MORGAN STANLEY
Form DEF 14A
April 05, 2019
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

MORGAN STANLEY

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount previously paid:

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(3) Filing Party:

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Notice of 2019 Annual Meeting

and Proxy Statement

James P. Gorman

April 5, 2019

Dear fellow shareholders,

I cordially invite you to attend Morgan Stanley s 2019 annual meeting of shareholders that will be held on Thursday, May 23, 2019, at our offices at 2000 Westchester Avenue, Purchase, New York. I hope that you will be able to attend, and, if not, I encourage you to vote by proxy. Your vote is very important.

Morgan Stanley s business and financial results in 2018 were the best in our history. Our mix of businesses not only provided earnings stability but also earnings growth. We will continue to grow our business by executing our strategy, and investing in our people and culture. While a robust strategy can cause a company to be successful at any point in time, a strong culture ensures enduring success over decades.

Morgan Stanley reported record revenues, pretax profit* and net income* for 2018. While we experienced a weaker fourth quarter as the market deteriorated near year end, firmwide net revenues were over $40 billion for the year. Each of our businesses delivered a strong performance, with Investment Banking and Wealth Management reporting their best revenues ever. Return on equity of 11.5%* was in the range we outlined at the beginning of the year.

Our Board of Directors and management value the views of our shareholders and we have engaged in discussions on a broad range of topics, including our strategy, financial performance, executive compensation, corporate governance and environmental and social goals. Based on your feedback, the Board in recent years has amended our bylaws to implement proxy access and enhanced disclosure of Board evaluations, director orientation and education, succession planning, Environmental, Social and Governance matters and alignment of compensation and performance. The Board is also responsible for overseeing the Firm s practices and procedures relating to culture, values and conduct and receives regular reporting on these matters.

In 2018, Mary Schapiro was elected to your Board. She brings extensive finance, risk management and regulatory expertise to the Firm. This brings the proportion of women Directors to nearly a third, and underscores our commitment to diverse talent and leadership across all levels of Morgan Stanley. Ryosuke Tamakoshi is stepping down from our Board after eight years. I thank him for his dedicated service and many contributions to the Board. We are nominating Takeshi Ogasawara to replace him as an MUFG director and know we will benefit from Mr. Ogasawara s many years of financial services experience.

As we do each year, the Board of Directors and executive management team evaluate our strategy and refine our goals and priorities to ensure we are working for the long-term benefit of our shareholders. Last year, we established clear strategic objectives for 2018 and 2019, almost all of which have been accomplished in the full year 2018. With a strong and diverse global franchise in place, our management team will continue to drive forward our strategic objective of generating sustained higher returns. We will do this by expanding our competitive leadership and making appropriate investments in our businesses, while managing expenses and capital.

In addition to the right strategy, long-term and enduring success lies in having a strong culture and talented employees who live our values. At Morgan Stanley, our culture guides our employees, and our values inform everything we do.

A diverse employee base and a talented leadership pipeline are critical to delivering the best of the Firm to our clients. We are committed to an inclusive work environment where all employees can thrive. Our commitment to diversity is expressed as belonging as much as inclusion, and we have numerous initiatives aimed at providing our employees opportunities for leadership roles and empowering them to achieve the visibility and recognition they deserve.

Our long-term success will also be driven by the depth of talent and leadership across our Firm. We have an experienced management team and our businesses have a deep bench of talent. I have great confidence in our senior leaders and we are excited about the future.

2018 s record year demonstrates the strength of the Firm. We are focused on supporting our clients and are prepared to respond to market environments appropriately. Over the long-term, we are excited about the growth opportunities across the global economy.

I hope you will read my Letter to Shareholders where I discuss our achievements and opportunities for the future in greater detail. I look forward to meeting you at the Annual Meeting next month.

Thank you for your support of Morgan Stanley.

Very truly yours,

James P. Gorman

Chairman and Chief Executive Officer

* See page 61 for the Notes to the Compensation Discussion and Analysis, which provide additional information regarding the metrics referenced and non-GAAP measures.

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1585 Broadway

New York, NY 10036

NOTICE OF 2019 ANNUAL MEETING

OF SHAREHOLDERS

TIME AND DATE

10:00 a.m. (EDT) on May 23, 2019

LOCATION

Morgan Stanley

2000 Westchester Avenue, Purchase, New York

ITEMS OF BUSINESS

- Elect the Board of Directors
- Ratify the appointment of Deloitte & Touche LLP as independent auditor
- Approve the compensation of executives as disclosed in the proxy statement (non-binding advisory vote)
- Consider a shareholder proposal, if properly presented at the meeting
- Transact such other business as may properly come before the meeting or any postponement or adjournment thereof

RECORD DATE

The close of business on March 25, 2019 is the date of determination of shareholders entitled to notice of, and to vote at, the annual meeting of shareholders.

ADMISSION

Only record or beneficial owners of Morgan Stanley s common stock as of the record date, the close of business on March 25, 2019, or a valid proxy or representative of such shareholder, may attend the annual meeting in person. Any shareholder, proxy or representative who wishes to attend the annual meeting must present the documentation described under How Do I Attend the Annual Meeting? Morgan Stanley reserves the right to limit the number of representatives who may attend the annual meeting on behalf of a shareholder.

By Order of the Board of Directors,

Martin M. Cohen

Corporate Secretary

April 5, 2019

VOTING

It is important that all of your shares are voted. You may submit your proxy to have your shares voted over the Internet or by telephone or by returning your proxy card or voting instruction form, if you receive one in the mail.

BY MOBILE DEVICE

You can vote by scanning the QR Barcode on your proxy materials.

BY INTERNET

You can vote online at www.proxyvote.com.

BY TELEPHONE

You can vote by calling the number on your proxy materials.

BY MAIL

You can vote by mail by completing, dating and signing your proxy card or voting instruction form and returning it in the postage-paid envelope.

WEBCAST

If you are unable to attend the meeting in person, you may listen to the meeting at www.morganstanley.com/about-us-ir. Please go to our website prior to the annual meeting for details.

NOTICE

We are distributing to certain shareholders a Notice of Internet Availability of Proxy Materials (Notice) on or about April 5, 2019. The Notice informs those shareholders how to access this proxy statement and our Annual Report on Form 10-K for the year ended December 31, 2018 through the Internet and how to submit a proxy online.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on May 23, 2019: Our Letter to Shareholders, Proxy Statement and Annual Report on Form 10-K for the year ended December 31, 2018 are available free of charge on our website at www.morganstanley.com/2019ams.

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OVERVIEW OF VOTING ITEMS

This overview of voting items presents certain information that you should consider before voting on the items presented at this year s annual meeting; however, you should read the entire proxy statement carefully before voting. In this proxy statement, we refer to Morgan Stanley as the Company, the Firm, we, our or us and the Board of Dire as the Board.

Item 1

Election of Directors

Our Board unanimously recommends that you vote FOR the election of all director nominees.

Director Nominees

Name, Age, Independence	Occupation highlights	Director since	Other current U.S.-listed public boards	Morgan Stanley Committees A	CMDS	N&G	OT	R
Elizabeth Corley, 62 Independent	Former global Chief Executive Officer (CEO) of Allianz Global Investors (U.K.) Ltd. (AllianzGI)	2018	- Pearson plc			M		
Alistair Darling, 65 Independent	Former Chancellor of the Exchequer for the U.K.	2016	None	M				M
Thomas H. Glocer, 59 Independent Lead Director	Former CEO of Thomson Reuters Corporation	2013	- Merck & Co., Inc.		M		M	
James P. Gorman, 60	Chairman of the Board and CEO of Morgan Stanley	2010	None					
		2012		C		M		

Robert H. Herz, 65 Independent	President of Robert H. Herz LLC; Former Chairman of Financial Accounting Standards Board		- Federal National Mortgage Association (Fannie Mae) - Workiva Inc.					
Nobuyuki Hirano, 67 Non-Management	Chairman of Mitsubishi UFJ Financial Group, Inc. (MUFG)	2015	- MUFG - Toyota Motor Corporation					M
Jami Miscik, 60 Independent	CEO and Vice Chair of Kissinger Associates, Inc.	2014	- General Motors Company				C	M
Dennis M. Nally, 66 Independent	Former Chairman of PricewaterhouseCoopers International Ltd.	2016	None	M	M			
Takeshi Ogasawara, 65 Non-Management	Advisor of MUFG Bank, Ltd.		None				M	
Hutham S. Olayan, 65 Independent	Chair, principal and director of The Olayan Group	2006	- International Business Machines Corporation (IBM)*		C			
Mary L. Schapiro, 63 Independent	Vice Chair for Global Public Policy and Special Advisor to Founder and Chairman of Bloomberg, L.P.	2018	- CVS Health Corporation				M	
Perry M. Traquina, 62 Independent	Former CEO and Managing Partner, Wellington Management Company LLP	2015	- eBay Inc. - The Allstate Corporation	M				C
Rayford Wilkins, Jr., 67 Independent	Former CEO of Diversified Businesses of AT&T Inc.	2013	- Caterpillar Inc. - Valero Energy Corporation		M	C		

A: Audit Committee

CMDS: Compensation, Management Development and Succession Committee

N&G: Nominating and Governance Committee

OT: Operations and Technology Committee

R: Risk Committee

C: Chair

M: Member

* Retiring at IBM s 2019 annual meeting.

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OVERVIEW OF VOTING ITEMS

The Morgan Stanley Board of Directors

Board Tenure Balance

Average Tenure: 4.7 years upon election at the annual meeting*

* Average tenure of director nominees is calculated based on length of completed Board service from date of initial election through the date of the annual meeting.

Board Independence

All members of all committees are non-management, and the Board benefits from an engaged Independent Lead Director with expansive responsibilities

International Experience

Europe Middle East Australia North America Asia

Director Experience, Qualifications, Attributes and Skills

Leadership (including strategic planning) (13) International / Global Perspective (11) Financial Services / Market Experience (10) Finance / Accounting Expertise (11) Risk Management (10) Operations / Technology (9) Talent (management development and succession) (10) Public Policy / Sustainability (6) Public Company Experience / Corporate Governance (10)

Board Succession and Diversity

5 new directors since 2016 (upon election at annual meeting)	31% female directors	9 directors who are current or former CEOs	6 directors born outside the United States

Corporate Governance Highlights

Board Oversight	Oversees the Company s strategy, annual business plans, Enterprise Risk Management (ERM) framework and culture, values and conduct Regular reviews of succession plans for CEO and other senior executives
Shareholder Rights and Accountability	Adopted proxy access Shareholders who own at least 25% of common stock may call a special meeting of shareholders All directors elected annually by majority vote standard No poison pill in effect
Annual Evaluations	Annual Board, Independent Lead Director, and committee self-assessments enhance performance Encompasses duties and responsibilities, individual director performance, Board and committee structure, culture, process and execution
Sustainability and Giving Back	Advance sustainable investing through our businesses Enhanced management of our carbon footprint and environmental and social risk Committed to giving back, one of our core values
	Investor input has led to proxy access and enhanced proxy disclosure of Board evaluations, director orientation / education, succession planning, Environmental, Social and Governance (ESG) matters, and enhanced alignment

Shareholder Engagement	of compensation and performance

Item 2

Ratification of Appointment of Morgan Stanley s Independent Auditor

Our Board unanimously recommends that you vote FOR the ratification of Deloitte & Touche s appointment as our independent auditor.

See page 40 for Audit Matters and additional information, including the Audit Committee Report and fees paid to Deloitte & Touche.

Item 3

Company Proposal to Approve the Compensation of Executives as Disclosed in the Proxy Statement (Non-Binding Advisory Vote)

Our Board unanimously recommends that you vote FOR this proposal.

See page 44 for the Compensation Discussion and Analysis (CD&A) and additional information relating to the metrics referenced below and see Section 5 of the CD&A for the notes referenced below.

Performance-Based Approach to Compensation and 2018 Performance Highlights

As in prior years, the CMDS Committee used a well-defined framework to determine CEO compensation for 2018, including establishing a target compensation range for the CEO and guidelines for the CEO performance assessment.

At year end, CEO total compensation was set at $29 million, with shareholder-aligned features:

- 75% of incentive compensation is deferred over three years and subject to clawback;
- 50% of incentive compensation is delivered through future performance-vested equity awards; and
- 100% of deferred compensation is delivered in equity awards an increased proportion from prior years.

The 2018 pay decision for the CEO was based on the CMDS Committee s assessment of Mr. Gorman s outstanding individual performance and the following:

- In 2018, the Company made substantial progress on its strategic objectives[(1)(2)].

The Company and certain of its businesses delivered record financial performance in 2018, as indicated in the table below.

Over time, continued focus on expense discipline has led to strong operating leverage which, together with achievement of our multi-year strategic objectives, has helped the Company more than double its pre-tax profit, excluding DVA over the last five years from $5.2 billion to $11.2 billion[(11)(16)(17)].

Solid returns have led to sufficient capital and an attractive return profile over time while also permitting investment for future growth; in 2018 the Company executed share repurchases of $4.9 billion and increased the quarterly common stock dividend to $0.30 per share from $0.25 per share (20% increase from 2017)[(8)(18)] .

