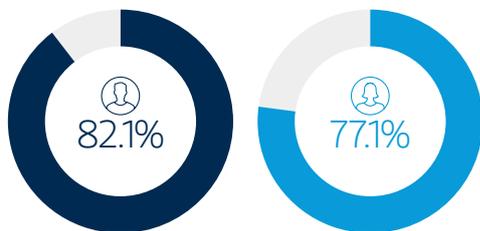
	MEDIAN	MEAN
Hourly Pay	24.6%	24.0%
Bonus	33.7%	58.7%

Morgan Stanley Employment Services Limited–MSES

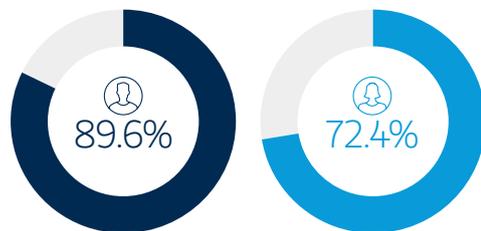
PAY AND BONUS DIFFERENCE BETWEEN MEN AND WOMEN

	MEDIAN	MEAN
Hourly Pay	46.2%	50.4%
Bonus	61.4%	68.6%

PROPORTION OF EMPLOYEES RECEIVING A BONUS



PROPORTION OF EMPLOYEES RECEIVING A BONUS



PROPORTION OF EMPLOYEES IN EACH PAY QUARTILE

PAY QUARTILE	WOMEN	MEN
Lower	46.9%	53.1%
Lower Middle	45.0%	55.0%
Upper Middle	30.4%	69.6%
Upper	26.1%	73.9%

PROPORTION OF EMPLOYEES IN EACH PAY QUARTILE

PAY QUARTILE	WOMEN	MEN
Lower	51.0%	49.0%
Lower Middle	34.0%	66.0%
Upper Middle	23.0%	77.0%
Upper	12.9%	87.1%

Female Senior Management Representation

The Firm has demonstrated a strong commitment to improving representation; however, we are not yet seeing the kind of progress that we would like. We were encouraged that of our EMEA officer promotions effective January 2017, 31.5% of Managing Director (MD) promotions were women, a record for the region.

Improving the representation of women on our boards and senior committees is a significant focus. Elizabeth Corley, Vice Chair of Allianz Global Investors (UK), was appointed to the global Morgan Stanley Board in 2018, increasing female representation to 23%. In 2018, Noreen Whyte, CEO of Morgan Stanley Bank International Ltd (MSBIL) and Co-Head of the Loan Solutions Group, was appointed to the board of Morgan Stanley & Co International Plc (MSIP) as an Executive Director, subject to regulatory approval. Together with our two Non-Executive Directors, Mary Phibbs and Terri Duhon, the female representation on the MSI and MSIP Boards now stands at 25% versus a target of reaching 27% female representation on the boards by the end of 2018.

Noreen Whyte, Mary Phibbs and Terri Duhon all sit on the board of MSBIL, which has 30% female representation.

Morgan Stanley Investment Management Ltd (MSIM) is chaired by Terri Duhon and Fiona Kelly is a Non-Executive Director—both were appointed in 2018. A third of the MSIM board is female and it has exceeded its board diversity target of reaching 27% female representation by the end of 2018.

In 2018, Diane Hosie was appointed CEO of Morgan Stanley Investment Management (ACD) Ltd and Eimear Cowhey was appointed as a Non-Executive Director; the board now has 40% female representation.

In 2017, two women were added to the European Operating Committee (EOC): Juliet Estridge, Director of European Equity Research; and Fiona Kelly, EMEA Head of Operations.

We were pleased that three Morgan Stanley women were listed on Financial News’ 2017 100 Most Influential Women in Finance: Juliet Estridge, Director of European Equity Research; Becci McKinley-Rowe, Head of UK Equity Sales; and Clare Woodman, Global Chief Operating Officer for Institutional Securities.

Actions Being Taken to Increase the Senior Management Female Pipeline

Our commitment to increasing senior female representation is evidenced by our early signing of the HM Treasury Women in Finance Charter. We are proud to be regularly featured in The Times Top 50 Employers for Women in partnership with Business in the Community, and the Bloomberg Gender-Equality Index.



Our gender action plan has five key components:

1. Senior Leadership Commitment

Our board, EMEA CEO and EMEA Diversity Action Council (DAC) ensure intense focus on our gender strategy and accountability for progress. Quarterly meetings are held with the EOC, analysing progress on firmwide and divisional metrics and initiatives. Division heads discuss their senior high-potential women with regard to performance, profile, platform and potential at a dedicated EOC meeting, which going forward will be held twice a year. Divisional female representation targets have been agreed at VP and ED level. An annual action plan for each division with three targeted initiatives on improving the senior female pipeline is regularly reviewed and progress measured.

Our DAC provides thought leadership and acts as a catalyst to drive forward the diversity strategy both from a firmwide and divisional perspective. Its 25 Managing Director members meet monthly, working closely with the Diversity and Inclusion, and Talent teams. Our DAC is co-chaired by Jakob Horder, Head of Fixed Income and a member of the Global Management Committee; and Becci McKinley-Rowe, Head of UK Equity Sales.

“Each business develops a customised approach to driving increased ownership and accountability for the progression of women into senior roles, while also staying true to the Firm’s meritocratic principles.”

