STATEMENT OF

JAMES P. GORMAN

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE

CONCERNING

ANNUAL OVERSIGHT OF WALL STREET FIRMS

PRESENTED ON

DECEMBER 6, 2023

Prepared Statement

Chairman Brown and members of the committee, thank you for having me here. It has been over two years since we appeared before this committee.

In 2021, we were still battling an extraordinary public health crisis. The economy was supported with monetary and fiscal stimulus, and inflation was low. A lot has changed since then. While inflation has receded from its highs, the macroeconomic environment continues to be complex. We are also witnessing considerable geopolitical challenges today.

The economy has been resilient in the face of higher interest rates. While the consumer has benefited from savings, corporate America is assessing the impact of the higher rate environment on its businesses. We continue to engage with all our clients – both institutional and individual – in helping them navigate the economic uncertainties that might lie ahead.

In our Institutional business, we help advise private companies and public sector entities to meet their financing needs – including raising equity and debt capital to fund and grow their business or invest in public infrastructure, ultimately contributing to the growth of the economy. We assist pension funds, mutual funds and other financial institutions trade and manage their assets.

In our Wealth and Asset Management businesses, we are managing nearly $6.2 trillion of assets for individuals and households, as well as institutions like endowments and pension funds that manage the retirements of our public employees. For millions of U.S. households, our services help families save money for retirement, or for college or for a mortgage to build home ownership.

Through our businesses, we originate, manage and distribute capital within the economy, thus contributing to the economic growth that brings prosperity to all Americans.

The U.S. banking system remains strong and is the envy of the world. Large U.S. banks have undergone a dramatic change in their capital and liquidity profile since the financial crisis 15 years ago, when the U.S. government acted decisively and quickly in implementing the Dodd-Frank and CCAR reforms. As we saw earlier in the year, the crisis among some regional banks in the spring was quickly averted by prompt regulatory action, and with the strength and support from the large U.S. banks. We were pleased to be one of the 11 banks that together provided $30 billion in uninsured deposits to First Republic. It was gratifying, after being part of the problem in the 2008 financial crisis, to have the financial strength and stability to be part of the solution.

Current proposals to put additional capital requirements on the largest U.S. banks – commonly called the Basel III Endgame – need to consider the full impact to the U.S. economy and the U.S. consumer. Regulations are only effective when they balance both the safety and soundness of the financial system, with the proper functioning of bank financing that spurs our economic growth.

Blanket increases in capital for the large U.S. banks – who already undergo rigorous stress testing each year and are required to maintain additional specific capital buffers – is wholly unnecessary. It will make credit more expensive and less accessible to consumers and businesses while harming the competitiveness of the U.S. economy and driving more activity to the less regulated parts of the financial services industry. As it stands, the proposal would increase the cost of capital and borrowing across the U.S. economy – not just to large corporations and small businesses, but also to pensions, municipalities, and endowments.

I hope the Federal agencies will be open to changes and will review the industry’s comments thoughtfully.

As a global leader in financial services, we have a responsibility to the communities in which we operate. Many communities continue to experience social and financial challenges, and we are using our resources to help drive a more equitable and sustainable future for them.

We are also investing in broadening the diversity of our employees so that they reflect the demographics of the communities in which we live and work. We also continue to meaningfully invest in our culture and values for future generations. This is good for our employees, our clients, our business and our shareholders.

Morgan Stanley’s employees are committed to helping companies, institutions and individuals access, manage and distribute capital to reach their financial goals. I am proud of the commitment they show to our clients and our communities every day.

Finally, in your letter dated Nov 6, 2023, you asked me to provide information on additional topics, which are included in the attached addendum.

Thank you again Chairman Brown and members of the committee. I look forward to your questions.