The Company s execution of its strategic objectives and record financial performance contributes to strong shareholder return over time; while the Company s TSR[(21)] for 2018 was negative at (23%)[(22)], it outperformed the average of its global peers[(23)] and three- and five-year TSR continued to be very strong at 33% and 39%, respectively[(22)].

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2018 CEO Compensation Determination

The 2018 pay decision for the CEO was made by the CMDS Committee, in consultation with the entire Board, based on its assessment of Mr. Gorman s outstanding individual performance, the Company s record performance in 2018 and substantial progress on the Company s strategic objectives. The CMDS Committee also noted Mr. Gorman s overall leadership with respect to Company culture, and among clients, shareholders, regulators and employees.

MS 2018 CEO Performance Evaluation **MS 2018 CEO Compensation Opportunity ($MM)**

CEO compensation was delivered in a combination of base salary, cash bonus, time-vested deferred equity, and a performance-vested long-term equity incentive compensation award. A significant portion of CEO pay is deferred, awarded in equity, subject to future stock price performance, cancellation and clawback and, in the case of the performance-vested equity award, subject to future achievement of specified financial goals over a three-year period. The CMDS Committee believes this approach to executive compensation supports the Company s pay for performance philosophy and key compensation objectives, and is consistent with shareholder feedback, best practices and regulatory principles.

Shareholder Engagement

At our 2018 annual meeting of shareholders, over 95% of the votes cast were in favor of our annual Say on Pay proposal. In anticipation of the 2019 Say on Pay vote, we continued our engagement program, seeking feedback from shareholders and proxy advisory firms on a variety of topics, including executive compensation, corporate governance and environmental and social goals. With respect to executive compensation, shareholders who provided feedback during our engagement program generally reported that executive compensation at Morgan Stanley was viewed as well-aligned with performance. After carefully considering shareholder feedback and other factors, the portion of CEO deferred incentive compensation awarded in equity incentive compensation was increased to 100% for 2018.

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Item 4

Shareholder Proposal

Our Board unanimously recommends that you vote AGAINST the shareholder proposal regarding an annual report on lobbying expenses.

See page 77 for the shareholder proposal and our Board s opposition statement.

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CORPORATE GOVERNANCE MATTERS

Item 1

Election of Directors

Our Board unanimously recommends that you vote FOR the election of all director nominees.

DIRECTOR SUCCESSION AND NOMINATION PROCESS

Key Statistics on Board Succession

5	**4.7 years**	**64**
New directors since 2016 (upon election at the annual meeting)	Average tenure of Board upon election at the annual meeting	Average age of Board upon election at the annual meeting

The Nominating and Governance Committee s charter provides that the committee will actively seek and identify nominees for recommendation to the Board consistent with the criteria in the Morgan Stanley Corporate Governance Policies (Corporate Governance Policies), which provide that the Board values members who:

- Combine a broad spectrum of experience and expertise with a reputation for integrity;
- Have experience in positions with a high degree of responsibility;
- Are leaders in the companies or institutions with which they are affiliated;
- Can make contributions to the Board and management;
- Represent the interests of shareholders; and
- Possess a willingness to appropriately challenge management in a constructive manner.

While the Board has not adopted a policy regarding diversity, the Corporate Governance Policies provide that the Board will take into account the diversity of a director candidate s perspectives, background and other relevant demographics. The Nominating and Governance Committee and the Board may also determine specific skills and experience they are seeking in director candidates based on the needs of the Company at a specific time in light of the Company s long-term strategy. In considering candidates for the Board, the Nominating and Governance Committee considers the entirety of each candidate s credentials in the context of these criteria.

The Board is committed to the ongoing review of Board composition and director succession planning. The Nominating and Governance Committee continuously reviews the experience, qualifications, attributes, skills and tenure of the members of the Board and maintains a list of potential director candidates that is reviewed and refreshed regularly throughout the course of the year.

The Nominating and Governance Committee may retain and terminate, in its sole discretion, a third party to assist in identifying director candidates or gathering information regarding a director candidate s background and experience. The Nominating and Governance Committee may also consider director candidates proposed by shareholders, as provided for in the Corporate Governance Policies. Members of the Nominating and Governance Committee, the Independent Lead Director and other members of the Board interview potential director candidates as part of the selection process when evaluating new director candidates.

The Corporate Governance Policies provide that the Board expects a director to advise the Chairman and Corporate Secretary if he or she plans to join the board of directors or similar governing body of another public or private company or advisory board, or experiences other changed circumstances that could diminish his or her effectiveness as a director or otherwise be detrimental to the Company. They also provide that the Board expects a director to advise and to offer to tender his or her resignation for consideration by the Board if his or her principal occupation or employer changes. In addition, the Corporate Governance Policies provide that a director candidate should not be nominated for election if the candidate would be 72 years old at the time of election.

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Our Board currently consists of 13 directors, including two directors who are designated in accordance with the terms of the Investor Agreement between Morgan Stanley and MUFG, dated October 13, 2008, as amended and restated (Investor Agreement), pursuant to which Morgan Stanley agreed to take all lawful action to cause two of MUFG s senior officers or directors to become members of Morgan Stanley s Board.

Ryosuke Tamakoshi, Senior Advisor of MUFG Bank, Ltd. (MUFG Bank), the core commercial banking unit of MUFG, who was elected to the Board, effective July 20, 2011, and subsequently elected by shareholders at the Company s annual meetings of shareholders in 2012 through 2018, will not be standing for reelection at the 2019 annual meeting of shareholders. MUFG has designated Takeshi Ogasawara, Advisor of MUFG Bank, as a representative director under the Investor Agreement to stand for election, along with MUFG s other representative director, Nobuyuki Hirano, at the 2019 annual meeting of shareholders.

The Nominating and Governance Committee considered the experience, qualifications and skills of Mr. Ogasawara as discussed herein and unanimously recommended that the Board nominate Mr. Ogasawara as a director for election at the 2019 annual meeting of shareholders. Based on the recommendation of the Nominating and Governance Committee, the Board unanimously nominated and recommends that Mr. Ogasawara be elected as a director at the 2019 annual meeting of shareholders.

As part of the Board s ongoing review of Board composition and succession planning, the Nominating and Governance Committee s third-party search firm recommended Mary L. Schapiro as a potential director candidate to the Nominating and Governance Committee. Upon the recommendation of the Nominating and Governance Committee, the Board unanimously elected Ms. Schapiro to the Board, effective July 1, 2018. The Board determined that Ms. Schapiro s service as Chair of the U.S. Securities and Exchange Commission; Chair and Chief Executive Officer of the Financial Industry Regulatory Authority; and Chair of the Commodity Futures Trading Commission brings to the Board extensive regulatory and leadership experience, as well as markets and financial services perspective.

DIRECTOR EXPERIENCE, QUALIFICATIONS, ATTRIBUTES AND SKILLS

When the Board nominates directors for election at an annual meeting, it evaluates the experience, qualifications, attributes and skills that an individual director candidate contributes to the tapestry of the Board as a whole to assist the Board in discharging its duties and overseeing the Company s strategy. This evaluation is part of the Nominating and Governance Committee s ongoing Board succession planning processes as well as the Board s annual self-evaluation.

Our Directors Qualifications, Attributes and Skills Are Aligned with Company Strategy

The Company believes that an effective board consists of a diverse group of individuals who possess a variety of complementary skills and a range of tenures. The Nominating and Governance Committee and the Board regularly consider these skills in the broader context of the Board s overall composition, with a view toward constituting a board that has the best skill set and experience to oversee the Company s business and the broad set of challenges that it faces.

Leadership (including strategic planning) (13)	International / Global Perspective (11)	Financial Services / Market Experience (10)
Financial / Accounting Expertise (11)	Risk Management (10)	Operations / Technology (9)
Talent (management development and succession) (10)	Public Policy / Sustainability (6)	Public Company Experience / Corporate Governance (10)

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DIRECTOR NOMINEES

Quick Facts on Our Director Nominees

12	9	6	31%
Non-management directors	Directors who are current or former CEOs	Directors born outside of the United States	Female directors

The Board has nominated the 13 director nominees below for election at the 2019 annual meeting of shareholders. The Board believes that, in totality, the mix of qualifications and the diversity of attributes and skills among the nominees enhances our Board s effectiveness and is aligned with the Company s long-term strategy. Our directors have a combined wealth of leadership experience derived from extensive service guiding large, complex organizations as executive leaders or board members and in government and public policy, and possess a diversity of qualifications, attributes and skills applicable to our business and long-term strategy. The Board stands for election at each annual meeting of shareholders. Each director holds office until his or her successor has been duly elected and qualified or the director s earlier resignation, death or removal.

Each nominee has indicated that he or she will serve if elected. We do not anticipate that any nominee will be unable or unwilling to stand for election, but if that happens, your proxy may be voted for another person nominated by the Board or the Board may reduce the number of directors to be elected.

Elizabeth Corley, 62

Independent Director

Director Since: 2018

Morgan Stanley Committees:

Nominating and Governance

Alistair Darling, 65

Independent Director

Director Since: 2016

Morgan Stanley Committees:

Audit

Risk

Qualifications, Attributes and Skills:	Qualifications, Attributes and Skills:
Ms. Corley s leadership positions, including through her role as CEO of AllianzGI, bring to the Board extensive management experience as well as markets and financial services experience and international perspective.	Mr. Darling s service as a former member of the British Parliament and as Chancellor of the Exchequer brings to the Board strong leadership, risk management and regulatory experience, as well as insight into both the global economy and the global financial system.

Professional Experience:

Senior Adviser of AllianzGI from April 2018 to April 2019, non-executive Vice Chair from March 2016 to March 2018, global CEO from January 2012 to February 2016 and European CEO from 2005 to 2011.

Held various leadership positions at Merrill Lynch Investment Managers (formerly Mercury Asset Management) from 1993 to 2004, including as Managing Director and Head of the EMEA Asia Pacific Mutual Fund Business.

Began her career at Sun Alliance Life & Pensions Limited and subsequently served as a consultant and then partner at Coopers & Lybrand Management Consultants (U.K.) from 1985 to 1993.

Served two terms as Chairwoman of the Forum of European Asset Managers and served on the board of the Financial Reporting Council from 2011 to 2017.

Other U.S. Listed Public Company Boards:

Pearson plc

Professional Experience:

Appointed to the House of Lords on December 10, 2015. Previously a member of the British Parliament, serving as a member of the House of Commons from 1987 to 2015.

Held several leadership positions in the U.K. government, including as Chancellor of the Exchequer from 2007 to 2010, Secretary of State for Trade and Industry from 2006 to 2007, Secretary of State for Scotland from 2003 to 2006, Secretary of State for Transport from 2002 to 2006, Secretary of State for Social Security/Work and Pensions from 1998 to 2002 and Chief Secretary to the Treasury from 1997 to 1998.

Thomas H. Glocer, 59

Independent Lead Director

Director Since: 2013

Morgan Stanley Committees:

CMDS

Operations and Technology

James P. Gorman, 60

Chairman

Director Since: 2010

Qualifications, Attributes and Skills:	Qualifications, Attributes and Skills:
Mr. Glocer s leadership positions, including in his capacity as Independent Lead Director appointed by our independent directors and as CEO of Thomson Reuters Corporation, bring to the Board extensive management experience as well as operational and technology experience and international perspective.	As CEO of the Company, Mr. Gorman is a proven leader with an established record as a strategic thinker backed by strong operating, business development and execution skills and brings an extensive understanding of Morgan Stanley s businesses and decades of financial services experience.

Professional Experience:

Founder of Angelic Ventures, LP (Angelic), a family office focusing on early-stage investments in financial technology, cyber defense and media, and Managing Partner of Angelic since 2012.

Served as CEO of Thomson Reuters Corporation, a news and information provider for businesses and professionals, from April 2008 through December 2011 and as CEO of Reuters Group PLC from July 2001 to April 2008. Joined Reuters Group PLC in 1993 and served in a variety of executive roles before being named CEO.

Mergers and acquisitions lawyer at the law firm of Davis Polk & Wardwell LLP from 1984 to 1993.

Other U.S. Listed Public Company Boards:

Merck & Co., Inc.

Professional Experience:

Chairman of the Board and CEO of Morgan Stanley since January 2012. President and CEO from January 2010 through December 2011.

Co-President from December 2007 to December 2009, Co-Head of Strategic Planning from October 2007 to December 2009 and President and Chief Operating Officer of Wealth Management from February 2006 to April 2008.

Joined Merrill Lynch & Co., Inc. (Merrill Lynch) in 1999 and served in various positions, including Chief Marketing Officer, Head of Corporate Acquisitions Strategy and Research in 2005 and President of the Global Private Client business from 2002 to 2005.

Prior to joining Merrill Lynch, was a senior partner at McKinsey & Co., serving in the firm s financial services practice. Earlier in his career, was an attorney in Australia.

