

2018 UK Gender Pay Gap Report

Morgan Stanley is committed to a workforce and work environment that promotes equality, diversity and respect. Our policies and practices, including those on pay, reflect 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 feels a sense of belonging and 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 an important priority for our global leadership team. Significant effort is being made towards achieving greater gender balance at all levels across our businesses. 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.

In accordance with the UK Government's Gender Pay Gap Reporting regulations, in this report we publish our UK gender pay gap figures. The gender pay gap is the average pay difference between men and women across the organisation, irrespective of role or level. It should not be confused with equal pay. Equal pay is ensuring men and women are being paid equally for the same or similar role.

Our results reflect the fact that we currently have a greater proportion of men than women in senior positions and in businesses where market rates of pay are highest. We will continue to make efforts to narrow the gap.



CEO Statement

"It is a top priority for me to increase the number of women in senior management roles both at Morgan Stanley and across the industry. I am proud that in 2016, Morgan Stanley was the first major US investment bank to sign the HM Treasury Women in Finance Charter. We have a target to achieve at least 30% female representation in UK senior management roles by January 2023. I am equally proud that we were an early signatory of the Race at Work Charter, launched in 2018.

We are putting intense focus into strengthening the pipeline of promotion candidates, with proactive succession planning, gender-balanced shortlists and robust leadership development initiatives. Senior Management regularly discusses our high potential female talent with the focus on effective sponsorship and proactive platform planning. We also emphasise building the pipeline and attracting more women to join the Firm; thereafter focusing on retaining, developing and inspiring them. Setting the tone from the top and cascading accountability to drive change is vital, together with increased transparency, regularity of metrics reporting and stretching divisional targets.

Whilst we are seeing significant momentum in our initiatives, demonstrable and sustainable change will take considerable time. Some of the actions we are taking to improve the gap over the longer term will have an initial negative impact on our metrics and cause them to fluctuate - our focus on increasing our female analyst intake, for example.

Significant improvement in increasing female representation in senior management requires continued proactive focus, and I reiterate our strong commitment to make this change happen.

I confirm the data in this report is accurate."

Clare Woodman
Head of EMEA & CEO of
Morgan Stanley & Co. International Plc.

Executive Summary – Morgan Stanley UK Group

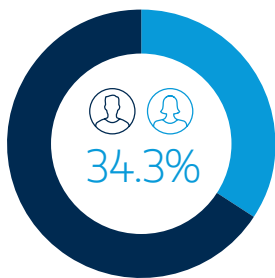
We have two Morgan Stanley UK entities that had 250 or more employees as at April 2018. Before providing the separate data sets for these, first we review the median data of the combined entities, referred to as Morgan Stanley UK Group. We believe this provides a more balanced reflection of our UK workforce.

Median Gender Pay Gap

Gender pay gap calculations consider the hourly pay rates for women and men, regardless of role or level.

We are committed to ensuring equal pay for men and women undertaking comparable roles. Gender is never a factor which determines pay decisions. We conduct thorough statistical analysis and reviews of our compensation processes and practices to ensure employees in equivalent roles are paid fairly.

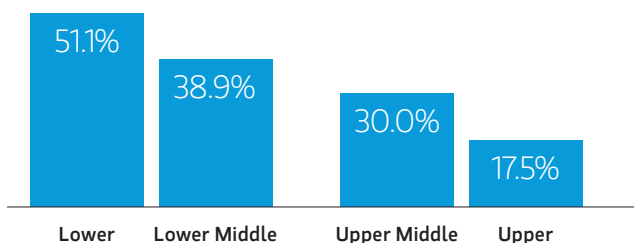
Our 2018 median gender pay gap of 34.3% is primarily a reflection of the fact that there are currently not enough women in senior roles. Our efforts have reduced this gap by 0.9% since 2017, but there continues to be much work ahead.



Pay Quartiles

The composition of our workforce which drives this gap is illustrated by the percentage of women in each pay quartile for the UK Group.