Addendum

1. [D]escribe the size, complexity, growth, and business model of your institution, including 2022 year-end and 2023 third quarter capital and leverage ratios, profits, and annual dollar value of dividends, stock buybacks, and other capital distributions.

a. Size

Morgan Stanley (the "Firm" or the "Company") employed approximately 81,000 employees as of September 30, 2023—up from 68,000 at year-end 2020. Our employees live and work in 41 countries. In 2022, we reported approximately $53.7 billion in net revenues and approximately $1.2 trillion in total assets, as compared to approximately $48.8 billion in net revenues and approximately $1.1 trillion in total assets in 2020.

b. Complexity

No bank is too big to fail—including Morgan Stanley. One of the important lessons learned from the 2008 financial crisis is that while banks need to organize themselves to prevent the risk of failure, they also need to have coherent and credible plans to mitigate systemic risk in the event of failure. We have embedded recovery and resolution planning into our practices and believe that we have a credible strategy that demonstrates that the Firm can be resolved without adverse effects on financial stability in the United States or on the broader global economy.

Since the financial crisis, we have more than doubled the size of our Wealth Management business and have continued our strategy of maintaining a durable balance sheet and sources of revenue. Our Wealth Management and Investment Management businesses accounted for more than half of our net revenues at 2022 year-end.

As an example of risk mitigation, under Dodd-Frank, we are required to have a resolution plan, or "living will," in place, so that if Morgan Stanley were to fail it would not undermine the wider financial system. As part of that resolution planning, we have taken significant steps such as rationalizing our legal entity structure to make it less complex and ensure that the structure supports our resolution strategy.

We are required to submit a full resolution plan to the regulators every four years, with a mid-cycle update required two years into each four-year cycle. Our most recent submission was made by July 1, 2023, and our next mid-cycle update is required by July 1, 2025. We take resolution planning very seriously. Our senior management participates directly in the development of the plan and in challenge sessions internally and with regulators. Ultimately, our Board of Directors oversees and approves our resolution plan.

Our plan is based on a "Single Point of Entry" ("SPOE") model. In the event that Morgan Stanley, as a company, were at the point of failure, our plan requires resources to be provided to our material entities so that they can complete a solvent wind-down or successful sales strategy without entering resolution proceedings. As a general matter, our plan contemplates a solvent wind-down—without taxpayer support—of our Institutional Securities business and a successful sales strategy of our Wealth Management and Investment Management businesses.

c. Growth

Morgan Stanley has three business segments: Institutional Securities, Wealth Management and Investment Management.

Institutional Securities net revenues at 2022 year-end was approximately $24.4 billion, which is lower than net revenue of approximately $29.8 billion at 2021 year-end. This change was driven by the following: a decrease in investment banking revenues in 2022, primarily reflecting a reduction in underwriting revenues in line with market levels; a decrease in equity net revenues in 2022, reflecting a decrease in execution services driven by markdowns on certain business-related investments and lower levels of client activity amid challenging market conditions, partially offset by an increase in financing; and an increase in fixed income net revenues in 2022, primarily reflecting an increase in global macro products, which benefited from strong client engagement and increased client flow activity in an environment characterized by inflationary pressures, central bank actions and fiscal activity driving higher volatility.

Wealth Management net revenues at 2022 year-end was approximately $24.4 billion, which is higher than net revenue of approximately $24.2 billion at 2021 year-end. This change was driven by the following: a decrease in transactional revenues in 2022, primarily due to losses on investments associated with certain employee deferred cash-based compensation plans and lower client activity in equities; an increase in net interest revenues in 2022, primarily due to the net effect of higher interest rates and growth in bank lending; and relatively no change in asset management revenues in 2022, reflecting the impact of lower market levels offset by positive flows on fee-based assets.

Investment Management net revenues at 2022 year-end was approximately $5.4 billion, which is lower than net revenue of approximately $6.2 billion at 2021 year-end. This change was driven by the following: a decrease in performance-based income and other revenues in 2022, primarily due to lower accrued carried interest in certain private equity and real estate funds, losses on investments associated with certain employee deferred cash-based compensation plans and mark-to-market losses on public investments; and a decrease in asset management and related fees in 2022, reflecting the impact of the decline in the equity markets, partially offset by incremental revenues as a result of the Eaton Vance acquisition and the impact of lower fee waivers in certain money market funds.

d. Business model

Morgan Stanley is a global financial services firm that maintains significant market positions in each of its business segments: Institutional Securities; Wealth Management; and Investment Management. Morgan Stanley, through its subsidiaries and affiliates, provides a wide variety of products and services to a large and diversified group of clients and customers, including corporations, governments, financial institutions and individuals.