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Robert H. Herz, 65

Independent Director

Director Since: 2012

Morgan Stanley Committees:

Audit (Chair)

Nominating and Governance

Nobuyuki Hirano, 67

Non-management Director

Director Since: 2015

Morgan Stanley Committees:

Risk

Qualifications, Attributes and Skills:	Qualifications, Attributes and Skills:
Mr. Herz brings to the Board extensive regulatory, public accounting, financial reporting, risk management and financial experience through his private and public roles, including as Chairman of the Financial Accounting Standards Board.	In his role as Chairman and former President and Group CEO at MUFG and its associated companies, Mr. Hirano brings to the Board global leadership as well as international banking, financial services, risk management and regulatory expertise.

Professional Experience:

President of Robert H. Herz LLC, providing consulting services on financial reporting and other matters, since September 2010.

Chairman of the Financial Accounting Standards Board from July 2002 to September 2010 and a part-time member of the International Accounting Standards Board from January 2001 to June 2002.

Member of the Standing Advisory Group of the Public Company Accounting Oversight Board since 2012 and served on the Accounting Standards Oversight Council of Canada from 2011 to March 2017.

Partner in PricewaterhouseCoopers LLP (PwC), an accounting firm, from 1985 to 2002.

Other U.S. Listed Public Company Boards:

Federal National Mortgage Association (Fannie Mae) and Workiva Inc.

Professional Experience:

Chairman of MUFG, one of the world s leading financial groups, since April 2019 and Director of MUFG Bank, the core commercial banking unit of MUFG, since June 2005.

President and Group CEO of MUFG from April 2013 to March 2019 and Chairman of MUFG Bank from April 2016 to March 2019.

Director of MUFG since June 2010 and Deputy President from October 2010 to March 2012. President and CEO of MUFG Bank from April 2012 to March 2016 and Deputy President of MUFG Bank from June 2009 to March 2012.

Managing Officer of MUFG from 2009 to 2010, Senior Managing Director from 2008 to 2009 and Managing Director from 2006 to 2008 of MUFG Bank.

Numerous senior-level positions in Japan and abroad since joining The Mitsubishi Bank, Limited in 1974, including in the Corporate Planning Office and Corporate Banking Division of The Bank of Tokyo-Mitsubishi, Ltd.

Previously served as a director of Morgan Stanley from 2009 to 2011.

Other U.S. Listed Public Company Boards:

MUFG and Toyota Motor Corporation

Jami Miscik, 60

Independent Director

Director Since: 2014

Morgan Stanley Committees:

Operations and Technology (Chair)

Risk

Dennis M. Nally, 66

Independent Director

Director Since: 2016

Morgan Stanley Committees:

Audit

CMDS

Qualifications, Attributes and Skills:	Qualifications, Attributes and Skills:
Ms. Miscik brings to the Board extensive leadership in navigating geopolitical, macroeconomic and technology risks through her private and public roles, including as CEO and Vice Chair of Kissinger and her service with the Central Intelligence Agency.	Mr. Nally brings to the Board over 40 years of regulatory, public accounting and financial reporting experience, including through his role as Chairman of PricewaterhouseCoopers International Ltd., as well as extensive technology and management experience.

Professional Experience:

CEO and Vice Chair of Kissinger Associates, Inc. (Kissinger), a New York-based strategic international consulting firm that assesses and navigates emerging market geopolitical and macroeconomic risks for its clients, since March 2017.

Co-CEO and Vice Chair of Kissinger from 2015 to 2017 and President and Vice Chair of Kissinger from 2009 to 2015.

Global head of sovereign risk at Lehman Brothers from 2005 to 2008.

Central Intelligence Agency from 1983 to 2005, serving as Deputy Director for Intelligence from 2002 to 2005.

Co-Chair of the President s Intelligence Advisory Board from 2014 to 2017 and served as Senior Advisor for Geopolitical Risk at Barclays Capital.

Other U.S. Listed Public Company Boards:

General Motors Company

Other U.S. Listed Public Company Boards in the Past Five Years: EMC Corporation

Professional Experience:

Chairman of PricewaterhouseCoopers International Ltd., the coordinating and governance entity of the PwC network, from 2009 to July 2016.

Chairman and Senior Partner of the U.S. firm of PricewaterhouseCoopers LLP (PwC) from May 2002 to June 2009.

Joined PwC in 1974 and became a partner in 1985, serving in numerous leadership positions within PwC, including National Director of Strategic Planning, Audit and Business Advisory Services Leader and Managing Partner.

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Takeshi Ogasawara, 65

Non-management Director

Director Nominee

Morgan Stanley Committees:

Operations and Technology

Hutham S. Olayan, 65

Independent Director

Director Since: 2006

Morgan Stanley Committees:

CMDS (Chair)

Qualifications, Attributes and Skills:	Qualifications, Attributes and Skills:
As an advisor and former Deputy President of MUFG Bank, Mr. Ogasawara brings to the Board over 35 years of banking experience and international, risk management, compliance and strategic expertise.	Ms. Olayan s leadership positions, including as Chair of The Olayan Group s board of directors and President and CEO of The Olayan Group s U.S. operations, bring to the Board extensive management experience and her financial experience in the U.S. and internationally, including in the Middle East, strengthens the Board s global perspective.

Professional Experience:

Advisor to MUFG Bank since June 2016.

Director of Bank of Ayudhya Public Company Limited (Krungsri), a subsidiary of MUFG Bank in Thailand, from January 2014 to June 2018.

Deputy President of MUFG Bank from May 2012 to June 2016, and Head of Central Region of Japan of MUFG Bank from May 2012 to May 2016.

Chief Compliance Officer of MUFG Bank from May 2009 to May 2012.

Began his professional career at The Tokai Bank, Ltd., one of the legacy banks of MUFG Bank, in 1977.

Professional Experience:

Chair since October 2018, Vice Chair from January to October 2018 and principal and director since 1981 of The Olayan Group, a private multinational enterprise that is a diversified global investor and operator of commercial and industrial businesses in Saudi Arabia.

Served as President and CEO of The Olayan Group s U.S. operations for almost 30 years until December 2017, overseeing all investment activities in the Americas.

Member of the Executive Advisory Board of General Atlantic and a former director of Thermo Electron Corporation.

Other U.S. Listed Public Company Boards:

IBM (retiring at 2019 annual meeting)

Mary L. Schapiro, 63

Independent Director

Director Since: 2018

Morgan Stanley Committees:

Operations and Technology

Perry M. Traquina, 62

Independent Director

Director Since: 2015

Morgan Stanley Committees:

Audit

Risk (Chair)

Qualifications, Attributes and Skills:	Qualifications, Attributes and Skills:
Ms. Schapiro s leadership experience, including at the SEC, FINRA and the CFTC, brings to the Board extensive legal and regulatory compliance, finance, risk management, and public policy and government affairs experience as well as markets and financial services perspective.	Mr. Traquina brings to the Board extensive senior executive, regulatory and risk management experience, as well as investor perspective and market knowledge from his over 30 years at the global investment management firm Wellington.

Professional Experience:

Vice Chair for Global Public Policy and Special Advisor to the Founder and Chairman of Bloomberg L.P. since October 2018.

Vice Chair of the Advisory Board of Promontory Financial Group LLC (Promontory), a leading strategy, risk management and regulatory compliance firm, from January 2014 to October 2018.

Managing director of Promontory from March 2013 to January 2014.

Chair of the Securities and Exchange Commission (SEC) from January 2009 to December 2012.

Chair and CEO of the Financial Industry Regulatory Authority (FINRA) from 2006 to 2008, and served in numerous other key executive positions at FINRA and its predecessor from 1996 to 2006, including Vice Chair and President of NASD Regulation.

Chair of the Commodity Futures Trading Commission (CFTC) from 1994 to 1996.

Other U.S. Listed Public Company Boards:

CVS Health Corporation

Other U.S. Listed Public Company Boards in the Past Five Years:

General Electric Company

Professional Experience:

Chairman, CEO and Managing Partner of Wellington Management Company LLP (Wellington), a global, multi-asset investment management firm, serving from 2004 through June 2014 as CEO and Managing Partner and from 2004 through December 2014 as Chairman.

Partner, Senior Vice President and Director of Global Research at Wellington from 1998 to 2002 and President from 2002 to 2004.

Joined Wellington in 1980 and served in a number of executive roles before being named Chairman, CEO and Managing Partner.

Other U.S. Listed Public Company Boards:

The Allstate Corporation and eBay Inc.

Rayford Wilkins, Jr., 67

Independent Director

Director Since: 2013

Morgan Stanley Committees:

CMDS

Nominating and Governance (Chair)

Qualifications, Attributes and Skills:

Mr. Wilkins brings to the Board extensive management, technology and operational experience, as well as international perspective, through the various management positions he held at AT&T.

Professional Experience:

CEO of Diversified Businesses of AT&T Inc. (AT&T), the telecommunications company, responsible for international investments, AT&T Interactive, AT&T Advertising Solutions and Customer Information Services from October 2008 to March 2012.

During his career, he served in numerous other management roles at AT&T, including as Group President and CEO of SBC Enterprise Business Services, Group President of SBC Marketing and Sales, and President and CEO of Pacific Bell Telephone Company and Nevada Bell Telephone Company.

Began his career at Southwestern Bell Telephone in 1974.

Other U.S. Listed Public Company Boards:

Caterpillar Inc. and Valero Energy Corporation

Other U.S. Listed Public Company Boards in the Past Five Years: América Móvil, S.A.B. de C.V.

Our Board unanimously recommends that you vote FOR the election of all director nominees. Proxies solicited by the Board will be voted FOR each nominee unless otherwise instructed.

CORPORATE GOVERNANCE PRACTICES

Morgan Stanley is committed to best-in-class governance practices, which are embodied in our Corporate Governance Policies available at www.morganstanley.com/about-us-governance. The Board initially adopted the Corporate Governance Policies in 1995 and reviews and approves them annually to ensure they reflect evolving best practices and regulatory requirements, including the New York Stock Exchange (NYSE) corporate governance listing standards. The governance practices highlighted below are reflected in the Corporate Governance Policies, our bylaws and our committee charters, as applicable.

Board Structure and Independence

Our Board represents a tapestry of complementary skills, attributes and perspectives and includes individuals with financial services experience and a diverse international background.

Directors may not stand for election if they will be 72 years old at the time of election.

Our Board conducts an ongoing review of Board composition and succession planning, resulting in substantial refreshment of the Board and a diversity of skills, attributes and perspectives on the Board.

Upon election at the annual meeting, the average tenure of the members of the Board will be approximately 4.7 years.

Our Board has a majority of independent directors. Our Chairman is the only member of management who serves as a director.

Our Independent Lead Director is selected from and by the independent directors and has expansive duties set forth in our Corporate Governance Policies. The Independent Lead Director chairs regularly scheduled executive sessions without the Chairman present. See Board Leadership Structure and Role in Risk Oversight.

Rotation of Board Leadership and Committee Appointments

The Independent Lead Director and committee chairs serve for approximately three to five years to provide for rotation of Board leadership and committee chairs while maintaining experienced leadership. In accordance with the Board s rotation policy, the Board appointed Mr. Glocer as Independent Lead Director, effective September 1, 2017.

In accordance with the Board s policy regarding the periodic rotation of committee appointments, the Board has approved the following committee appointments since the beginning of 2018:

- Mr. Wilkins was appointed a member of CMDS Committee and concluded service on the Operations and Technology Committee.
- Ms. Corley was appointed a member of the Nominating and Governance Committee.
- Ms. Schapiro was appointed a member of the Operations and Technology Committee.
- Mr. Ogasawara will be appointed a member of the Operations and Technology Committee upon his election at the annual meeting.

Board Oversight

Strategy and Annual Business Plans

The Board oversees the Company s strategy and annual business plans. The Board:

- Conducts an annual strategy offsite with the CEO, Operating Committee and senior management to review the Company s long-term strategy.
- Receives regular reporting regarding strategy at Board meetings as well as by the CEO and Operating Committee outside of regularly scheduled meetings.
- Reviews the Company s annual strategic presentation to shareholders, which summarizes the Company s progress on the prior year s strategic plan, provides an overview of long-term strategic priorities and includes specific financial and non-financial goals. The Company s 2019 strategic presentation is available at www.morganstanley.com/about-us-ir.

Culture, Values and Conduct and Risk Management

The Board also oversees the Company s practices and procedures relating to culture, values and conduct. The Board oversees the Company s global ERM framework and is responsible for helping to ensure that the Company s risks are managed in a sound manner. The Board regularly reviews the Company s risks and the responsibilities of management and the Board committees to assist the Board in its risk oversight. The Board has a separate committee responsible for operations and technology, including cybersecurity risk, and the Board receives briefings on cybersecurity.

See Board Leadership Structure and Role in Risk Oversight and Board Oversight of Cybersecurity Risk.

Access to the Company s Regulators, Employees and Independent Advisors

Independent directors, including the Chairs of the Audit Committee and Risk Committee, meet with our primary regulator, the Federal Reserve, and other global regulators as requested. Directors also have complete and open access to senior members of management and other employees of the Company. For instance:

- Board members meet with local management and independent control functions throughout the world and have visited several of our global offices.

