Article 450 of CRR Disclosure

Morgan Stanley Europe Holding SE Group Regulatory Compensation Disclosure

This Compensation Disclosure (the “Disclosure”) sets out the principles relating to compensation within Morgan Stanley Europe Holding SE Group (“MSEHSE Group”). Some of the policies, practices and procedures outlined in the Disclosure apply globally to Morgan Stanley, its subsidiaries and affiliates (the “Company”). The Disclosure has been established in line with the Capital Requirements Directive ("CRD IV"), Capital Requirements Regulation ("CRR"), the currently applicable Institutsvergütungsverordnung ("InstitutsVergV") (as of today only reflecting the remuneration requirements of CRD IV), the German Banking Act ("Kreditwesengesetz, KWG") and any associated regulations and guidance (together the “German Remuneration Rules”).

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   g. The number of individuals being remunerated EUR 1 million or more per financial year, broken down into pay bands of EUR 500,000, and aggregated for compensation of EUR 2.5 million and above

1 MORGAN STANLEY
1. Morgan Stanley Compensation Objectives and Strategy

The Company is committed to a responsible and effective compensation program that is aligned with shareholder and Company strategy, is motivating, competitive, and reflects current best practices in corporate governance, risk management and regulatory principles.

The Company’s compensation processes are aligned with the Company’s core values of: Put Clients First, Lead with Exceptional Ideas, Do the Right Thing, Give Back, and Commit to Diversity and Inclusion. The alignment with the Company’s core values is a key element considered as part of the performance measurement process (see section 5b).

The Global Compensation, Management Development and Succession Committee ("CMDS Committee") of the Morgan Stanley Board of Directors continually evaluates the Company’s compensation programs with a view towards balancing the following key objectives, all of which support the Company’s culture and values and shareholders’ interests:

- **Deliver Pay for Sustainable Performance.**
  - Variable annual incentives and, for certain senior executives, performance vested long-term incentives tied to future performance against strategic objectives.
  - Consideration of returns for shareholders and appropriate rewards to motivate employees

- **Align Compensation with Shareholders’ Interests.**
  - Significant portion of incentive compensation is deferred, subject to cancellation and clawback, and tied to the Company’s stock with retention requirements
  - Ongoing shareholder engagement to understand shareholder views

- **Attract and Retain Top Talent.**
  - Competitive pay levels to attract and retain the most qualified employees in a highly competitive global talent environment
  - Incentive awards include vesting and cancellation provisions that retain employees and protect the Company’s interests

- **Mitigate Excessive Risk-taking.**
  - Compensation arrangements do not incentivize unnecessary or excessive risk-taking that could have a material adverse effect on the Company
  - Robust governance around review and approval of compensation programs, including from a risk perspective

2. Decision-making process used for determining compensation policies

2a. Composition and mandate of the EROC, the MSI Group Remuneration Committee, the MSEHSE Group Remuneration Committee, and the CMDS Committee

The EMEA Remuneration Oversight Committee ("EROC") provides formal oversight of EMEA compensation matters to ensure compensation practices in EMEA are compliant with relevant UK and EU legislation and follow good practice standards. The EROC met seven times in 2020 and consisted of the EMEA Chief Executive Officer (Chair), the EMEA Head of Human Resources (Deputy Chair), the EMEA Chief Finance Officer (EMEA CFO), the EMEA Chief Legal Officer (EMEA CLO), the EMEA Head of Compliance, and the EMEA Chief Risk Officer (EMEA CRO). The EROC certified compliance with regulatory requirements to the MSI Group Remuneration Committee ("MSI RemCo") and the MSEHSE Group Remuneration Committee ("MSEHSE Group RemCo").

The MSI RemCo was appointed by the MSI Board of Directors to oversee the design and implementation of the compensation policies and practices applicable to the MSI Group, which includes contributing to the global policy development that is subject to oversight by the CMDS Committee as well as overseeing compliance by the MSI Group with applicable EU and UK
compensation rules. On December 31, 2020, the MSI RemCo was comprised of four non-executive directors: Mary Phibbs (Chair), Jonathan Bloomer, Terri Duhon, and Paul Taylor, and met five times in 2020.

The MSEHSE Group RemCo oversees the design and implementation of the remuneration policies and practices applicable to the MSEHSE Group including through contributing to regional policy development by the MSI Remco. On December 31 2020, the MSEHSE Group RemCo was comprised of three non-executive directors: Clare Woodman, David Russell and Paul Wirth.