Institutional Securities provides a variety of products and services to corporations, governments, financial institutions and ultra-high net worth clients. Investment Banking services consist of capital raising and financial advisory services, including the underwriting of debt, equity and other securities, as well as advice on mergers and acquisitions, restructurings and project finance. Our Equity and Fixed Income businesses include sales, financing, prime brokerage, market-making, Asia wealth management services and certain business-related investments. Lending activities include originating corporate loans and commercial real estate loans, providing secured lending facilities and extending securities-based and other financing to customers. Other activities include research.

Wealth Management provides a comprehensive array of financial services and solutions to individual investors and small to medium-sized businesses and institutions covering: financial advisor-led brokerage, custody, administrative and investment advisory services; self-directed brokerage services; financial and wealth planning services; workplace services, including stock plan administration; securities-based lending, residential real estate loans and other lending products; banking; and retirement plan services.

Investment Management provides a broad range of investment strategies and products that span geographies, asset classes, and public and private markets to a diverse group of clients across institutional and intermediary channels. Strategies and products, which are offered through a variety of investment vehicles, include equity, fixed income, alternatives and solutions and liquidity and overlay services. Institutional clients include defined benefit/defined contribution plans, foundations, endowments, government entities, sovereign wealth funds, insurance companies, third-party fund sponsors and corporations. Individual clients are generally served through intermediaries, including affiliated and non-affiliated distributors.

e. Capital and leverage ratios

We maintain robust capital, liquidity and funding positions to ensure that we can support clients' access to credit and capital markets at all points of the economic cycle, including in severely adverse markets.

Our capital adequacy is measured through regulatory capital standards adopted by the Federal Reserve Board ("FRB"). Our capital ratios have remained at very high levels throughout and after the pandemic. Specifically, as of September 30, 2023, our capital ratios were:

- 15.6% Standardized Common Equity Tier 1 ("CET1") ratio;
- 17.6% Standardized tier 1 capital ratio;
- 20.0% Standardized total capital ratio;
- 6.8% Tier 1 leverage ratio;
- 5.5% Supplementary Leverage Ratio ("SLR").

As of December 31, 2022, our capital ratios were:

- 15.3% CET1 ratio;
- 17.2% Standardized tier 1 capital ratio;
- 19.3% Standardized total capital ratio;
- 6.7% Tier 1 leverage ratio;
- 5.5% SLR.

f. Profits

Our net income[1] at 2022 year-end was approximately $11 billion, down from net income of approximately $15 billion at 2021 year-end. Our net income for the nine months ended September 30, 2023 is approximately $8 billion, down from net income of approximately $9 billion for the nine months ended September 30, 2022. Our net income for Q3 2023 is approximately $2.4 billion, down from net income of approximately $2.7 billion in Q3 2022.

g. Dividends, Stock buybacks, other capital distributions

Time Period	Common Stock Dividends (in millions)	Per Share amount (Common)	Preferred Stock Dividends (in millions)	$ Value Common Stock Repurchased as part of Share Repurchase Program (in millions)[2]	Total number of shares as part of Share Repurchase Program (in millions)[3]	Total number of shares purchased (in millions)[4]
2022	$5,108	$2.950	$489	$9,865	113.07	123.82
Q1 2023	$1,305	$0.775	$144	$1,500	15.76	23.02
Q2 2023	$1,292	$0.775	$133	$1,000	11.93	12.94
Q3 2023	$1,404	$0.850	$146	$1,500	17.13	17.59

2. Please include any publicly available aggregate data on your firm's derivatives obligations, leveraged lending, lending to private equity, credit, and hedge funds, repo market business, and describe the impact of those activities on the real economy.

Morgan Stanley is a major participant in the global capital markets. We serve our clients by providing liquidity and capital through services such as originating, structuring, and executing public and private placement of a variety of securities, including both debt and equity products. We help our clients—such as schools, hospitals, governments and local and global corporations—raise capital and manage their financial positions so that they can remain stable, grow, and provide employment opportunities. Our participation in the global capital markets, including through our derivatives, leveraged lending, lending to private equity, credit, and hedge funds, and repo market businesses, helps drive the real economy, positively impacts society and touches the lives of individuals.