- The Independent Lead Director and committee chairs meet with management between regularly scheduled meetings for discussion of key items and to develop Board and committee agendas and provide feedback regarding information reported to the Board and on other topics to be reviewed.

- The Company s Chief Financial Officer (CFO), Chief Legal Officer (CLO) and Chief Risk Officer (CRO), as well as the heads of the Company s operating units and other officers, regularly attend Board meetings and maintain an ongoing dialogue with Board members between Board meetings.

- The CMDS Committee, in conjunction with the entire Board, annually reviews succession plans for the CEO and senior executives.

The Board, the Independent Lead Director and each committee have the right at any time to retain independent financial, legal or other advisors at the Company s expense.

Alignment with Shareholder Interests

The director equity ownership requirement helps to align director and shareholder interests. Directors also may not enter into hedging transactions in respect of Morgan Stanley common stock or pledge Morgan Stanley common stock in connection with a margin or other loan transaction. See Director Equity Ownership Requirement.

Director Orientation and Continuing Education

Director education about Morgan Stanley, our strategy, control framework, regulatory environment and our industry begins when a director is elected to our Board and continues throughout his or her tenure on the Board. The Nominating and Governance Committee oversees an orientation program for new directors, which includes an overview of director duties and our Corporate Governance Policies, presentations by senior management, including the President, the CFO, CLO and CRO, on the Company s strategy and regulatory framework, its primary business lines and control framework, and a one-on-one session with the Chairman and CEO. As directors are appointed to new committees or assume a leadership role, such as committee chair, they receive additional orientation sessions specific to such responsibilities. We also conduct educational briefings on business, governance, regulatory and control matters, and reimburse directors for reasonable costs incurred attending educational sessions on subjects that would assist them in discharging their duties.

Senior Management Succession and Development Planning

The CMDS Committee oversees CEO and senior management succession and development planning, which covers unexpected as well as planned events and is formally reviewed, in conjunction with the entire Board, at least annually.

Our CEO and our Chief Human Resources Officer review recommendations and evaluations of potential internal CEO and senior management successors, and review their qualifications, skills, accomplishments and developmental areas.

Potential internal CEO and senior management successors regularly attend Board meetings and engage with Board members periodically between Board meetings, including during preparatory meetings, client-related events and visits to our offices around the world. These interactions provide the Board with the knowledge of the Company s executive talent that is critical to the Company s succession planning.

Annual Evaluation of Board, Committees and Independent Lead Director

Overview of Evaluation Process

The Board believes that establishing and maintaining a constructive evaluation process is essential to maintaining Board effectiveness and best corporate governance practices. Accordingly, the Nominating and Governance Committee reviews and approves the evaluation process annually so that the evaluation process continues to be effective in identifying areas to enhance the performance and effectiveness of the Board, the Independent Lead Director and the Board committees.

Multi-Step Evaluation Process

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This process is aided by written discussion guides used to facilitate the assessments. These guidelines are updated annually to reflect significant new developments and areas of focus as the Nominating and Governance Committee determines appropriate and encompass many factors, including:

Duties and Responsibilities	Culture	Execution
Board Structure and Composition, including Board Succession Planning	Process	Key Strengths/Areas for Improvement
	Information and Resources	Areas of Focus

Addressing Feedback

Upon conclusion of such self-assessments, Board and committee policies and practices are revised as appropriate. The Board self-assessment process has led to enhanced Board materials, deep dives on certain of the Company s businesses and control areas, enhanced coordination among Board committees, and focus on particular skills and attributes of Board candidates.

Shareholder Rights and Accountability

Our Corporate Governance Policies are consistent with the Investor Stewardship Group Corporate Governance Principles for U.S. listed companies.

All directors are elected annually; in uncontested director elections, directors are elected by a majority of votes cast.

Proxy access permits up to 20 shareholders owning 3% or more of our stock continuously for at least three years to nominate the greater of two directors or up to 20% of our Board and include those nominees in our proxy materials.

Our Board has an Independent Lead Director with expansive duties. See Board Leadership Structure and Role in Risk Oversight Independent Lead Director.

Shareholders who own at least 25% of common stock have the ability to call a special meeting of shareholders.

There are no supermajority vote requirements in our charter or bylaws.

We do not have a poison pill in effect.

Shareholders and other interested parties may contact any of our Company s directors.

Shareholders may submit recommendations for director candidates for consideration by the Nominating and Governance Committee at any time by sending the information set forth under Director Candidates Recommended by Shareholders in the Corporate Governance Policies to the Nominating and Governance Committee, Morgan Stanley, Suite D, 1585 Broadway, New York, New York 10036. Under the policy, the Nominating and Governance Committee evaluates director candidates recommended by shareholders in the same manner as other director candidates. In order for director candidate recommendations to be considered for the 2020 annual meeting of shareholders, recommendations must be submitted in accordance with the policy by December 7, 2019.

Shareholder Engagement

Our Board and management value the views of our shareholders and engage with them year-round on a broad range of topics, including our strategy, financial performance, executive compensation, corporate governance and environmental and social goals. Our Board receives reporting on feedback received from investors and shareholder voting results. In addition, management routinely engages with investors at conferences and other forums. We also speak with proxy advisors to discuss, and receive feedback on, our governance practices and executive compensation programs. Feedback from investors informs the Board s ongoing review of governance and compensation matters. In recent years, the Board has taken action responsive to such shareholder feedback, including the adoption of amendments to our bylaws to implement proxy access and enhanced proxy disclosure of Board evaluations, director orientation and education, succession planning, ESG matters and alignment of compensation and performance.

Corporate Political Activities Policy Statement

Our Corporate Political Activities Policy Statement aims to ensure transparency of the Company s practices and procedures regarding political activities and oversight by senior management and the Board. Our Corporate Political Activities Policy Statement:

- Prohibits Morgan Stanley from making U.S. political contributions.
- Provides that Morgan Stanley informs its principal U.S. trade associations not to use payments made by Morgan Stanley for election-related activity at the federal, state or local levels.
- Provides that principal U.S. trade association memberships and expenditures relating to such memberships are reviewed annually with the Government Relations Department and the Nominating and Governance Committee.
- Provides a link to examples of principal U.S. trade associations that the Company belongs to on the Company s website.
- Addresses oversight of lobbying activities, as well as expenditures related thereto, by the Vice Chairman of the Company who reports to the Chairman and CEO, and oversight of significant lobbying priorities and expenditures by the Nominating and Governance Committee.
- Confirms that Morgan Stanley discloses publicly all U.S. federal lobbying costs as required by law, including dues attributable to lobbying by U.S. trade associations.
- Provides that the Nominating and Governance Committee oversees the Corporate Political Activities Policy Statement and the activities addressed by it.

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Sustainability at Morgan Stanley

Morgan Stanley endeavors to advance sustainability by considering ESG matters throughout our operations and businesses. We offer financial solutions and advisory services that provide positive long-term benefits for clients and shareholders, as well as for the environment and global communities. The Morgan Stanley Institute for Sustainable Investing s (Institute) advisory board helps to ensure that our sustainability strategy is comprehensive, rigorous and innovative. ESG initiatives are overseen by the Nominating and Governance Committee and reported to the Board. Key areas of focus and highlights for 2018 include:

Sustainable Finance and Investing	Morgan Stanley is committed to harnessing the power of capital markets to create sustainable, long-term value for clients and stakeholders. We announced a public commitment to mobilize $250 billion to support low-carbon solutions by 2030, and deployed nearly $30 billion in the first year. Morgan Stanley Wealth Management *Investing with Impact* assets reached approximately $25 billion, more than double our five-year goal of raising $10 billion from 2013 to 2018. Morgan Stanley Sustainability Research published thematic client-facing research reports on plastic, data privacy and governance. Morgan Stanley Investment Management, a signatory to the UN s Principles for Responsible Investment, through its corporate governance team engaged with over 100 companies on ESG issues ranging from climate change to the opioid epidemic.
Institute for Sustainable Investing	Established in 2013, the Institute focuses on accelerating the adoption of sustainable investing strategies. Chaired by Morgan Stanley s Chairman and CEO, an Advisory Board of prominent leaders from business, academia and leading non-governmental organizations guide the Institute s work and strategic priorities. We expanded the Morgan Stanley Sustainable Investing Fellowship to our London office, with the goal of developing the next generation of sustainable investing professionals. The Institute also continued to publish content for investors focused on the integration of ESG into investment decisions, including a paper entitled *Weathering the Storm:*

	Integrating Climate Resilience into Real Assets Investing, which provides investors with a framework for understanding climate risk in the investment life cycle.
Environmental and Social Risk Management	Environmental and social risk management is a priority for Morgan Stanley. The Company s due diligence and risk management processes are designed to identify, analyze and address potentially significant environmental and social issues that may confront us or our clients. Our processes include monitoring for emerging environmental and social risks and related trends, as well as engaging with clients and other stakeholders as appropriate. We met with leaders of indigenous tribes to discuss issues impacting their communities. We also participated in a roundtable with environmental non-governmental organizations to discuss how financial institutions are addressing climate change.
Corporate Sustainability	Morgan Stanley is committed to responsible corporate citizenship, and views strong sustainability performance as a means to reduce risk and enhance value for key stakeholders. We announced a five-year carbon neutrality goal, committing to source 100% of our global energy needs from renewable energy by 2022, and in 2018 created a Corporate Services Global Sustainability Council to execute on our operational sustainability strategy, which focuses on resource efficiency, renewable energy and identifying innovative ways to shrink the environmental impacts of our operations globally. We also developed a Supplier Code of Conduct which outlines Morgan Stanley s expectations and requirements for vendors on sustainability and human rights issues.

Giving Back to the Community

Morgan Stanley is committed to giving back to the communities where we live and work through long-lasting partnerships, community-based delivery and engaging our best asset our employees. The impact of our philanthropic initiatives includes:

Volunteering	Giving	Community Development
Employees logged over 488,000 volunteer hours for charities around the world in 2018.	In 2018, employees, together with the Company, the Morgan Stanley Foundation and the Morgan Stanley International Foundation, donated over $106 million.	Since 2010, we have committed $18.02 billion in community development loans and investments, funding more than 99,000 affordable housing units and helping to create or retain more than 103,000 jobs.
During the 2018 Global Volunteer Month in June, including the collective efforts from Feeding Kids Around the Clock, over 48,000 employees logged over 262,000 volunteer hours in 36 countries.	The Morgan Stanley Foundation granted over $5.2 million in 2018 to charities within the children s health space focused on the fundamentals for children s health including: wellness, nutrition and play.	Since 2010, we have made 211 small-business loans and investments totaling $261.7 million across the U.S., including $56.6 million in 2018.
Since inception in 2009, the Morgan Stanley Strategy Challenge has provided 128 nonprofit organizations with more than 95,000 hours of pro bono services valued at over $14.6 million.		

Communication by Shareholders and Other Interested Parties with the Board of Directors

As set forth under   Communications with the Board   in the Corporate Governance Policies, shareholders and other interested parties may contact the Board, the non-management or independent directors, an individual director (including the Independent Lead Director or Chairman) or a committee of the Board, by writing to them at Morgan Stanley, Suite D, 1585 Broadway, New York, New York 10036. Such communications will be handled in accordance with the procedures approved by the Company   s independent directors.

Additional Corporate Governance Information Available on Corporate Governance Webpage

In addition to the Corporate Governance Policies and other policies described above, our corporate governance webpage includes the following:

- Bylaws and Certificate of Incorporation
- Code of Ethics and Business Conduct
- Policy Regarding Shareholder Rights Plan
- Environmental and Social Policies
- Corporate Political Activities Policy Statement
- Operating Committee Equity Ownership Commitment
- Charters for Board Committees
- Information Regarding the Integrity Hotline

Hard copies of the materials described above are available without charge to any shareholder who requests them by writing to Morgan Stanley, Suite D, 1585 Broadway, New York, New York 10036.

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Director Independence

The Board has adopted Director Independence Standards, which are more stringent than the independence requirements outlined in the NYSE rules in certain respects, and delineate relationships that are deemed to impair independence and categories of relationships that are not deemed material for purposes of director independence (Director Independence Standards). The Director Independence Standards, which are part of our Corporate Governance Policies available at www.morganstanley.com/about-us-governance, provide that, for a director to be considered independent, a director must meet the following categorical standards:

1. Employment and commercial relationships affecting independence

A. Current Relationships	A director will not be independent if: (i) the director is a current partner or current employee of Morgan Stanley s internal or external auditor; (ii) an immediate family member of the director is a current partner of Morgan Stanley s internal or external auditor; (iii) an immediate family member of the director (a) is a current employee of Morgan Stanley s internal or external auditor and (b) personally works on Morgan Stanley s audit; (iv) the director is a current employee, or an immediate family member of the director is a current executive officer, of an entity that has made payments to, or received payments from, Morgan Stanley for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of $1 million or 2% of such other company s consolidated gross revenues; or (v) the director s spouse, parent, sibling or child is currently employed by Morgan Stanley.
B. Relationships within Preceding Three Years	A director will not be independent if, within the preceding three years: (i) the director is or was an employee of Morgan Stanley; (ii) an immediate family member of the director is or was an executive officer of Morgan Stanley;

(iii) the director or an immediate family member of the director (a) was a partner or employee of Morgan Stanley s internal or external auditor and (b) personally worked on Morgan Stanley s audit within that time;

(iv) the director or an immediate family member of the director received more than $120,000 in direct compensation in any 12-month period from Morgan Stanley, other than (a) director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service) and (b) compensation paid to an immediate family member of the director who is an employee (other than an executive officer) of Morgan Stanley; or

(v) a present Morgan Stanley executive officer is or was on the compensation committee of the board of directors of a company that concurrently employed the Morgan Stanley director or an immediate family member of the director as an executive officer.