On December 31 2020, The CMDS Committee was comprised of five directors, including the independent Lead Director of the Morgan Stanley Board of Directors (the “Board”), all of whom are independent under the New York Stock Exchange listing standards and the independence requirements of the Company. The members were Dennis M. Nally (Chair), Thomas H. Gloce, Stephen J. Luczo, Hutham S. Olayan, and Rayford Wilkins Jr. In 2020, the CMDS Committee held eight meetings. The CMDS Committee operates under a written charter adopted by the Board, which is available on Morgan Stanley’s website at http://www.morganstanley.com/about-us-governance/comchart.html.

The CMDS Committee regularly reviews (i) Company performance with respect to execution of strategic objectives and evaluates executive performance in light of such performance; (ii) executive compensation strategy, including the competitive environment and the design and structure of the Company’s compensation programs to ensure that they are consistent with and support the Company’s compensation objectives; and (iii) market trends and legislative and regulatory developments affecting compensation in the U.S. and globally.

2b. Role of the relevant stakeholders and external consultant

The CMDS Committee has the power to appoint independent compensation consultants, legal counsel, or financial or other advisors as it may deem necessary to assist it in the performance of its duties and responsibilities. The CMDS Committee has retained an independent compensation consultant, Pay Governance, to assist in collecting and evaluating external market data regarding executive compensation and performance and advise on developing trends and best practices in executive compensation and incentive plan design. In performing these services, Pay Governance attends meetings of the CMDS Committee regularly, including portions of the meetings without management present, and separately with the CMDS Committee Chair. Pay Governance is the CMDS Committee’s independent advisor and does not provide any other services to the Company or its executive officers that could jeopardize its independent status. The Company has affirmatively determined that no conflict of interest has arisen in connection with the work of Pay Governance as compensation consultant for the CMDS Committee.

Further, together with the Global Chief Risk Officer (“Global CRO”), the CMDS Committee oversees the Company’s incentive compensation arrangements to help ensure that such arrangements are consistent with the safety and soundness of the Company and do not encourage excessive risk-taking and are otherwise consistent with applicable related regulatory rules and guidance. The Global CRO attends the CMDS Committee meetings at least annually, and on an as needed basis, to discuss the risk attributes of the Company’s incentive compensation arrangements. The Global CRO reported to the CMDS Committee his conclusion that the Company’s compensation programs for 2020 do not incentivize employees to take unnecessary or excessive risk and that such programs do not create risks that are reasonably likely to have a material adverse effect on the Company.

The day-to-day compliance with the Company’s obligations under the German Compensation Rules is delegated to the Company’s control functions including, in relation to remuneration, the EMEA Human Resources Department (“EMEA HR”). EMEA HR regularly reviews the Firm’s regulatory obligations with respect to remuneration in each of its jurisdictions, and ensures that appropriate variations in policy are created so that the compensation structures approved by the CMDS Committee are fully compliant with local laws and regulations in each of those jurisdictions.

3. Link between pay and performance

The Company has a ‘pay for performance’ philosophy, which is reflected throughout the four key objectives of its compensation programs (see section 1) and applies across all lines of business.
Performance is taken into account at every step of the variable compensation cycle, from the ex-ante adjustment and determination of variable compensation to the delivery and where applicable ex-post adjustment of compensation.

Performance measurement for year-end compensation is subject to a multi-dimensional process that considers individual, Company and business segment performance. Our ‘pay for performance’ philosophy means that where a variable compensation award is not appropriate, none will be paid; every year a portion of our eligible population does not receive variable compensation. The governance around the performance evaluation and compensation decision-making process ensures decisions are a product of a number of inputs including performance, risk and conduct. Further information in relation to performance measurement and criteria is provided in sections 4b and 6.

Delivering a portion of deferred incentive compensation in the form of equity links variable compensation to Company performance through the Company’s stock price performance. Risk outcomes that result in a negative impact to the Company reduce the value of the equity, and the employee is subject to this decline in value through the deferral period. In addition to cancellation and clawback, there is a formal governance process to consider and determine ex-ante and ex-post adjustments to individual variable annual incentive compensation.

4. Design characteristics of the Compensation System

The Company’s compensation philosophy is based on the concept of annualised total reward (or total compensation) and accordingly compensation for the majority of employees is comprised of two key elements:

- Fixed compensation consisting of base salary and, for certain employees, a Role Based Allowance (“RBA”); and
- Discretionary variable annual incentive compensation that is based on a number of factors, including but not limited to Company, business unit, and individual performance.

RBAs are considered to be fixed compensation because they meet the requirements of the relevant compensation rules, are paid monthly in cash via payroll and are based on an individual’s role and responsibilities.