The Firm trades and makes markets globally in listed futures, over-the-counter ("OTC") swaps, forwards, options and other derivatives referencing, among other things, interest rates, equities, currencies, investment grade and non-investment grade corporate credits, loans,

[1] References to "net income" represent net income applicable to Morgan Stanley.

[2] Reflects only the repurchase program and excludes shares acquired in satisfaction of tax withholding obligations related to stock-based compensation programs.

[3] Reflects only the repurchase program and excludes shares acquired in satisfaction of tax withholding obligations related to stock-based compensation programs.

[4] Includes both those acquired as part of the Share Repurchase Program and in satisfaction of withholding obligations.

bonds, U.S. and other sovereign securities, emerging market bonds and loans, credit indices, ABS indices, property indices, mortgage-related and other ABS and real estate loan products. The Firm uses these instruments for market-making, managing foreign currency and credit exposure and asset/liability management. At 2022 year-end, the notional amount of assets in our bilateral OTC derivatives contracts was $7.7 trillion, in our cleared OTC derivatives contracts was $7.9 trillion and in our exchange-traded derivative contracts was $1.0 trillion. At 2022 year-end, the notional amount of liabilities in our bilateral OTC derivatives contracts was $7.8 trillion, in our cleared OTC derivatives contracts was $8.2 trillion and in our exchange traded derivatives contracts was $1.2 trillion.[5]

The Firm enters into securities purchased under agreements to resell, securities sold under agreements to repurchase and securities borrowed and securities loaned transactions. At year-end 2022, we had securities sold under agreements to repurchase of $62.5 billion, and securities purchased under agreements to resell of $113.9 billion. At year-end 2022, securities sold under agreements to repurchase and securities loaned was $78.2 billion.

The Firm does not disaggregate lending to private equity, credit, and hedge funds by segment in our public disclosures.

3. **Your testimony should also discuss your consumer and small business portfolio, including products and services offered, and the annual amount of fee income generated.**

While retail banking is not a primary line of business for Morgan Stanley, the Firm offers select retail banking products and services, including consumer savings and checking accounts. Morgan Stanley does not engage in consumer lending, aside from offering consumer mortgage products and securities-based loans to our Wealth Management clients. Morgan Stanley also does not have a robust small business lending practice. That said, the Firm has made loans of over $426 million from 2010-2022 to small businesses as part of its longstanding goal of promoting sustainable practices.

4. **Specifically, please discuss your firm's changes to your overdraft fee structure, including an implementation timeline and the various impacts that such actions had to your business and customers.**

Morgan Stanley does not offer an overdraft program.

5. **Please describe changes to reduce or eliminate other fees.**

With regards to its consumer savings and checking accounts, Morgan Stanley has waived a number of fees on its checking accounts, including fees related to stop payment, early closure and checkbook re-order fees. We have also added unlimited refunds of third-party ATM fees nationwide for checking accounts.

6. **Please describe your firm's housing-related business, including consumer mortgage products and investments in rental housing and housing affordability.**

---

[5] More information on the Firm's derivatives activity may be found in the 2022 Form 10-K on pages 101-105.

Our Wealth Management business includes residential real-estate loans consisting of first and second lien mortgages, including HELOCs. Our single-family residential mortgage loans in conforming, non-conforming or HELOC form are primarily made to existing Wealth Management clients. That said, consumer mortgage products comprise a small percentage of our Wealth Management portfolio.

7. **You should provide a description of your firm's consumer data privacy practices and use of novel technology, such as machine learning and artificial intelligence (AI), and efforts to protect consumers and clients and prevent discrimination.**

Morgan Stanley takes its clients' privacy seriously. Our job is to secure our clients' financial futures, and maintaining their trust and confidence is critical to that role. For that reason, we work closely with our peers, government partners and vendors to gather and share intelligence that helps us strengthen our collective defenses.