2. Relationships not deemed material for purposes of director independence

In addition to the provisions above, each of which must be fully satisfied with respect to each independent director, the Board must affirmatively determine that the director has no material relationship with Morgan Stanley. To assist the Board in this determination, it has adopted the following categorical standards of relationships that are not considered material for purposes of determining a director s independence. Any determination of independence for a director that does not meet these categorical standards will be based upon all relevant facts and circumstances and the Board shall disclose the basis for such determination in the Company s proxy statement.

A. Equity Ownership	A relationship arising solely from a director s ownership of an equity or limited partnership interest in a party that engages in a transaction with Morgan Stanley, so long as such director s ownership interest does not exceed 5% of the total equity or partnership interests in that other party.
B. Other Directorships	A relationship arising solely from a director s position as (i) director or advisory director (or similar position) of another company or for-profit corporation or organization or (ii) director or trustee (or similar position) of a tax-exempt organization.
C. Ordinary Course Business	A relationship arising solely from transactions, including financial services transactions such as underwriting, banking, lending or trading in securities, commodities or derivatives, or from other transactions for products or services, between Morgan Stanley and a company of which a director is an executive officer, employee or owner of 5% or more of the equity of that company, if such transactions are made in the ordinary course of business and on terms and conditions and under circumstances (including, if applicable, credit or underwriting standards) that are substantially similar to those prevailing at the time for comparable transactions, products or services for or with unaffiliated third parties.
D. Contributions	A relationship arising solely from a director s status as an executive officer of a tax-exempt organization, and the contributions by Morgan Stanley (directly or through the Morgan Stanley Foundation or any similar organization established by Morgan Stanley) to the organization are less than the greater of $1,000,000 or 2% of the organization s consolidated gross revenues during the organization s preceding fiscal year (matching of employee charitable contributions is not included in Morgan Stanley s contributions for this purpose).
E. Products and Services	A relationship arising solely from a director utilizing products or services of Morgan Stanley in the ordinary course of business and on substantially the same terms as those prevailing at the time for comparable products or services provided to unaffiliated third

	parties.
F. Professional, Social and Religious Organizations and Educational Institutions	A relationship arising solely from a director s membership in the same professional, social, fraternal or religious association or organization, or attendance at the same educational institution, as an executive officer or director.
G. Family Members	Any relationship or transaction between an immediate family member of a director and Morgan Stanley shall not be deemed a material relationship or transaction that would cause the director not to be independent if the standards in this Section 2 would permit the relationship or transaction to occur between the director and Morgan Stanley.

The Board has determined that ten of our 13 director nominees (Ms. Corley, Messrs. Darling, Glocer and Herz, Ms. Miscik, Mr. Nally, Mss. Olayan and Schapiro, and Messrs. Traquina and Wilkins) are independent in accordance with the Director Independence Standards. The Board has also determined that Erskine Bowles, who retired from the Board effective February 1, 2018 and James Owens, who retired from the Board effective May 24, 2018, were independent during the time they served on the Board in 2018.

To assess independence, the Board was provided with information about relationships between the independent directors (and their immediate family members and affiliated entities) and Morgan Stanley and its affiliates, including information about the directors professional experience and affiliations. In making its determination as to the independent directors, the Board reviewed the categories of relationships between Morgan Stanley and the directors described above and the following specific relationships under those Director Independence Standards:

Commercial relationships (such as financial services offered by the Company to clients in the ordinary course of the Company s business) in the last three years between Morgan Stanley and entities where the directors are employees or executive officers, or their immediate family members are executive officers (Mr. Bowles and Mss. Corley, Olayan and Schapiro). In each case the fees the Company received were in compliance with the Director Independence Standards and the NYSE rules, and did not exceed the greater of $1 million or 2% of such other entity s consolidated gross revenues in any of the last three years and were considered immaterial to director independence.

Director s utilization of Morgan Stanley products and services offered by the Company as a client of the Company (such as Wealth Management brokerage accounts and investments in funds sponsored by the Company) in the ordinary course of the Company s business on terms and conditions substantially similar to those provided to unaffiliated third parties (Messrs. Glocer and Herz, Ms. Miscik, Mr. Nally, Ms. Olayan and Messrs. Owens, Traquina and Wilkins). In each case the provision of such products and services was in compliance with the Director Independence Standards and the NYSE rules and was considered immaterial to director independence.

Director Attendance at Annual Meeting

The Corporate Governance Policies state that directors are expected to attend annual meetings of shareholders. All directors who were on the Board at the time, including all current directors who were nominees at the time, attended the 2018 annual meeting of shareholders.

Board Meetings and Committees

Board Meetings

Our Board met 16 times during 2018. Each current director attended at least 75% of the total number of meetings of the Board and committees on which such director served that were held during 2018 while the director was a member. In addition to Board and committee meetings, our directors also discharge their duties through, among other things, less formal group communications, including discussions, briefings and educational sessions, with the Independent Lead Director, Chairman of the Board and CEO, members of senior management and others as appropriate regarding matters of interest.

Committees

The Board s standing committees, their membership and the number of meetings in 2018 are set forth below. Charters for each of our standing committees are available at our corporate governance webpage at www.morganstanley.com/about-us-governance.

All members of the Audit Committee, the CMDS Committee and the Nominating and Governance Committee satisfy the standards of independence applicable to members of such committees, including NYSE listing standards.

Each member of the CMDS Committee is a non-employee director as defined in Section 16 of the Securities Exchange Act of 1934.

The Board has determined that all members of the Audit Committee are independent and financially literate within the meaning of the NYSE listing standards and a majority of the members of the Audit Committee, including the Chair, Robert H. Herz, are audit committee financial experts within the meaning of the SEC rules.

All members of the Risk Committee and the Operations and Technology Committee are non-employee directors and a majority of the members of such committees satisfy the independence requirements of the Company and the NYSE, and the Risk Committee membership satisfies other applicable legal and regulatory criteria.

AUDIT COMMITTEE

Current Members	Primary Responsibilities
Robert H. Herz (Chair)	Oversees the integrity of the Company s consolidated financial statements and system of internal controls.
Alistair Darling	
Dennis M. Nally	Oversees risk management and risk assessment guidelines in coordination with the Board, Operations and Technology Committee and Risk Committee.
Perry M. Traquina	
19 Meetings Held in 2018	Reviews the major legal and compliance risk exposures of the Company and the steps management has taken to monitor and control such exposures.
	Selects, determines the compensation of, evaluates and, when appropriate, replaces the independent auditor.
	Reviews and assesses the qualifications, independence and performance of the independent auditor, and pre-approves audit and permitted non-audit services.
	Oversees the performance of the head of the Company s Internal Audit Department (Global Audit Director), who reports functionally to the Audit Committee, and the internal audit function.
	After review, recommends to the Board the acceptance and inclusion of the annual audited consolidated financial statements in the Company s Annual Report on Form 10-K.

See also Audit Matters.

COMPENSATION, MANAGEMENT DEVELOPMENT AND SUCCESSION (CMDS) COMMITTEE[1]

Current Members	Primary Responsibilities
Hutham S. Olayan (Chair) Thomas H. Glocer Dennis M. Nally Rayford Wilkins, Jr. 8 Meetings Held in 2018	Annually reviews and approves the corporate goals and objectives relevant to the compensation of the CEO and evaluates his performance in light of these goals and objectives. Determines the compensation of executive officers and other officers and employees as appropriate. Administers the Company s equity-based compensation plans and cash-based nonqualified deferred compensation plans. Oversees plans for management development and succession. Reviews and discusses the Compensation Discussion and Analysis with management and recommends to the Board its inclusion in the proxy statement. Oversees the Company s incentive compensation arrangements, including with appropriate input from the CRO, 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. Reviews and approves the Company s equity retention and ownership policies for executive officers and other officers and employees, as appropriate. See also Compensation Governance and Risk Management.

NOMINATING AND GOVERNANCE COMMITTEE

Current Members	Primary Responsibilities
Rayford Wilkins, Jr. (Chair)	Oversees succession planning for the Board and Board leadership appointments.
Elizabeth Corley	
Robert H. Herz	Reviews the overall size and composition of the Board and its committees.
4 Meetings Held in 2018	Identifies and recommends candidates for election to the Board.
	Oversees the orientation program for newly elected directors.
	Reviews annually the Corporate Governance Policies.
	Oversees and approves the process and guidelines for the annual evaluation of performance and effectiveness of the Independent Lead Director, the Board and its committees.
	Reviews and approves related person transactions in accordance with the Company s Related Person Transactions Policy.
	Reviews the director compensation program.

Reviews the Company s Corporate Political Activities Policy Statement and oversees political activities, the Company s significant lobbying priorities and expenditures attributable to lobbying in the U.S., and expenditures related to principal U.S. trade associations.

Oversees the Company s philanthropic programs and social responsibility, environmental and sustainability matters.

OPERATIONS AND TECHNOLOGY COMMITTEE[(2)]

Current Members

Jami Miscik (Chair)

Thomas H. Glocer

Mary L. Schapiro

Ryosuke Tamakoshi

6 Meetings Held in 2018

Primary Responsibilities

Oversees the Company s operations and technology strategy, including trends that may affect such strategy.

Reviews the major operations and technology risk exposures of the Company, including information security, fraud and cybersecurity risks, and the steps management has taken to monitor and control such exposures.

Reviews the operations and technology budget and significant operations and technology expenditures and investments.

Oversees risk management and risk assessment guidelines and policies regarding operations and technology risk.

Oversees the Company s business continuity planning.

See also Board Leadership Structure and Role in Risk Oversight Board Oversight of Cybersecurity Risk.

RISK COMMITTEE

Current Members	Primary Responsibilities
Perry M. Traquina (Chair)	Oversees the Company s global ERM framework.
Alistair Darling	
Nobuyuki Hirano	Oversees the Company s capital, liquidity and funding planning and strategy.
Jami Miscik	
8 Meetings Held in 2018	Oversees the major risk exposures of the Company, including market, credit, operational, model and liquidity risk, against established risk measurement methodologies and the steps management has taken to monitor and control such exposures and reviews significant new product risk, emerging risks and regulatory matters.
	Oversees the risk identification framework.
	Oversees the Company s risk appetite statement, including risk tolerance levels and limits, and the ongoing alignment of the Risk Appetite Statement with the Company s strategy and capital plans.
	Reviews the contingency funding plan, effectiveness of the Company s Basel III advanced systems, Comprehensive Capital Analysis and Review, mid-cycle Dodd-Frank Act Stress Testing submissions and the Company s Volcker Compliance Program, Title I Resolution Plan and Recovery Plan.
	Oversees risk management and risk assessment policies and guidelines.

Oversees the performance of the CRO (who reports to the Risk Committee and the CEO) and the risk management function.

See also Board Leadership Structure and Role in Risk Oversight Board Role in Risk Oversight.

(1) Effective July 1, 2018, Mr. Wilkins joined the CMDS Committee.

(2) Effective July 1, 2018, Ms. Schapiro joined the Operations and Technology Committee, and Mr. Wilkins concluded service on the Operations and Technology Committee. Effective at the 2019 annual meeting of shareholders, Mr. Tamakoshi will conclude service on the Board and Operations and Technology Committee and, upon his election by shareholders, Mr. Ogasawara will join the Operations and Technology Committee.

Board Leadership Structure and Role in Risk Oversight

Board Leadership Structure

The Board is responsible for reviewing the Company s leadership structure. As set forth in the Corporate Governance Policies, the Board believes that the Company and its shareholders are best served by maintaining the flexibility to have any individual serve as Chairman of the Board based on what is in the best interests of the Company at a given point in time, taking into consideration, among other things:

- The composition of the Board;
- The role of the Company s Independent Lead Director;
- The Company s strong corporate governance practices;
- The CEO s working relationship with the Board; and
- The challenges specific to the Company.