FEMALE % BY PAY QUARTILE



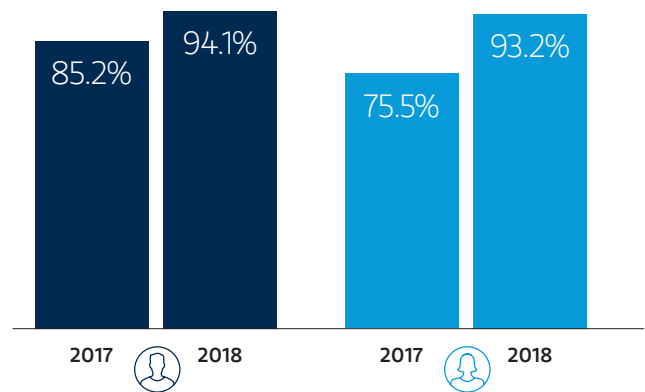
A further contributory factor is that there are comparatively more women in some of our infrastructure and support roles, where the level of compensation is lower.

Proportion Receiving a Bonus

There are a number of factors which determine whether eligible employees receive a discretionary bonus:

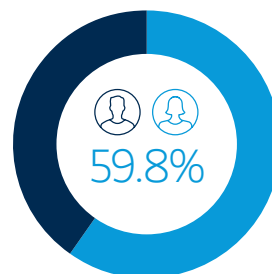
- Individual performance and conduct
- Demonstration of the Firm's values
- Firm, division and team performance
- Pay relative to internal and external markets
- Business and market conditions

Over the last year, we have implemented changes to make all junior roles bonus-eligible. This, in addition to an extraordinary bonus payment to this population, has contributed to a significant rise of almost 18% in the proportion of women receiving a bonus in the 12 months to April 2018.



Median Bonus Gap

Our focus on increasing our female analyst intake and our bonus-eligible population did however lead to an increase in our overall median bonus gap to 59.8% for 2018.



As a signatory of the HM Treasury Women in Finance Charter, we are focused on sustained long-term change. Improving the female talent pipeline at junior levels will initially exacerbate our pay and bonus gaps, but is required to secure the foundation for gender equality across senior management in the future.

Executive Summary – MS UK Limited and MS Employment Services Limited

The table below provides a full summary of all statutory gender pay gap data for the two Morgan Stanley UK entities that had 250 or more employees as at April 2018 and comprise the Morgan Stanley UK Group:

- Morgan Stanley UK Limited (MSUK – predominantly Infrastructure divisions)
- Morgan Stanley Employment Services Limited (MSES – predominantly Revenue divisions)

		MSUK	MSES
Pay gap (%)	Median	23.6	49.4
	Mean	25.9	52.4
Bonus pay gap (%)	Median	37.5	70.3
	Mean	60.0	72.8
Proportion receiving a bonus (%)	Women	93.0	93.5
	Men	94.6	93.3
Pay quartiles (% female)	Lower	48.8	48.3
	Lower Middle	43.9	35.7
	Upper Middle	31.1	23.7
	Upper	25.8	10.3

Female Senior Management Representation

Improving the representation of women on our boards and in senior management roles continues to be a significant focus. Since 2017, we have more than doubled the female representation on the Morgan Stanley International Ltd. Board from 18% to 42%.

2018 Female Senior Management Appointments

- Clare Woodman – Head of EMEA and CEO of Morgan Stanley & Co. International Plc. (MSIP) and Executive Director of Morgan Stanley International Ltd. (MSI)
- Kim Lazaroo – EMEA Chief Financial Officer and Executive Director of MSI and MSIP
- Noreen Whyte – Executive Director of MSI and MSIP in addition to her role as CEO and Executive Director of Morgan Stanley Bank International Ltd. (MSBIL)
- Terri Duhon – Independent Non-Executive Director and Chair of Morgan Stanley Investment Management Ltd. (MSIM)
- Mandy DeFilippo – Executive Director of MSBIL
- Fiona Kelly – Non-Executive Director of MSIM
- Diane Hosie – CEO of Morgan Stanley Investment Management (ACD) Ltd. in addition to her role as Executive Director
- Eimear Cowhey – Independent Non-Executive Director of Morgan Stanley Investment Management (ACD) Ltd.