Our privacy program is designed to maintain compliance with federal financial services privacy laws and their implementing regulations, most notably, the Gramm-Leach-Bliley Act ("GLBA") and the Fair Credit Reporting Act ("FCRA"), as well as applicable state and international laws. Our Privacy Pledge—available on our public website—describes our privacy practices and our clients' rights with respect to their data, and reinforces our commitment to protecting the privacy and security of our clients' information.

As part of our program, we employ multiple layers of security controls and practices to protect the personal information of our clients, our proprietary data, our networks and our other assets. We have in place physical, technical and procedural safeguards for personal information. We protect personal information from unauthorized access and use, instituting security measures such as computer safeguards, secured files and buildings.

We understand that new technology brings the promise of improved efficiency, client interaction, and even stronger financial performance for our clients; at the same time, such technology also presents novel risks. We have designed a program that we believe balances the costs and benefits of new technology to achieve a brighter financial future for our clients while protecting their privacy and guarding against discrimination.

Existing use cases of novel technology, (e.g., machine learning ("ML") and artificial intelligence ("AI") (collectively "AIML")) have been evaluated with a focus on managing the risks those technologies present, while balancing the benefits they can bring to our clients. Reviews have carefully focused on items such as information security, bias, our clients' privacy rights and other rights with respect to their data, as well as the benefits and improved experiences that these technologies bring. To achieve that healthy balance, for certain AIML use cases, we may consider certain controls. Each Generative Artificial Intelligence use case that we have in production has been carefully evaluated by a multi-disciplinary team to ensure we implement appropriate controls. Our current Generative AI use cases have been documented and tested by model developers for potential errors and maintain a "human-in-the-loop," where the user must review and edit (as needed) the output before it is used. Where the use case is summarizing data, we draw from our own knowledge repositories to control for toxic or biased outputs.

8. **Please also discuss the size and scope of your firm's custody and asset management activities.**

Our custody and asset management revenues include fees associated with the management and supervision of assets and the distribution of funds and similar products.

Within the Wealth Management business segment, asset management revenues are related to advisory services associated with fee-based assets, account service and administration, as well as the distribution of products. These revenues are generally based on the net asset value of the account in which a client is invested. Within our Wealth Management business segment, asset management revenues were approximately $14 billion in 2022.

Within the Investment Management business segment, asset management revenues are primarily composed of fees received from investment vehicles on the basis of assets under management. Performance-based fees, not in the form of carried interest, are earned on certain products and separately managed accounts as a percentage of appreciation in value and, in certain cases, are based upon the achievement of performance criteria. These performance fees are generally recognized annually. Within our Investment Management business segment, asset management and related fees were approximately $5 billion and Assets Under Management were $1.3 trillion, at year-end 2022.

9. **In addition, your testimony should include a discussion of your firm's state of compliance with all applicable laws, including fair lending and other anti-discrimination laws, current public enforcement actions.**

Morgan Stanley has a comprehensive program to manage risk and help ensure compliance with relevant laws and regulations. The program begins with the Firm's core values, which are communicated to employees through the Firm's Code of Conduct and drive a shared set of behaviors and attributes that help employees make decisions that are consistent with the expectations of our clients, shareholders, regulators, Board of Directors and the public. The Firm employs a three lines of defense model for compliance risk management, which includes first-line business units, the Non-Financial Risk Department, and Internal Audit, each of which has dedicated resources focused on managing compliance risk for the Firm. The Non-Financial Risk Committee sits within the Firm's Enterprise Risk Management framework and provides senior management oversight for compliance and conduct risk issues across the Firm.

Notwithstanding these efforts, from time to time we make mistakes that result in regulatory enforcement. No regulatory enforcement episode is acceptable, but we learn from our mistakes and we have taken corrective actions in response.

The Firm's policies are in compliance with anti-discrimination laws and promote equal employment opportunity without discrimination or harassment on the basis of race, color, religion, creed, age, sex, gender, gender identity or expression, sexual orientation, national origin, citizenship, disability, marital, civil partnership or union status, pregnancy, paid parental or maternity leave, veteran or military service status, genetic information or any other characteristic protected by law.

The Firm's policies are also in compliance with fair lending laws.