The Board has determined that the appointment of a strong Independent Lead Director (as described below), together with a combined Chairman and CEO, serves the best interests of the Company and its shareholders. By serving in both positions, the Chairman and CEO is able to draw on his detailed knowledge of the Company to provide the Board, in coordination with the Independent Lead Director, leadership in focusing its discussions and review of the Company s strategy. In addition, a combined role of Chairman and CEO ensures that the Company presents its message and strategy to shareholders, employees and clients with a unified voice. The Board believes that it is in the best interest of the Company and its shareholders for Mr. Gorman to serve as Chairman and CEO at this time, considering the strong role of our Independent Lead Director and other corporate governance practices providing independent oversight of management as set forth below.

Independent Lead Director

The Corporate Governance Policies provide for an independent and active Independent Lead Director who is appointed and reviewed annually by the independent directors with clearly defined leadership authority and responsibilities.

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Our Independent Lead Director, Thomas H. Glocer, was appointed by our other independent directors and as part of his formal duties and responsibilities shall:

Board Governance and Leadership

Preside at all meetings of the Board at which the Chairman is not present

Have the authority to call, and lead, non-management director sessions and independent director sessions

Help facilitate communication among the Chairman, the CEO and the non-management and independent directors, including serving as liaison between the Chairman and the independent directors

Approve the types and forms of information sent to the Board

Solicit the non-management directors for advice on agenda items for meetings of the Board and

Advising the Chairman and CEO

Communicate with the Chairman and the CEO between meetings and act as a sounding board and advisor

Advise the Chairman and the CEO of the Board s informational needs

Collaborate with the Chairman and the CEO in developing the agenda for meetings of the Board

Approve Board meeting agendas and the schedule of Board meetings to assure that there is sufficient time for discussion of all agenda items

Have authority to request inclusion of additional agenda items

Board Effectiveness and Succession Planning

Lead the annual evaluation of the performance and effectiveness of the Board including consultation with each non-management director regarding Board performance and effectiveness and, as necessary, individual director performance

Help facilitate the efficient and effective functioning and performance of the Board

Help facilitate discussion and open dialogue among non-management directors during Board meetings, executive sessions and outside of Board meetings

Consult with the Chair of the Nominating and Governance Committee on Board succession planning and Board Committee appointments executive sessions to help facilitate Board focus on key issues and topics of interest to the Board

Be available, if requested, to meet with the Company s primary regulators

Be available, if requested by major shareholders, for consultation and direct communication in accordance with the Corporate Governance Policies

Communicate with the Chairman and the CEO and other members of management, as appropriate, about decisions reached, suggestions and views expressed by non-management directors in executive sessions or outside of Board meetings

Coordinate with the Chair of the Nominating and Governance Committee on recruiting and interviewing candidates for the Board

Consult with the Chair of the CMDS Committee on the annual evaluation of the performance of the CEO

Independent Oversight of Management

The Company s corporate governance practices and policies ensure substantial independent oversight of management. For instance:

The Board has a majority of independent and non-management directors. Ten of the 13 director nominees are independent as defined by the NYSE listing standards and the Company s more stringent Director Independence Standards. Twelve of the 13 director nominees are non-management directors. All of the Company s directors are elected annually.

The Board s key standing committees are composed solely ofnon-management directors. The Audit Committee, the CMDS Committee and the Nominating and Governance Committee are each composed solely of independent directors. The Operations and Technology Committee and the Risk Committee are chaired by independent directors, consist of a majority of independent directors and include only non-management directors. The committees provide independent oversight of management.

The Board snon-management directors meet regularly in executive session. The non-management directors meet regularly in executive session without management present and, consistent with the NYSE listing standards, at least annually, the independent directors meet in executive session. These sessions are chaired by the Independent Lead Director.

Board Role in Risk Oversight

Effective risk management is vital to the success of Morgan Stanley. The Board has oversight for the Company s global ERM framework, which integrates the roles of the Company s risk management functions into a holistic enterprise to facilitate the incorporation of risk assessment into decision-making processes across the Company, and is responsible for helping to ensure that the Company s risks are managed in a sound manner. The Board regularly reviews the Company s risks and the responsibilities of management and the Board committees to assist the Board in its risk oversight. The Board committees assist the Board in oversight of the risks set forth below, coordinating as appropriate. In addition, the entire Board receives reporting on a quarterly basis regarding cross-enterprise risks, including strategic, reputational, and culture, values and conduct risk. The committees report to the entire Board on a regular basis and have overlapping directors, invite Chairs of other committees and other directors to attend meetings, as appropriate given topics of discussion, and hold joint meetings as necessary to discharge their duties.

The Board has also authorized the Firm Risk Committee, a management committee appointed and chaired by the CEO that includes the most senior officers of the Company, including the CRO, CLO and CFO, to oversee the Company s global ERM framework. The Firm Risk Committee s responsibilities include oversight of the Company s risk management principles, procedures and limits and the monitoring of capital levels and material market, credit, operational, model, liquidity, legal, compliance and reputational risk matters, and other risks, as appropriate, and the steps management has taken to monitor and manage such risks. The Company s risk management is further discussed in Part II, Item 7A of the Company s Annual Report on Form10-K for the year ended December 31, 2018 (2018 Form 10-K).

Board Oversight of Cybersecurity Risk

Cybersecurity risk is overseen by the Board as well as the Operations and Technology Committee. The Operations and Technology Committee has primary responsibility for oversight of information and cybersecurity operations. In accordance with its charter, the Operations and Technology Committee receives regular reporting at each quarterly meeting from senior officers in the Information and Technology Department and the Firm Risk Management Department on information security, fraud and cybersecurity risk as well as the steps management has taken to monitor and control

such exposures. Such reporting includes updates on the Company s cybersecurity program, the external threat environment and the Company s programs to address and mitigate the risks associated with the evolving cybersecurity threat environment.

The Operations and Technology Committee also receives an annual independent assessment of key aspects of the Company s cybersecurity program from an external party and holds joint meetings with the Audit Committee and Risk Committee as necessary and appropriate. The Chair of the Operations and Technology Committee regularly reports to the full Board on cybersecurity risks and other matters reviewed by the Operations and Technology Committee. The full Board also receives separate presentations on cybersecurity risk. The Board (or a committee thereof) reviews and approves the Global Cybersecurity Program Policy, the Global Information Security Program Policy and the Global Technology Policy at least annually. Senior management, including the senior technology officers mentioned above, also discuss cybersecurity developments with the Chairs of the Operations and Technology Committee and the Risk Committee between Board and committee meetings, as necessary.

Assessment of Leadership Structure and Risk Oversight

The Board has determined that its leadership structure is appropriate for the Company. Mr. Gorman s role as CEO, his existing relationship with the Board, his understanding of Morgan Stanley s businesses and strategy, and his professional experience and leadership skills uniquely position him to serve as Chairman and CEO, while the Company s Independent Lead Director position enhances the overall independent functioning of the Board. The Board believes that the combination of the Chairman and CEO, the Independent Lead Director and the Chairs of the Audit, CMDS, Nominating and Governance, Operations and Technology, and Risk committees provides the appropriate leadership to help ensure effective risk oversight by the Board.

Compensation Governance and Risk Management

The CMDS Committee actively engages in its duties and follows procedures intended to ensure excellence in compensation governance. The CMDS Committee:

Retains an independent compensation consultant and evaluates the independence of such consultant and other advisors as required by any applicable law, regulation or listing standard. The CMDS Committee s compensation consultant, Pay Governance, assists the CMDS Committee in collecting and evaluating external market data regarding executive compensation and performance and advises the CMDS Committee on developing trends and best practices in executive compensation and equity and incentive plan design. In performing these services, Pay Governance met regularly with the CMDS Committee, including without management present, and separately with the CMDS Committee Chair. Pay Governance does not provide any other services to the Company or its executive officers. 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.

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 our compensation objectives; and (iii) market trends and legislative and regulatory developments affecting compensation in the U.S. and globally.

Together with the CRO, 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 CRO attends CMDS Committee meetings at least annually, and on an as needed basis, and reviews the Company s incentive compensation arrangements from a risk perspective. The CRO reported to the CMDS Committee his conclusion that the Company s current compensation programs for 2018 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.

Approves senior executive annual incentive compensation after a comprehensive review and evaluation of Company, business unit and individual performance for the year, and reviews these compensation decisions with our Board.

Together with senior management, oversees the Company s controls regarding the year-end compensation process, which have been designed to be consistent with our regulators principles for safety and soundness, including policies and procedures for compensation plan governance, funding and allocating the incentive compensation pool and the use of discretion in determining individual incentive compensation awards; processes for identifying risk-taking employees; and processes to administer incentive compensation clawback and cancellation features.

Director Compensation[1]

The following table contains information with respect to the annual compensation (including deferred compensation) of our non-employee directors earned during 2018 with respect to their Board service.

Director	Fees Earned or Paid in Cash ($)[2]	Stock Awards ($)[3][4]	Option Awards ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)[5]	Total ($)
Erskine B. Bowles*	7,917				21,269	29,186
Elizabeth Corley*	85,833	333,333				419,166
Alistair M. Darling	97,500	250,000				347,500
Thomas H. Glocer	147,500	250,000				397,500
Robert H. Herz	118,333	250,000				368,333
Jami Miscik	107,500	250,000				357,500
Dennis M. Nally	97,500	250,000				347,500
Hutham S. Olayan	96,667	250,000				346,667
James W. Owens*	31,667				12,804	44,471
Mary L. Schapiro*	44,167	208,333				252,500
Perry M. Traquina	118,333	250,000				368,333
Rayford Wilkins, Jr.	107,500	250,000				357,500

* Mr. Bowles concluded service on the Board effective February 1, 2018 and Mr. Owens concluded service on the Board effective May 24, 2018, the date of the 2018 annual meeting of shareholders. Mss. Corley and Schapiro were elected to the Board effective January 1, 2018 and July 1, 2018, respectively.

(1) Messrs. Gorman, Hirano and Tamakoshi received no compensation during 2018 for Board service. The Directors Equity Capital Accumulation Plan (DECAP) imposes an aggregate limit of $750,000 on annual compensation for our non-employee directors.

(2) Represents the portion of the annual Board and Board committee retainers earned, whether paid in cash or deferred at the director s election, during 2018. Cash retainers for service on the Board and Board committees during the 2018 service period are paid semi-annually in arrears for the period beginning at the 2018 annual meeting of shareholders (May 24, 2018) and concluding at the 2019 annual meeting of shareholders (May 23, 2019). Amounts in the table represent cash retainers earned for a portion of the 2017 service period (January 1, 2018 to May 24, 2018) and cash retainers earned for a portion of the 2018 service period (May 25, 2018 to December 31, 2018).

In 2018, the Nominating and Governance Committee engaged Frederic W. Cook & Co., Inc. (FW Cook) to review our director compensation program and affirmatively determined that FW Cook is independent from management and that FW Cook s engagement would not raise any conflict of interest. Effective November 1, 2018, based on the recommendation of the Nominating and Governance Committee following its review with FW Cook, the Board increased Board and committee retainers (other than Audit and Risk chairs) by $5,000, increased Audit and Risk committee chair retainers by $10,000, and amended DECAP to limit the deferral alternatives available to directors with respect to Elective Units, Current Units and Career Units (each defined below). The current values of the Board retainers are set forth in the following table. Retainers are prorated when a director joins or leaves the Board or a committee at any time other than at the annual meeting of shareholders, and no retainers are paid if the director is elected to the Board less than 60 days prior to the annual meeting. Directors do not receive meeting fees.

Position	**Retainer ($)**
Board Member	80,000
Independent Lead Director	50,000
Committee Chairs	
Audit and Risk Committees	40,000
All Other Committees	25,000
Committee Members	15,000

Directors can elect to receive their retainers on a current basis in cash or on a deferred basis under the shareholder-approved DECAP in the form of deferred stock units (Elective Units). Elective Units are not subject to vesting or cancellation.

Messrs. Bowles, Glocer, Owens and Traquina and Mss. Corley, Olayan and Schapiro deferred their cash retainers into Elective Units under DECAP. Elective Units in lieu of cash retainers earned for the second half of the 2017 service period were granted in arrears on May 24, 2018, and Elective Units in lieu of cash retainers earned for the first half of the 2018 service period were granted in arrears on December 1, 2018. The number of Elective Units granted on May 24, 2018 was based on $53.7395, the volume-weighted average price of the common stock on the grant date, and the number of Elective Units granted on December 1, 2018 was based on $44.273, the volume-weighted average price of the common stock on November 30, 2018 (the immediately preceding trading day).

3) Other than with respect to Mss. Corley and Schapiro, represents the aggregate grant date fair value of the annual stock unit award granted on May 24, 2018 for the 2018 service period. With respect to Ms. Corley, the amount also includes the prorated initial stock unit award granted on February 1, 2018 in connection with her election to the Board. With respect to Ms. Schapiro, the amount represents the prorated initial stock unit award granted on August 1, 2018 in connection with her election to the Board. The aggregate grant date fair value of the stock unit awards is based on the volume-weighted average prices of the common stock on the applicable grant dates as follows: $53.7395 for the annual stock unit awards; $50.4715 for Ms. Schapiro s initial stock unit award; and $57.017 for Ms. Corley s initial stock unit award. For further information on the valuation of these stock units, see notes 2 and 18 to the consolidated financial statements included in the 2018 Form 10-K.