Mandy DeFilippo is Chair of the Board of the International Capital Markets Association (ICMA), a position to which she was elected and formally appointed in 2018. Mandy's appointment is the first time in the organisation's 50 year history that a woman has held the role of Chair. Mandy is Global Head of Business Unit Risk Management for the Fixed Income Division.

We were pleased that three Morgan Stanley female leaders were listed in Financial News' 100 Most Influential Women in Finance 2018 list: Becci McKinley-Rowe, Head of UK Equity Sales; Noreen Whyte, CEO of Morgan Stanley International Bank Ltd. and Co-Head of Loan Solution and Securitisation Group; and Clare Woodman, Head of EMEA and CEO of Morgan Stanley & Co. International Plc.

Recruitment and Promotion

- In 2018, female Managing Director (MD) hiring increased by 13% year on year and female Executive Director (ED) hiring by 6%.
- We are encouraged that 32% of our EMEA officer promotions effective January 2019 are female.

2018 Progress Highlights

Senior Leadership Commitment

Our board, EMEA CEO and EMEA Diversity Action Council (DAC) continue to ensure intense focus and accountability across our entire female recruitment, retention and development strategy. Quarterly meetings are held with the European Operating Committee (EOC), analysing progress on firmwide and divisional metrics and initiatives. Division Heads discuss their senior high-potential female talent with regard to performance, profile, platform and potential at a dedicated EOC meeting twice a year. A metrics review is included in the weekly EOC materials, and our CEO engages in regular discussion with her direct report Division Heads. Divisional female representation targets have been agreed at a senior management and officer level as well as graduate hiring. An annual action plan for each division is regularly reviewed and progress is measured.

"Investing in and growing the pipeline of women to move into senior roles is firmly and visibly a top priority for senior management at Morgan Stanley."

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

Our DAC provides thought leadership and acts as a catalyst to drive forward the diversity strategy both from a firmwide and divisional perspective. It 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. Its 23 MD members meet monthly, working closely with the Diversity and Inclusion and Talent teams.

"I am delighted that we were the first core investment bank to sign the Race at Work Charter in October 2018. Signing this pledge, along with the contribution of our EMEA DAC and our employee networks, signals our commitment to building a more balanced industry by recruiting, developing and advancing our ethnic minority talent."

Tosin Ajayi – Global COO for Macro Research and Race at Work Champion

Focus on Female Recruitment

We continue to drive a female-balanced intake of graduate talent. In 2018, our female full-time analyst hiring increased 6% year on year. We enhanced our focus on referrals and targeted diverse hiring initiatives.

Our flagship Return to Work internship programme was complemented by Return to Work insight days and increased coaching and mentoring support given to Returners taking up full-time roles.

"It's impressive to see the Firm's commitment to recruiting talent via nonconventional routes and realising that in today's world, successful careers are fluid and often don't follow a traditional path. As a former participant of the Return to Work programme, I've personally watched this initiative grow from strength to strength since its inception and am proud it's now in its sixth year and in nine locations globally."

Helen Cavendish – Deputy Head of GIC (Global In-House Centre) Strategy

Path to Leadership

- Our EMEA CEO co-hosted our inaugural global Women Managing Directors Conference in September 2018. More than 350 women across the globe convened for two days with sessions focusing on business strategy, industry and geopolitical insights and importantly, what more we could be doing to accelerate women into leadership.
- 71 high-potential female Vice Presidents (VPs) participated in our four-month "Impact" leadership programme.
- We ran a follow-up "Catalyst" leadership programme for high-potential women one level below VP in our London, Glasgow and Budapest offices.
- Our global Institutional Securities Group (ISG) mentoring initiative, ISG Connects, is now in its fourth year. Mentors and mentees are carefully selected for each six-month cohort. This initiative provides professional development, including coaching and networking opportunities.