10. [A]n assessment of your firm's actions to expand access to affordable financial products and services to consumers, communities and industries across the country, particularly rural and low-income communities.

Morgan Stanley takes seriously its core values and strives to *Give Back* and *Do the Right Thing*. In accordance with these values, the Firm seeks to expand access to affordable financial products and services to consumers, communities and industries across the country.

Since the Great Recession, rural communities have faced an escalating housing crisis. Although rural markets have lower housing costs compared to metro markets, these areas still face persistent poverty. We seek opportunities to finance affordable housing and support the needs of residents in rural communities. In 2022, Morgan Stanley provided more than $17 million to build a new 54-unit affordable housing development in Lindsay, California, a small rural community. Amenities include an outdoor playground and picnic area, and a community building with a kitchen, bathrooms, computer lab and management offices. The design maximizes on-site recreational and open space, and the site offers additional supportive services including adult education, after-school programs and part-time service coordination.

The Firm also supports low-income communities. Morgan Stanley invests in interests issued by entities that develop and own low-income communities (including low-income housing projects) and entities that construct and own facilities that will generate energy from renewable resources. The interests entitle the Firm to a share of tax credits and tax losses generated by these projects. In addition, the Firm has issued guarantees to investors in certain low-income housing funds. The guarantees are designed to return an investor's contribution to a fund and the investor's share of tax losses and tax credits expected to be generated by the fund. The Firm is also involved with entities designed to provide tax-efficient yields to the Firm or its clients.

Our Community Development Finance ("CDF") Group is a key driver of inclusive growth at Morgan Stanley. Designed and implemented with community and nonprofit partners, CDF executes innovative transactions not routinely performed by private investors in areas of pressing need, including:

- Preservation and development of sustainable, multifamily, affordable rental housing;
- Healthy communities;
- Support for service-enriched housing;
- Economic development that supports quality jobs;
- Capital for underserved, small and rural markets;
- Capacity building for nonprofits.

Through these efforts and others, we increase access to affordable financial products across the country.

11. Additionally, as part of your testimony, please discuss how your institution serves servicemembers, veterans, and their families, including your compliance with relevant consumer statutes like the Servicemembers Civil Relief Act.

While Morgan Stanley does not have a specific retail arm dedicated to providing retail and consumer banking services to servicemembers and veterans, and their families, the firm, as a whole, takes seriously the goal of providing high-quality service to these clients in our business segments. Morgan Stanley is committed to providing the benefits and protections required by the Servicemembers Civil Relief Act and Military Lending Act, as applicable.

12. Please include an assessment of your firm's compliance with its own public commitments, including to advance racial equity, decrease carbon emissions, increase low to moderate-income homeownership, and support small businesses and minority depository institutions, since the last time you testified.

a. Racial equity

Morgan Stanley has made certain public commitments to help realize the Firm's vision for a better society.

First, we have committed to increase racial equity in our organization. In June of 2020, we announced the launch of the Institute For Inclusion (IFI) to support investments in underserved communities and accelerate our own internal diversity efforts. The IFI brings our employees, communities and clients together in a shared commitment to creating a more equitable society. The Multicultural Leadership Program of our Institute for Inclusion's Talent Accelerator supports career advancement for underrepresented vice presidents and executive directors. Programs include self-assessments, skill-building workshops, career guidance, one-on-one and small group coaching, opportunities to meet senior leaders, peer networking and manager-specific programming to help support underrepresented employees.

Our workforce diversity data shows that our efforts to increase equity are bearing fruit. In 2022, 29% percent of our Board of Directors was ethnically diverse; this percentage was higher than the 2021 percentage of 27%. In 2022, 33% of our Operating Committee was ethnically diverse; this percentage was higher than the 2021 percentage of 26%. In 2022, 34% of our Management Committee was ethnically diverse; this percentage was higher than the 2021 percentage of 32%. We also promote equity through our Supplier Diversity program.