Under DECAP, directors receive an equity award upon initial election to the Board (provided that they are elected to the Board no less than 60 days prior to the annual meeting and are not initially elected at the annual meeting) and an equity award annually thereafter on the first day of the month following the annual meeting of shareholders. Initial and annual equity awards are granted 50% in the form of stock units that do not become payable until the director concludes service on the Board (Career Units) and 50% in the form of stock units payable on the first anniversary of grant (Current Units). The grant date fair value of the initial equity award is $250,000, prorated for service until the annual meeting, and the award is fully vested upon grant. The grant date fair value of the annual equity award is $250,000 and the award is subject to monthly vesting until the one-year anniversary of the grant date. Directors may elect to extend deferral of their Career Units and Current Units beyond the scheduled payment date, subject to specified limitations.

Our Corporate Governance Policies include a director equity ownership requirement of five times the annual cash Board retainer.

4) The following table sets forth the aggregate number of shares underlying DECAP stock units outstanding at December 31, 2018.

Name	**Stock Units (#)**
Erskine B. Bowles	130,267
Elizabeth Corley	7,679

Alistair M. Darling	14,553
Thomas H. Glocer	60,962
Robert H. Herz	42,943
Jami Miscik	20,059
Dennis M. Nally	10,102
Hutham S. Olayan	158,291
James W. Owens	8,136
Mary L. Schapiro	4,795
Perry M. Traquina	36,879
Rayford Wilkins, Jr.	24,720

(5) At the conclusion of Mr. Bowles and Mr. Owens service on the Board, the Company donated $20,000 to the Erskine Bowles Carolina Works Fund of the University of North Carolina Foundation in honor of Mr. Bowles and $10,000 to the James and Kathrine Owens Fund of the North Carolina State University Alumni Association in honor of Mr. Owens. The Company also presented each director with a gift of nominal value.

Related Person Transactions Policy

Our Board has adopted a written Related Person Transactions Policy requiring the approval or ratification by the Nominating and Governance Committee of transactions (including material amendments or modifications to existing transactions) where the Company is a participant, the transaction exceeds $120,000 and a related person (directors or director nominees, executive officers, 5% shareholders and immediate family members of the foregoing) has a direct or indirect material interest. Under the policy, in determining whether to approve or ratify such Related Person Transactions, the Nominating and Governance Committee considers all relevant facts and circumstances, including, but not limited to: the terms and commercial reasonableness of the transaction; the size of the transaction; the materiality to, and interest of, the related person and the Company in the transaction; whether the transaction would, or would be perceived to, present an improper conflict of interest for the related person; and, if the related person is an independent director, the impact on the director s independence. Certain transactions are not subject to the policy, including compensation of executive officers approved by the CMDS Committee and ordinary course commercial or financial services transactions between the Company and an entity in which a related person has an interest if the transaction is made under terms and conditions and under circumstances substantially similar to those prevailing at the time for comparable transactions with unaffiliated third parties and the related person does not otherwise have a direct or indirect material interest in the transaction.

Certain Transactions

Our subsidiaries may extend credit in the ordinary course of business to certain of our directors, officers and members of their immediate families. These extensions of credit may be in connection with margin loans, mortgage loans or other extensions of credit by our subsidiaries. These extensions of credit are made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to the lender and do not involve more than the normal risk of collectability or present other unfavorable features.

Each of MUFG, State Street Corporation (State Street), BlackRock, Inc. (BlackRock) and The Vanguard Group (Vanguard) beneficially owns 5% or more of the outstanding shares of Morgan Stanley common stock as reported under Principal Shareholders. During 2018, we engaged in transactions in the ordinary course of business with each of MUFG, State Street, BlackRock and Vanguard, and certain of their respective affiliates, including investment banking, financial advisory, sales and trading, derivatives, investment management, lending, securitization and other financial services transactions. Such transactions were on substantially the same terms as those prevailing at the time for comparable transactions with unrelated third parties.

A child of Jeffrey Brodsky, an executive officer, is a non-executive employee of the Company and received compensation in 2018 of approximately $205,000. A child of Colm Kelleher, an executive officer, is a non-executive employee of the Company and received compensation in 2018 of approximately $127,000. The compensation and benefits for these employees was determined in accordance with the Company s standard compensation practices applicable to similarly situated employees.

In addition to the transactions described above, as part of the global strategic alliance between MUFG and the Company, on May 1, 2010 the Company and MUFG formed a joint venture in Japan of their respective investment banking and securities businesses by forming two joint venture companies. MUFG contributed the investment banking, wholesale and retail securities businesses conducted in Japan by Mitsubishi UFJ Securities Co., Ltd. into one of the joint venture entities named Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (MUMSS). The Company contributed the investment banking operations conducted in Japan by its subsidiary, Morgan Stanley MUFG Securities Co., Ltd. (MSMS), formerly known as Morgan Stanley Japan Securities Co., Ltd., into MUMSS (MSMS, together with MUMSS, the Joint Venture). MSMS has continued its sales and trading and capital markets business conducted in Japan. The Company owns a 40% economic interest in the Joint Venture and MUFG owns a 60% economic interest in the Joint Venture. The Company holds a 40% voting interest and MUFG holds a 60% voting interest in MUMSS, while the Company holds a 51% voting interest and MUFG holds a 49% voting interest in MSMS. Other initiatives that are part of the Company s global strategic alliance with MUFG include a loan marketing joint venture in the Americas, business referral arrangements in Asia, Europe, the Middle East and Africa, referral agreements for commodities transactions and a secondment arrangement of personnel between MUFG and the Company for the purpose of sharing best practices and expertise. On April 18, 2018, the Company entered into a sales plan (the Plan) with MUFG and Morgan Stanley & Co. LLC (MS&Co.) whereby MUFG sells shares of the Company s common stock to the Company, through its agent MS & Co., as part of the Company s share repurchase program. The Plan is only intended to maintain MUFG s ownership percentage of the common stock below 24.9% in order to comply with MUFG s passivity commitments to the Board of Governors of the Federal Reserve System and will have no impact on the strategic alliance between MUFG and the Company, including the joint venture in Japan. Without the Plan, MUFG s ownership percentage would increase as the outstanding number of shares of common stock is reduced as the Company purchases common stock from other investors under its share repurchase program.

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AUDIT MATTERS

Item 2

Ratification of Appointment of Morgan Stanley s Independent Auditor

Our Board unanimously recommends that you vote FOR the ratification of Deloitte & Touche s appointment as our independent auditor.

The Audit Committee has the sole authority and responsibility to appoint, compensate, retain, oversee and evaluate the independent registered public accounting firm retained to audit the Company s consolidated financial statements (independent auditor). The Audit Committee reviews and assesses annually the qualifications and performance of the independent auditor. The Audit Committee also evaluates whether it is appropriate to rotate the independent auditor and ensures the mandatory, regular rotation of the lead audit partner of the independent auditor and, in connection with such rotation, the Audit Committee is directly involved in the selection of the lead audit partner, who may provide services to the Company for a maximum of five consecutive years. Commencing with the 2016 audit, the current lead audit partner from Deloitte & Touche LLP (Deloitte & Touche) was designated and is expected to serve in this capacity through the end of the 2020 audit.

As part of the Audit Committee s annual review of Deloitte & Touche, the Audit Committee reviewed and considered, among other factors:

The results of management s assessment that includes the results of a global management survey and interviews regarding overall historic and recent performance;

Deloitte & Touche s independence from the Company, noting that Deloitte & Touche does not provide any non-audit services to the Company other than those deemed permissible, as described under Independent Auditor Fees ;

Deloitte & Touche s tenure as independent auditor, including the benefits of its institutional knowledge of the Company, and the controls and processes in place (such as the mandatory rotation of audit partners) that help ensure Deloitte & Touche s continued independence from the Company;

The professional qualifications of Deloitte & Touche and that of the lead audit partner and other key engagement partners;

Deloitte & Touche s succession planning for senior Deloitte & Touche personnel on the engagement;

Deloitte & Touche s historic and current quality of service, including candidness of communication and interactions with the Audit Committee, independent judgment and professional integrity and objectivity;

Deloitte & Touche s global capabilities and expertise in handling the breadth of the Company s global operations and businesses, accounting policies and internal control over financial reporting;

The appropriateness of Deloitte & Touche s fees relative to both efficiency and audit quality;

External data on audit quality and performance, including recent Public Company Accounting Oversight Board (PCAOB) reports on Deloitte & Touche and peer firms;

The potential impact and advisability of selecting a different independent auditor; and

Whether retaining Deloitte & Touche is in the best interest of Morgan Stanley and its stockholders.

Based on this review, the Audit Committee has appointed Deloitte & Touche as independent auditor for the year ending December 31, 2019 and presents this selection to the shareholders for ratification. The Audit Committee believes the continued retention of Deloitte & Touche is in the best interest of the Company and its shareholders. Deloitte & Touche was selected as independent auditor upon the merger creating the current Company in 1997 and has served continuously as independent auditor since that time. Deloitte & Touche will audit the Company s consolidated financial statements included in the Annual Report on Form 10-K for the year ending December 31, 2019 and will perform other permissible, pre-approved services.

Deloitte & Touche representatives will attend the annual meeting. They will be available to respond to appropriate shareholder questions and will have the opportunity to make a statement if they desire to do so. If shareholders do not ratify the appointment, the Audit Committee will reconsider it.

Our Board unanimously recommends that you vote FOR the ratification of Deloitte & Touche s appointment as our independent auditor. Proxies solicited by the Board will be voted FOR this ratification unless otherwise instructed.

AUDIT COMMITTEE REPORT

The Audit Committee s charter (available at www.morganstanley.com/about-us-governance) provides that the Audit Committee is responsible for the oversight of the integrity of the Company s consolidated financial statements, the Company s system of internal control over financial reporting, certain aspects of the Company s risk management as described in the charter, the qualifications and independence of the independent auditor, the performance of the Company s internal auditor and independent auditor, and the Company s compliance with legal and regulatory requirements. We have the sole authority and responsibility to appoint, compensate, retain, oversee, evaluate and, when appropriate, replace the Company s independent auditor. As described under Corporate Governance Matters Corporate Governance Practices Board Meetings and Committees, the Board has determined that all four members of the Audit Committee are independent and financially literate within the meaning of the NYSE listing standards and a majority of the members of the Audit Committee, including the Chair, Robert H. Herz, are audit committee financial experts within the meaning of SEC rules.

The Audit Committee serves in an oversight capacity and is not part of the Company s managerial or operational decision-making process. Management is responsible for the financial reporting process, including the system of internal controls, for the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the U.S. (GAAP) and for the report on the Company s internal control over financial reporting. The Company s independent auditor, Deloitte & Touche, is responsible for planning and conducting an independent audit of those financial statements and expressing an opinion as to their conformity with GAAP and expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Our responsibility is to oversee the financial reporting process and to review and discuss management s report on the Company s internal control over financial reporting. We rely, without independent verification, on the information provided to us and on the representations made by management, the internal auditor and the independent auditor, who generally attends each Audit Committee meeting.

The Audit Committee, among other things:

- Reviewed and discussed the Company s quarterly earnings releases, Quarterly Reports on Form 10-Q and Annual Report on Form 10-K, including the consolidated financial statements and significant accounting policies;

- Reviewed the major legal and compliance risk exposures and the guidelines and policies that govern the process for risk assessment and risk management, including coordinating with the Risk Committee and the Operations and Technology Committee;

- Reviewed, discussed and approved the plan and scope of the work and coverage of the internal auditor for 2018 and reviewed and discussed summaries of the significant reports to management by the internal auditor;

- Reviewed the performance, compensation and independence of the Global Audit Director;

Reviewed and discussed the plan and scope of the work of the independent auditor for 2018;

Reviewed and discussed reports from management on the Company s policies regarding applicable legal and regulatory requirements, and reviewed, discussed and approved the Company s annual compliance plan;

Met with and received reports from senior representatives of the Finance Department, Legal and Compliance Division and the Internal Audit Department; and

Met with Deloitte & Touche, the internal auditor and Company management, including the CFO, CLO, Chief Compliance Officer and Global Audit Director in private executive sessions.

We reviewed and discussed with management, the internal auditor and Deloitte & Touche: the audited consolidated financial statements for 2018, the critical accounting policies that are set forth in the Company s Annual Report on Form 10-K, management s annual report on the Company s internal control over financial reporting and Deloitte & Touche s opinion on the effectiveness of the Company s internal control over financial reporting.

We discussed with Deloitte & Touche matters that independent registered public accounting firms must discuss with audit committees pursuant to auditing standards adopted by the PCAOB. Deloitte & Touche also provided to the Audit Committee the written disclosures and the letter required by applicable requirements of the PCAOB regarding the independent auditor s communications with the Audit Committee concerning independence and represented that it is independent from the Company.