The ratio between the fixed and the variable components of an employee’s total compensation does not exceed 1:2, or 1:0.5 for individuals within a control function (see section 5)

The Company expects deferred incentive awards to constitute a significant component of employees’ variable compensation and to be designed to protect the Company’s long-term interests and align with shareholders’ interests. Some employees, including members of the Management Board, receive a greater proportion of their compensation in share-based instruments. Notwithstanding this, our ‘pay for performance’ philosophy means that where a variable award is not appropriate, none will be paid and every year a proportion of our eligible population receives no variable compensation.

Compensation decisions for employees in our independent control functions are determined by senior management of those divisions, wholly independent of the business areas. The senior management of each control function allocates variable compensation among managers who then allocate among individual employees, taking into account the results of the performance evaluation process, competitive rates of pay, market conditions and relative performance.

Guaranteed variable compensation is only paid in exceptional circumstances in the context of hiring new staff and is limited to the first year of service. The awarding of guaranteed variable compensation is subject to an approval process, which includes receiving approval from the appropriate Senior Manager, the EMEA Head of Compensation, and in certain circumstances the Global Chief Human Resources Officer (CHRO).

Termination payments made to some employees on leaving the MSEHSE Group are reviewed in accordance with the MSEHSE Group’s severance framework, which complies with the relevant compensation rules.
4a. **Risk Adjustment**

The Company continually monitors the effectiveness of its compensation structure and evaluates whether it achieves balanced risk-taking and also utilizes a thorough process of considering risk-adjusted performance, compliance with risk limits and the market and competitive environment when sizing and allocating annual incentive compensation pools.

Throughout the year, employee conduct matters that are escalated through the Company’s Global Conduct Risk Program are reviewed to determine whether they present situations that could require clawback or cancellation of previously awarded compensation, as well as downward adjustments to current year compensation.

Cancellations and clawbacks of previously awarded compensation are reviewed with the Employee Discipline Oversight Committee (a committee of senior management currently composed of the Company’s Chief Financial Officer, Chief Legal Officer, Global CRO, CHRO, Chief Audit Officer, and Chief Compliance Officer) and reported to the CMDS Committee quarterly. This process is enhanced by a formalized EMEA malus review process as part of the EROC governance. This process involves EROC assessing situations which may warrant adjustment to current year variable compensation and/or to apply cancellation and/or clawback, with reference to specific criteria that are contained in governing incentive compensation award documents and applicable policies. Where appropriate, the MSEHSE Group Remuneration Committee and the MSI Group Remuneration Committee receive updates on the malus review process.

In addition to the above governance processes, conduct driven adjustments to current year variable compensation proposed by managers as part of the compensation decision-making process are reviewed by an EMEA panel composed of senior representatives from the Legal, Compliance, and HR functions. This ensures that both the business and the relevant independent functions are included in the review, and that compensation adjustments made are consistent across the MSI Group. Compensation adjustments are also reviewed globally, to ensure consistent application.

4b. **Performance Measurement**

Performance measurement for year-end compensation for each employee is subject to a multi-dimensional process, which considers, amongst other factors, individual, global and business segment performance. This takes into account financial as well as non-financial performance metrics. The Company has a Global Incentive Compensation Discretion Policy that sets forth standards for managers on the use of discretion when making annual compensation decisions and considerations for assessing risk management and outcomes. The policy specifically provides that all managers must consider whether their team members managed risk appropriately and effectively managed and supervised the risk control practices of the employees reporting into them during the performance year. Managers are trained on these requirements annually and are required to certify compliance with the applicable requirements. In addition, conduct, culture, and core values must be considered in the year-end performance evaluation process by considering whether the employee performed his/her job responsibilities in ways consistent with the Company’s culture and core values (see section 1). From 2020, in line with the Firm’s new core value of Commit to Diversity and Inclusion, a new criteria was added to performance measurement to ensure focus on diversity and inclusion when making compensation decisions. During the year-end performance and compensation processes managers are provided with an Employee Performance Dashboard, which is an aggregation of performance inputs, including the areas of Risk Management, Conduct and Control. These inputs are included in the Company’s compensation system to ensure these factors are taken into account in compensation decisions.