In addition, we contribute to racial equity efforts in broader society. In 2021, we launched the HBCU Scholars Program, which provides academic and needs-based four-year scholarships for students at Howard University, Morehouse College and Spelman College, historically Black colleges and universities ("HBCUs") in the U.S. The Firm began the program by providing five academic and needs-based four-year scholarships at each institution, adding a new class of scholars each year for a class size of 60 by 2024. These scholarships cover the entire cost of attending college for each academic year and are open to students across all disciplines and majors. In addition to financial support, the Firm implemented a board of advisors for each Scholar, composed of a mentor, a sponsor and an HBCU ambassador. Scholars retain their advisors throughout their college years. Scholars interested in financial services will be introduced to careers at Morgan Stanley through our campus career offerings and scholars interested in other careers are connected with Morgan Stanley employees with similar career backgrounds or networks outside the Firm.

b. Decrease carbon emissions

In September 2020, Morgan Stanley became the first major U.S.-headquartered global financial services firm to commit to achieving net-zero financed emissions by 2050. In November 2021, we announced 2030 interim financed emissions targets to guide our lending activities based on credible science-aligned emission pathways. These targets focus on emissions-intensive sectors in our corporate lending portfolio—Auto Manufacturing, Energy and Power.

Across our businesses, we are committed to mobilizing $1 trillion in sustainable finance by 2030, within which we have committed to mobilize $750 billion to support low-carbon and green solutions. As of July 2023, we have mobilized over $700 billion, with over $550 billion in low-carbon and green solutions.

Finally, we also strive to minimize our emissions footprint in our own operations. The strength of our commitment is demonstrated by our achievement of carbon neutrality across our global operations in 2022.

c. Increase low to moderate-income homeownership

A key focus area for our Community Reinvestment Act ("CRA") resources is multifamily affordable rental housing. In 2022, one of the thematic areas our Public Finance Group served as underwriter across was affordable housing. Two transactions Morgan Stanley lead managed in 2022 were recognized by Environmental Finance: Social bond of the year—U.S. municipal bond: The City of New York and Sustainability bond of the year—U.S. municipal bond: Preservation of Affordable Housing. During the year, we led affordable-housing financings in California, Connecticut, Florida, Iowa, Illinois, Maryland, Massachusetts, New York, Oregon and Rhode Island.

On September 10, 2020, we had announced, alongside the National Community Reinvestment Coalition, a $15 billion, four-year community benefits plan to expand our community development activities. From January 1, 2021, through June 30, 2023, Morgan Stanley has met $11 billion of this $15 billion plan (the "Community Benefits Agreement"), with another 18 months to go. This includes investments and loans for the creation and preservation of affordable housing and small business economic development.

d. Support small businesses and minority depository institutions

Barriers and resource constraints often prevent small businesses from gaining a foothold in the marketplace, causing a gap between available opportunities and diverse suppliers. In partnership with our Institute for Inclusion, our Small Business Academy (the "Academy") helps bridge this gap by equipping entrepreneurs with the expertise they need to win business with financial services firms and other sectors. Launched in 2022, the Academy empowers diverse-owned small-business leaders through education, sharing of best practices and mentorship. The 12-week virtual, instructor-facilitated program includes interactive workshops, coaching sessions, and a capstone project. Graduate firms receive 12 months of ongoing support from a Morgan Stanley mentor and the opportunity to access grants to fuel their growth. Ten diverse-owned small businesses participated in our first cohort.

From January 1, 2021, through June 30, 2023, we have made $25.9 million in grants to the Opportunity Finance Network ("OFN"), the trade association representing the Community Development Financial Institutions ("CDFI") industry. CDFIs are similar to minority depository institutions ("MDIs") in that they are specialized lenders that bring capital to low-income, low-wealth communities. The capital was down-streamed to OFN members with critical needs in low-income communities.

13. Finally, your testimony should include a discussion of your workforce, including employees and contractors. Please include the minimum wage paid to employees and the ratio of this pay to your total compensation (salary and all deferred compensation).

Our employees are our most important asset. We depend upon them to build value for our clients and shareholders. With offices in 41 countries, we have approximately 81,000 employees across the globe as of September 30, 2023, whom we depend upon to build value for our clients and shareholders. To facilitate talent attraction and retention, we strive to make Morgan Stanley a diverse and inclusive workplace, with a strong culture and opportunities for our employees to grow and develop in their careers. We support our employees with competitive compensation, benefits, and health and wellbeing programs.