We also discussed with Deloitte & Touche their independence from the Company, and considered if services they provided to the Company beyond those rendered in connection with their audit of the Company s consolidated financial statements, reviews of the Company s interim condensed consolidated financial statements included in its Quarterly Reports on Form 10-Q and their opinion on the effectiveness of the Company s internal control over financial reporting were compatible with maintaining their independence. We also reviewed and pre-approved, among other things, the audit, audit-related and tax services performed by Deloitte & Touche. We received regular updates on the amount of fees and scope of audit, audit-related and tax services provided.

Based on our review and the meetings, discussions and reports discussed above, and subject to the limitations on our role and responsibilities referred to above and in the Audit Committee charter, we recommended to the Board that the Company s audited consolidated financial statements for 2018 be included in the Company s Annual Report on Form 10-K. We also selected Deloitte & Touche as the Company s independent auditor for the year ending December 31, 2019 and are presenting the selection to the shareholders for ratification.

Respectfully submitted,

Robert H. Herz, Chair

Alistair Darling

Dennis M. Nally

Perry M. Traquina

INDEPENDENT AUDITOR S FEES

The Audit Committee is responsible for overseeing the audit fee negotiations associated with the engagement of Deloitte & Touche. The Audit Committee pre-approves categories of audit and permitted non-audit services that Deloitte & Touche may perform for the Company and sets budgeted fee levels for such services. The Company reviews proposed engagements, in conjunction with Deloitte & Touche, to confirm the proposed engagements fit within a category of pre-approved services and such engagements are documented and reported to the Audit Committee on a quarterly basis. Any proposed service category, engagement or budgeted fee adjustment that has not been pre-approved by the Audit Committee may be approved by the Audit Committee Chair between regularly scheduled quarterly meetings and reported to the Audit Committee at its next quarterly meeting. Any fees for services in excess of the pre-approved budgeted fees must be specifically approved.

The following table summarizes the aggregate fees (including related expenses; $ in millions) for professional services provided by Deloitte & Touche related to 2018 and 2017.

	2018 ($)	**2017 ($)**
Audit Fees(1)	47.2	47.9
Audit-Related Fees(2)	4.5	5.1
Tax Fees(3)	1.4	1.5
All Other Fees		

Total	53.1	54.5

(1) Audit Fees services include: the audit of our consolidated financial statements included in the Company s Annual Report on Form 10-K and reviews of the interim condensed consolidated financial statements included in our quarterly reports on Form 10-Q; services attendant to, or required by, statute or regulation; comfort letters, consents and other services related to SEC and other regulatory filings; and audits of subsidiary financial statements.

(2) Audit-Related Fees services include: data verification and agreed-upon procedures related to asset securitizations; assessment and testing of internal controls and risk management processes beyond the level required as part of the consolidated audit; statutory audits and financial audit services provided relating to investment products offered by Morgan Stanley, where Morgan Stanley incurs the audit fee in conjunction with the investment management services it provides; agreed upon procedures engagements; regulatory matters; and attest services in connection with debt covenants.

(3) Tax Fees services include: U.S. federal, state and local income and non-income tax planning and advice; U.S. federal, state and local income and non-income tax compliance; non-U.S. income and non-income tax planning and advice; non-U.S. income and non-income tax compliance; and transfer pricing-related services.

Morgan Stanley offers various unconsolidated registered money market, equity, fixed income and alternative funds, and other funds (collectively, Funds). Deloitte & Touche provides audit, audit-related and tax services to certain of these unconsolidated Funds. Fees paid to Deloitte & Touche by these Funds for these services were $12 million in 2018 and $12.8 million in 2017.

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COMPENSATION MATTERS

Item 3

Company Proposal to Approve the Compensation of Executives as Disclosed in the Proxy Statement (Non-Binding Advisory Vote)

Our Board unanimously recommends that you vote FOR this proposal.

As required by Section 14A of the Securities Exchange Act of 1934, the below resolution gives shareholders the opportunity to cast an advisory vote to approve the compensation of our NEOs as disclosed in this proxy statement pursuant to Item 402 of Regulation S-K:

RESOLVED, that the Company s shareholders approve, on an advisory basis, the compensation of the Company s named executive officers, as disclosed in the Company s proxy statement for the 2019 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission (which disclosure includes the Compensation Discussion and Analysis and the accompanying compensation tables and related narrative).

As this Say on Pay vote is advisory, the result will not be binding on our Board, although the CMDS Committee will consider the outcome of the vote when evaluating the effectiveness of our executive compensation program and making future executive compensation decisions. At the 2018 annual meeting of stockholders, over 95% of the votes cast were in favor of our Say on Pay proposal. In light of the significant majority of votes cast in favor of the 2017 compensation of our NEOs, the CMDS Committee maintained its performance-based approach to executive compensation for 2018 and believes that our current program appropriately links the compensation of our NEOs to performance and properly aligns the interests of our NEOs with those of our shareholders.

As discussed in the CD&A, the 2018 pay decision for the CEO was $29 million, with shareholder-aligned features. The Compensation Committee based its decision on its assessment of Mr. Gorman s outstanding individual performance through the Firm s substantial progress with respect to its strategic objectives and the Firm s record performance in 2018. The Compensation Committee also noted Mr. Gorman s overall leadership with respect to Firm culture, and among clients, shareholders, regulators and employees. Under Mr. Gorman s leadership, the Firm achieved record revenues, pre-tax profit[(11)] and net income[(12)], and made substantial progress with respect to our strategic objectives, including delivering higher annual returns, pre-tax margin[(4)] in Wealth Management, and net revenue operating growth[(5)] and wallet share in Institutional Securities. Consistent with previous years, for 2018, 75% of CEO incentive compensation is deferred over three years and subject to clawback and 50% of CEO incentive compensation is delivered in a future performance-vested equity award. In addition, 100% of CEO deferred compensation for 2018 is delivered in equity awards, an increased proportion from prior years, further aligning CEO compensation with shareholders interests.

For a detailed description of our executive compensation program, see Overview of Voting Items, CD&A (including Section 5 for the notes referenced above) and Executive Compensation.

Our Board unanimously recommends that you vote FOR this proposal. Proxies solicited by the Board will be voted FOR this proposal unless otherwise instructed.

COMPENSATION DISCUSSION AND ANALYSIS (CD&A)

In this CD&A, we review the objectives and elements of Morgan Stanley s executive compensation program, its alignment with Morgan Stanley s performance and the 2018 compensation decisions for our named executive officers (NEOs):

James Gorman	Chief Executive Officer
Colm Kelleher	President
Jonathan Pruzan	Chief Financial Officer
Eric Grossman	Chief Legal Officer
Daniel Simkowitz	Head of Investment Management

The CD&A is comprised of the following sections:

1. Overview

The CMDS Committee considers several factors in determining executive compensation to ensure that Morgan Stanley s compensation program is shareholder-aligned, motivating and competitive, and reflects best practices in corporate governance, risk management and regulatory principles.

The CMDS Committee, with the advice of its independent compensation consultant, Pay Governance, places performance at the forefront of the executive compensation program, taking into consideration progress with respect to the Company s strategic objectives, as informed by financial and non-financial goals. The CMDS Committee s approach to executive pay is also informed by input from shareholders. Our commitment to this performance-based approach is demonstrated in the structure of executive compensation and our CEO pay framework.

As in prior years, the CMDS Committee used a well-defined framework to determine CEO compensation for 2018 and at year end CEO total compensation was set at $29 million, with shareholder-aligned features:

75% of incentive compensation is deferred over three years and subject to clawback;

50% of incentive compensation is delivered through future performance-vested equity awards; and

100% of deferred compensation is delivered in equity awards an increased proportion from prior years.

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1.1 Framework for Compensation Decisions

The CMDS Committee s framework for determining CEO compensation supports and reinforces the Company s pay for performance philosophy and incorporates the following key steps:

Each year, the CMDS Committee establishes a target compensation range for the CEO and outlines guidelines for the CEO performance assessment at year end.

MS CEO Total Compensation Range and Pay for Performance Approach

At the start of 2018, the CMDS Committee, in consultation with its independent compensation consultant, established a target range for 2018 CEO pay of $28 million or more for performance exceeding expectations to $10 million or less for performance substantially below expectations.

To inform its decision-making with respect to the appropriate target range, the CMDS Committee considers compensation information for the 16 financial companies in the S&P 100

index, as described in Section 3.1
under Benchmarking Target CEO Pay.

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1.2 Performance-Based Approach to Compensation and 2018 Performance Highlights

In its assessment of 2018 performance, the CMDS Committee considered Morgan Stanley s progress in relation to its strategic objectives, financial performance, and shareholder returns.

Strategic Objectives[1][2]

Each year, the Board oversees the establishment of the Company s strategic objectives and shareholders receive an overview of these objectives, as well as a summary of progress on the prior year s strategic objectives. In 2018, the Company made substantial progress with respect to its strategic objectives for 2018 2019.

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2018 Financial Performance[1][2]

The Company and certain of its businesses delivered record financial performance in 2018. Under Mr. Gorman s leadership, the Company achieved record revenues and earnings, with net revenues of $40.1 billion compared with $37.9 billion a year ago, pre-tax profit[11] of $11.2 billion compared with $10.4 billion a year ago and net income[12] of $8.7 billion compared with $6.1 billion a year ago. Combined with continued expense discipline, the Company delivered higher annual returns producing a return on average common equity of 11.5%[9], up significantly from 9.4% last year[13] and within the Company s 2018 2019 strategic objective of 10% 13%[9], and return on average tangible common equity of 13.2%[10], within the Company s 2018 2019 strategic objective of 11.5% 14.5%[10].

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Over time, continued focus on expense discipline has led to strong operating leverage. Together with achievement of our multi-year strategic objectives, this has helped the Company more than double its pre-tax profit over the last five years. In addition, the Company has demonstrated solid returns exceeding its cost of capital, which has led to a sufficient capital base, despite share repurchases. This capital position also permits the ability to invest for future growth.

Company Expense Efficiency Ratio[15], ex DVA[16] (%)

Pre-Tax Profit[17], ex DVA[16] ($Bn)

Attractive Capital Return Profile

Ability to Invest for Growth

Shareholder Returns

The Company s execution of its strategic objectives and record financial performance in 2018 contributes to Morgan Stanley s strong shareholder return over time. While Morgan Stanley s TSR[21] for 2018 was negative[22], it outperformed the average of its global peers[23] and the Company s three- and five-year TSR continued to be very strong[22].

	1-Year (2018) TSR[21][22]	3-Year (2016-2018) TSR[21][22]	5-Year (2014-2018) TSR[21][22]
MS Ranks vs. Global Peers[23]	3 of 9	3 of 9	3 of 9

Section 3.2 contains further details about Company performance; see also Section 5 Notes to the Compensation Discussion and Analysis.

1.3 Compensation Determination

The 2018 pay decision for the CEO was made by the CMDS Committee, in consultation with the entire Board, based on its assessment of Mr. Gorman s outstanding individual performance, the Company s record performance in 2018 and substantial progress on the Company s strategic objectives. The CMDS Committee also noted Mr. Gorman s overall leadership with respect to Company culture, and among clients, shareholders, regulators and employees. As a result, the CMDS Committee determined that Company and individual performance warranted a 2018 pay decision for Mr. Gorman of $29 million. Section 3.2 contains more details about individual NEO performance. Section 4.1 contains the 2018 compensation decisions for each NEO, which follow a similar performance evaluation process.

MS 2018 CEO Performance Evaluation

MS 2018 CEO Compensation Opportunity ($MM)

* $29 million is the amount the CMDS Committee awarded to the CEO in early 2019 for 2018 performance. This amount differs from the SEC required disclosure in the 2018 Summary Compensation Table.

Pay in a given year is typically delivered in a combination of fixed compensation (generally, base salary), cash bonus, and deferred compensation provided in a mix of deferred cash, restricted stock units (RSUs) and a long-term incentive program (LTIP) award in the form of performance stock units. A significant portion of pay is deferred, awarded in equity, subject to future stock price performance and cancellation and clawback and, in the case of LTIP awards, subject to future achievement of specified financial goals over a three-year period. These compensation elements support the Company s key compensation objectives, discussed in Section 2, including delivering pay for sustainable performance.

The alignment of Mr. Gorman s pay with Company performance can also be demonstrated over the longer term given that a significant portion of pay is delivered through equity-based awards that vest over time. Notwithstanding the Firm s strong 2018 performance, Mr. Gorman s realizable pay over 2016-2018 is lower (4%) than his reported pay for the same period, as a result of the change in stock price, while the Company s three-year TSR for the same period is 33%[21][22][24].

The 2018 pay for the NEOs was delivered in a combination of the compensation elements listed above, with the exception of Mr. Gorman who did not receive deferred cash and instead received 100% of his deferred compensation in equity awards (an increased proportion from prior years, further aligning CEO compensation with shareholders interests). The CMDS Committee believes the elements and practices of our compensation program are consistent with shareholder feedback, best practices, and regulatory principles.

Deferred Incentive Compensation	75% of 2018 CEO incentive compensation is deferred over three years Clawbacks cover material adverse outcomes, even absent misconduct No automatic vesting on change-in-control; double trigger in place