5. **Ratios between fixed and variable compensation**

The Company’s policy on ratios between fixed and variable compensation is to allow for flexibility, whilst recognizing the need to ensure that levels of compensation are appropriately balanced between fixed and short- and long-term variable incentive compensation. A ratio of 1.2 of fixed compensation to variable compensation applicable to all staff of Morgan Stanley Europe SE and its branches was approved by MSESE shareholders on 7 December 2018 in addition to the MSBAG ratio of 1.2 fixed compensation to variable compensation which was approved by MSBAG shareholders on 18 December 2013. Additionally, a ratio of 1:0.5 of fixed compensation to variable compensation applies to staff of control functions.
6. Performance criteria on which the entitlement to variable compensation is based

The Global Incentive Compensation Discretion Policy, noted above in 4b, also provides guidelines to help ensure that annual incentive compensation decisions take relevant factors into consideration, including actual and potential risks to the Company that the employee may be able to control or influence. The policy specifically provides that all compensation managers must consider whether or not an employee managed risk appropriately and effectively managed and supervised the risk control practices of his or her employee reports during the performance year. Compensation managers are required to certify that they have followed the requirements of Company policies and escalated situations potentially requiring attention for possible cancellations or clawback.

In determining the amount of discretionary incentive compensation to award an eligible employee, a compensation manager must consider only those factors that are legitimate, business-related and consistent with the Company’s legal and regulatory obligations and policies and practices. With this discretion, comes the responsibility to make pay decisions consistent with the Firm’s equal pay philosophy, which means that compensation managers are accountable for making deliberate, thoughtful, and defensible compensation decisions considering only legitimate, business-related factors. These factors include but are not limited to: (1) the employee’s absolute and relative performance in an individual and, if relevant, supervisory capacity; (2) the employee’s conduct and adherence to the Company’s core values and other policies and procedures; (3) performance feedback elicited through the Company’s performance evaluation processes, including information provided by control function personnel; (4) any discipline administered to the employee during the performance year; (5) any circumstances during the performance year that may result in clawback of the employee’s previously awarded incentive compensation; and (6) market and competitive conditions.

Pursuant to the Global Incentive Compensation Discretion Policy, in order to be eligible for any annual incentive compensation, the individual also must remain an active employee performing duties on behalf of the Company, who has not given or been given notice of termination at the time the annual incentive compensation is communicated across the Company to the eligible population of employees.

7. Main parameters and rationale for any variable component scheme and any other non-cash benefits

Employees who reach a certain compensation eligibility threshold receive a portion of their variable annual incentive compensation in the form of deferred incentive compensation awards.

Each year, the CMDS Committee reviews the annual incentive compensation pool and the design and structure of the annual compensation program, including eligibility, the form of deferred incentive awards, deferral formulae, vesting and timing of payments and cancellation/claw back provisions. Discretionary annual variable incentive compensation may be granted to eligible employees after an extensive review and evaluation of Company, business unit and individual performance.

The form of deferred incentive compensation awards (i.e. equity, cash, or a combination thereof) is determined based on a variety of factors, including the number of shares available for grant under the Company’s equity plans and compliance with applicable remuneration rules including the German Remuneration Rules. Delivering a portion of incentive compensation awards in the form of equity, links variable compensation to Company performance through the stock price performance.

In 2020, the Company continued to include cancellation provisions that apply to a broad scope of employee behaviour for all deferred incentive compensation awards.

The Company believes that its compensation decisions for 2020 demonstrate its focus on long-term profitability and commitment to sustainable shareholder value with appropriate rewards to retain and motivate top talent throughout economic cycles.
8. **Aggregate quantitative information on compensation, broken down by business area**

The following table sets out aggregate quantitative information on compensation of individuals who were employed by the MSEHSE Group in 2020:

<table>
<thead>
<tr>
<th>Aggregate Compensation (EUR millions)</th>
<th>INSTITUTIONAL SECURITIES GROUP</th>
<th>NON-INSTITUTIONAL SECURITIES GROUP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td><strong>77.4</strong></td>
<td><strong>31.4</strong></td>
</tr>
</tbody>
</table>

1 Group includes Company functions, Investment Management, Operations and Technology.

9. **Aggregate quantitative information on compensation, broken down by senior management and all other staff, indicating the following:**

9a. **Amounts of compensation for financial year 2020, split into fixed and variable compensation, and the number of beneficiaries**

<table>
<thead>
<tr>
<th>MANAGEMENT &amp; SUPERVISORY FUNCTION</th>
<th>INSTITUTIONAL SECURITIES GROUP</th>
<th>NON-INSTITUTIONAL SECURITIES GROUP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Beneficiaries (Code Staff)</td>
<td>10</td>
<td>220</td>
</tr>
<tr>
<td>Fixed Compensation (EUR millions)</td>
<td>6.0</td>
<td>37.0</td>
</tr>
<tr>
<td>Variable Compensation (EUR millions)</td>
<td>3.8</td>
<td>32.5</td>
</tr>
</tbody>
</table>

1 Variable Compensation awarded for performance year 2020 contained deferred equity incentives, including restricted stock units, plus deferred cash incentives.