We believe a diverse and inclusive workforce is important to Morgan Stanley's continued success and our ability to serve our clients. We have deepened our investments to recruit, advance and retain diverse talent through a holistic approach, focused on professional development, health and wellbeing, benefits, and culture.

We are committed to the development of our workforce and supporting mobility and career growth. Our talent development programs are designed to provide employees with the resources they need to help achieve their career goals, build management skills and lead their organizations.

We provide responsible and effective compensation programs that reinforce our values and culture through four key objectives: deliver pay for sustainable performance, align with shareholder interests, mitigate excessive risk taking and attract and retain top talent. In addition to salaries, these programs (which vary by location) include annual bonuses, retirement savings plans with matching contributions, an employee stock purchase plan, student loan refinancing and a financial wellbeing program in the U.S. and the U.K. To promote equitable rewards for all employees, we have enhanced our practices to support fair and consistent reward decisions based on merit, perform ongoing reviews of compensation decisions, and conduct regular assessments of our rewards structure.

Our executive compensation program is continuously evaluated by the Compensation, Management Development and Succession ("CMDS") Committee of the Board of Directors, which is comprised entirely of independent directors, to ensure that our approach is consistent with our four key compensation objectives and best practices.

Over the past decade and change, we have made significant changes to our executive compensation program to better balance risk with rewards. These changes include:

- Enhancements to incentive compensation design by balancing fixed and variable pay, increasing deferrals, increasing the use of equity and performance-based awards and incorporating clawback provisions;
- Strengthened processes and controls to integrate risk management into our compensation determinations;
- Increased board engagement in senior management compensation determinations.

Our executive compensation program, which has continuously evolved over this time period is designed around the following four key objectives:

- We compensate for sustainable, long-term performance. We have moved the focus of our executive compensation program away from annual incentive awards and toward an emphasis on both variable annual incentives and performance-vested long-term incentives.
- We align executive compensation with shareholders' interests. This objective is met by delivering a significant portion of incentive compensation in deferred equity awards that are subject to vesting and cancellation and clawback provisions that retain employees and protect the Firm's and shareholders' interests over a multi-year period.
- We offer competitive pay levels to support Morgan Stanley's objectives of continuing to attract, motivate and retain the most qualified employees in a highly competitive global environment for talent.
- In light of regulatory guidance, we have changed our approach to compensation to better balance employee conduct, such as risk taking, with rewards. We structure compensation arrangements to discourage risk-taking that could have a material adverse effect on Morgan Stanley. Over the past decade, we have integrated risk management more directly into our compensation determinations.

Morgan Stanley's commitment to our performance-based approach is further demonstrated by our four-part CEO pay framework:

- The Board of Directors sets annual performance priorities at the beginning of the year to guide its assessment of Firm and executive performance. The priorities are set in the context of the Firm's strategic objectives and include both financial and non-financial performance metrics for the Firm and its business segments.
- At the beginning of each year, the CMDS Committee also establishes the target CEO compensation range and outlines guidelines for the year-end performance assessment. The range is informed by a number of factors, including prior year CEO compensation at selected financial firms.

- At year-end, the CMDS Committee assesses Firm and executive performance, including progress in achieving Morgan Stanley's strategic objectives and annual performance priorities, and the CEO's overall leadership.
- The CMDS Committee then determines CEO compensation at year-end, based on its assessment of performance and discussion with the Board of Directors. The CMDS Committee then determines CEO compensation elements that support the Firm's key compensation objectives.

For 2022, the ratio of the annual total compensation of our CEO to the median of the annual total compensation of all other employees of Morgan Stanley was 274 to 1. This ratio is based on a median of the annual total compensation of all employees of Morgan Stanley (other than the CEO) of $143,794 and an annual total compensation of the CEO, as reported in the "2022 Summary Compensation Table" of our 2023 proxy statement, of $39,398,905. The methodology used to identify the median of the annual total compensation of all employees of Morgan Stanley is described in our 2023 proxy statement.