Head of Fixed Income and Co-Chair of the EMEA Diversity Action Council

“The Diversity Action Council plays a key role in driving our female recruitment, retention and development strategy and corresponding initiatives. Actively managing development, promotion and succession planning is essential to increasing female representation at senior levels. Our 4P Talent Track initiative (performance, profile, platform and potential) and working with the managers of high-potential women is a major focus for 2018.”

Head of UK Equity Sales and Co-Chair of the EMEA Diversity Action Council

2. Focus on Female Recruitment

What is key to increasing the percentage of women in senior management is to ensure that we are successful at recruiting talented women. This starts at entry level. Since 2011, we have run our School Outreach programme with senior female role models aligned to over 45 target schools in both the state and independent sector. This raises awareness of the industry and the breadth of roles and opportunities available, encouraging talented women to apply to our two-day Step In, Step Up A-level programme, which runs twice a year, or our annual Technology Step In, Step Up Insight day. We have expanded

our female university outreach with targeted “Paths to Success” skills and networking sessions. We have also focused on social mobility outreach and expanded our efforts to recruit more students from Black, Asian and Minority Ethnic backgrounds by working with three new specialist partner organisations. Each division has set summer and full-time female campus hiring targets, the majority of which are at 50%.

In experienced hire recruiting, we have established the monitoring of diverse CV and interview shortlists. In 2017, 72% of CV shortlists and 64% of interview slates included at least one woman. Last year marked the fourth anniversary of our London Return to Work programme—a 12-week paid internship for experienced professionals currently on a career break of at least two years. A total of 70% were offered roles at the conclusion of the 2017 programme, with a 100% acceptance rate.

“As the Diversity Action Council representative for Technology, I regularly share granular divisional diversity metrics with the Management team, in particular, female experienced hire results by department. Increased data transparency, accountability and enhanced creative sourcing efforts have been instrumental in helping us double our female experienced hire numbers in 2017.”

EMEA Head of Infrastructure Technology, Global Head of Enterprise Computing and EMEA Diversity Action Council Representative for Technology

3. Path to Leadership and Robust Talent Management

Enabling high-potential women to enhance their leadership capabilities and increase their exposure to senior management is a priority. We have sharpened our focus on mentoring and sponsorship, one example being our global Institutional Securities (ISG) mentoring initiative, ISG Connects. Mentors and mentees are carefully selected for each six-month cohort. Professional development and networking opportunities are offered throughout, and mentors have access to mentee performance feedback to enable targeted development coaching.

In addition to our flagship mixed leadership programmes—Morgan Stanley Leaders Programme (MSLP), Executive Director Development Series (EDDS) and Associate Leaders Programme (ALP)—we have three impactful leadership and career development programmes for our high potential female talent:

- Project Catalyst (one level below Vice President)—new in 2017
- Project Impact (Vice Presidents)
- Platinum (Executive Directors)

Our Platinum programme offers group workshops on specific topics tailored to the participants’ leadership growth needs, senior speaker business/career insight sessions and one-on-one coaching. All of these programmes provide an opportunity for participants to build a strong peer support network.

“To increase the number of women promoted to senior positions in Financial Services, they need mentors to help them navigate through situations, expand their networks and become better connected within their organisation. They also need sponsors to help pull them up. Growing the pipeline of women to move into more senior positions is firmly and visibly a priority for senior management at Morgan Stanley. It’s great to see the progress we are making, but there is more to do.”

CEO of Morgan Stanley Bank International and Co-Head of the Loan Solutions Group

4. Focus on Retention

Our internal Women’s Network, the Women’s Business Alliance, promotes career development, cross-business activity and ideas sharing through skills development programmes and access to inspirational leaders. Our Family Network provides networking, learning and development opportunities tailored to working parents, returning mothers and carers.

Our maternity coaching provides comprehensive support for women before, during and after their return from maternity leave. Additional training is provided for their managers on being proactively supportive. In 2017, we doubled paternity leave from two weeks to four and enhanced our shared parental leave. We offer a child/elder care policy of up to 150 hours of backup care a year per dependent.

Considerable progress is being made to make formal and informal flexible working more accessible and visible, setting the tone from the top. Our efforts in this regard will be reinvigorated in 2018 with the launch of a Work Smart campaign.

“As a parent, I’m proud that Morgan Stanley offers four weeks’ paternity leave and enhanced shared parental leave. I understand the importance of supporting our talent, especially during key periods of change in their lives. In my role on the Diversity Action Council representing Equities, I champion the uptake of our maternity coaching programme and manager training sessions, which provide essential tools and guidance before, during and after maternity leave.”

Head of European Special Situations and EMEA Diversity Action Council Representative for Equities

5. Prioritising Manager Education

Manager training on inclusive leadership, promoting a culture of regular feedback, and proactively nurturing the careers of team members will continue into 2018. We proactively help to mitigate unconscious bias at all appropriate recruitment, evaluation and promotion touchpoints. Nurturing a culture of conscious inclusion is fundamental to our role as a global leader. In 2018, our 4P Talent Track initiative will further encourage our managers to enhance the profile, platform and potential of their female talent, enabling them to optimise their performance.

“Managers are key to retaining employees in any organisation. Managers need to view their team members as individuals and take the time to understand what motivates them, what they are good at, and what are their development areas. Managers who know their employees individually are better able to represent them in broader forums internally, where it matters, and are also better able to source opportunities for employees to grow and develop. I think we are at an exciting time in the Financial Services industry in looking at diversity, and the industry is in a position to make real change. Retention of diverse talent is a crucial part of the equation, and it comes down to individual managers who are key to making this happen.”

Head of Risk Management for Fixed Income, EMEA and Sponsor of the Women’s Business Alliance and 2017 Platinum Programme