9b. **Amounts and forms of variable compensation for 2020, split into cash, shares, share-linked instruments and other types**

<table>
<thead>
<tr>
<th>MANAGEMENT &amp; SUPERVISORY FUNCTION</th>
<th>INSTITUTIONAL SECURITIES GROUP</th>
<th>NON-INSTITUTIONAL SECURITIES GROUP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash (EUR millions)</td>
<td>0.9</td>
<td>19.7</td>
</tr>
<tr>
<td>Deferred Cash (EUR millions)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deferred Stock (EUR millions)</td>
<td>2.9</td>
<td>12.9</td>
</tr>
</tbody>
</table>
### 9c. Amounts of outstanding deferred compensation, split into vested and unvested portions

<table>
<thead>
<tr>
<th></th>
<th>MANAGEMENT &amp; SUPERVISORY FUNCTION</th>
<th>INSTITUTIONAL SECURITIES GROUP</th>
<th>NON-INSTITUTIONAL SECURITIES GROUP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vested at Year End 2020¹ (EUR millions)</td>
<td>-</td>
<td>2.6</td>
<td>0.5</td>
</tr>
<tr>
<td>Unvested at Year End 2020² (EUR millions)</td>
<td>5.7</td>
<td>18.2</td>
<td>1.4</td>
</tr>
</tbody>
</table>

¹ Vested deferred equity and cash-based incentives awarded during and prior to performance year 2020.
² Unvested deferred equity and cash-based incentives awarded during and prior to performance year 2020 and unvested at 31 December 2020.

### 9d. Amounts of deferred compensation awarded during the financial year 2020, paid out, and reduced through performance adjustments

<table>
<thead>
<tr>
<th></th>
<th>MANAGEMENT &amp; SUPERVISORY FUNCTION</th>
<th>INSTITUTIONAL SECURITIES GROUP</th>
<th>NON-INSTITUTIONAL SECURITIES GROUP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awarded (EUR millions)</td>
<td>2.9</td>
<td>12.9</td>
<td>1.1</td>
</tr>
<tr>
<td>Paid Out from Prior Years¹ (EUR millions)</td>
<td>3.4</td>
<td>10.5</td>
<td>1.1</td>
</tr>
<tr>
<td>Reduced from Prior Years (EUR millions)</td>
<td>-</td>
<td>0.5</td>
<td>0.0</td>
</tr>
</tbody>
</table>

¹ Deferred equity and cash-based incentives paid in 2020.

### 9e. New sign-on payments¹ made during the financial year 2020, and the number of beneficiaries of those payments

<table>
<thead>
<tr>
<th></th>
<th>MANAGEMENT &amp; SUPERVISORY FUNCTION</th>
<th>INSTITUTIONAL SECURITIES GROUP</th>
<th>NON-INSTITUTIONAL SECURITIES GROUP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of beneficiaries</td>
<td>-</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Total amount (EUR millions)</td>
<td>-</td>
<td>0.3</td>
<td>-</td>
</tr>
</tbody>
</table>

¹ Guaranteed variable awards granted to new hires and limited to their first year of service.
9f. Amounts of severance payments awarded during the financial year 2020, number of beneficiaries and highest such award to a single person

<table>
<thead>
<tr>
<th>MANAGEMENT &amp; SUPERVISORY FUNCTION</th>
<th>INSTITUTIONAL SECURITIES GROUP</th>
<th>NON-INSTITUTIONAL SECURITIES GROUP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Severance payments awarded in 2020 (EUR Millions)</td>
<td>-</td>
<td>1.2</td>
</tr>
<tr>
<td>Number of beneficiaries</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Highest such award to a single person (EUR Millions)</td>
<td>-</td>
<td>0.7</td>
</tr>
</tbody>
</table>

9g. The number of individuals being remunerated EUR 1 million or more per financial year, broken down into pay bands of EUR 500,000, and aggregated for compensation of EUR 2.5 million and above

<table>
<thead>
<tr>
<th>COMPENSATION (EUR millions)</th>
<th>NUMBER OF INDIVIDUALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over €1mm and up to €1.5mm</td>
<td>8</td>
</tr>
<tr>
<td>Over €1.5mm and up to €2mm</td>
<td>2</td>
</tr>
<tr>
<td>Over €2mm and up to €2.5mm</td>
<td>3</td>
</tr>
<tr>
<td>Over €2.5mm</td>
<td>3</td>
</tr>
</tbody>
</table>

This document represents the annual Compensation Disclosure of Morgan Stanley Europe Holding SE Group, as required under the Capital Requirements Regulations (CRR).