Focus on Retention

- We launched our "WorkSmart" initiative to make formal and informal flexible working more accessible, acceptable and visible, with tailored divisional initiatives.
- We introduced a new near-site workplace nursery benefit for our UK employees as part of our extensive suite of benefits and initiatives to support working parents.

Robust Talent Management

- We continue to prioritise manager training, helping to improve inclusive leadership skills, unconscious bias awareness and ability to provide effective feedback and plan proactive career development.
- Our new "4P" Talent Track initiative launched in 2018, helping managers to work with their HR business partners to develop and implement individual action plans using the "4P" themes of *performance, platform, profile and potential*.

"The tools and best practices are shared in the context that each manager is responsible for creating and leading diverse and inclusive teams; teams that work smarter, have fact-based and objective decision-making, and think in ways that are more innovative and creative."

David Cantillon – Head of Institutional Equity, EMEA



EMEA Female Talent Strategy 2019

Attracting, Retaining and Developing Female Talent

TOP PRIORITIES WHICH WILL HAVE MOST IMPACT AT NARROWING THE GENDER PAY GAP

- Robust senior management succession planning in each division ensuring adequate representation of women in the future pipeline and creativity in candidate sourcing
- Granular platform, profile and future role discussions regarding our high-potential female MDs and tailored career development plans
- Increased regularity and transparency of metrics reporting on hiring, promotion and retention
- Embedding sponsorship into our culture

SENIOR LEADERSHIP COMMITMENT

- Regular European Operating Committee (EOC) discussions on the female senior pipeline and metrics/initiatives progress
- Robust Diversity and Inclusion review with each business area and region with regular progress updates
- Divisional UK female representation targets for women in senior management and officer level, as well as graduate analyst intake
- EMEA Diversity Action Council (DAC) monthly meetings and DAC Open Doors Campaign

FOCUS ON FEMALE RECRUITMENT

- School Outreach initiative and Step In, Step Up A-level girls programme
- University female-specific networking events and skills sessions with senior role models discussing careers and opportunities
- Monitoring of diverse CV interview slates and shortlists combined with increased candidate tracking and connectivity
- Supporter of UK Government's "Happy to Talk Flexible Working" campaign
- 2019 marks the sixth year of the London Return to Work programme (third in Budapest and first in Glasgow)
- Return to Work Insight Days and supported hiring initiative

PATH TO LEADERSHIP AND ROBUST TALENT MANAGEMENT

- High-potential female and BAME (Black, Asian and Minority Ethnic) MD and MD-pipeline Career Watch initiative
- BAME leadership programmes for EDs and VPs and launch of BAME taskforce
- EMEA female ED Leadership Symposium
- Increased focus on mentoring for high-potential female talent, e.g. Institutional Securities (ISG) Connects
- "4P" Talent Track initiative – *performance, profile, platform and potential*
- Project Catalyst for high-potential women one level below Officer
- Female Analyst and Associate Development Series

FOCUS ON RETENTION AND SUPPORTING WORKING PARENTS AND CARERS

- Women's Business Alliance
- Family Network
- Maternity Coaching Programme, including new fathers sessions
- Backup Child/ Elder-Care
- All eligible EMEA employees with one year or more of service are entitled to six months of maternity or adoption leave at full pay (not just UK employees)
- Enhanced shared parental leave
- One month paid paternity leave
- Near site workplace nursery places
- "WorkSmart" initiative – making formal and informal flexible working more accessible, acceptable and visible, and showcasing successful role models at a range of levels

PRIORITISING MANAGER EDUCATION

- Manager training on inclusive leadership, feedback and employee career development
- Training on objective and fair decision-making and unconscious bias awareness at all appropriate recruitment, evaluation, promotion and reward touch points
- Maternity training for managers