Morgan Stanley France Group and Morgan Stanley France S.A.

Investment Firm Regulatory Disclosures Report

As at 31 December 2023

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1. Overview and Key Metrics

Overview

The disclosures in this document fulfil regulatory obligations for Morgan Stanley France S.A. (“MS France”) on a stand-alone and consolidated basis as required by the Investment Firms Regulation (“IFR”). MS France, and its parent entities, Morgan Stanley France Holdings I S.A.S. ("MSFH1"), an investment holding company, and Morgan Stanley France Holdings II S.A.S. ("MSFH2"), a holding company, together “MS France Group”, are required to disclose to market participants information on risk management objectives and policies, own funds, own funds requirements, remuneration policies and Environmental, Social and Governance (“ESG”).

MS France is authorised by the French Authority of Prudential Control and Resolution (“ACPR”).

The principal activities of MS France are equity sales and the provision of investment banking services.

Unless otherwise stated, qualitative disclosures for MS France throughout this document should be read as also applicable to MS France Group.

The direct parent of the MS France Group is Morgan Stanley Europe Holding SE (“MSEHSE”), together with its subsidiaries (the "MSEHSE Group").

The MSEHSE Group is a wholly owned sub-group of Morgan Stanley International Limited (“MSI”) which, together with its consolidated subsidiaries, form the "MSI Group". The MSI Group is regulated by the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA") in the United Kingdom (“UK”).

The MSEHSE Group's, and MSI Group's, ultimate parent undertaking and controlling entity is Morgan Stanley, a Delaware corporation which, together with its consolidated subsidiaries, form the Morgan Stanley Group. Morgan Stanley is a "Financial Holding Company" as defined by the Bank Holding Company Act of 1956, as amended, and is subject to regulation and oversight of the Board of Governors of the Federal Reserve System ("FED").

MS France and its holding entities are wholly owned subsidiaries of the Morgan Stanley Group. The information disclosed in this document is not necessarily indicative of the Morgan Stanley Group as a whole, nor is it comprehensively representative of the Morgan Stanley Group’s activity in any particular region. Investors, stakeholders, creditors or other users seeking information on capital adequacy, liquidity, risk exposure and risk management policies should consult the public disclosures of Morgan Stanley Group.

Morgan Stanley is listed on the New York Stock Exchange and is required, by the US Securities and Exchange Commission, to file public disclosures, including Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q. These can be accessed at https://www.morganstanley.com/about-us-ir/sec-filings.

Details of the latest Morgan Stanley Group Pillar 3 disclosure can be accessed at https://www.morganstanley.com/about-us-ir/pillar-us.

Details of the latest MSI Group Pillar 3 disclosure can be accessed at: https://www.morganstanley.com/about-us-ir/pillar-uk.

Details of the latest MSEHSE Group Pillar 3 disclosure can be accessed at https://www.morganstanley.com/about-us-ir/pillar-eu.

The information presented below for MS France and the MS France Group is reflective of the position as at 31 December 2023.

Key Metrics

Capital Requiremt

Table 1: Key Metrics

	MS France		MS France Group	
€MM	**Q4’23**	**Q4’22**	**Q4’23**	**Q4’22**
Common Equity Tier 1 Capital (“CET1”)	127.8	187.5	165.9	225.0
Additional Tier 1 Capital (“AT1”)	-	-	-	-
Tier 1 Capital	**127.8**	**187.5**	**165.9**	**225.0**
Tier 2 ("T2") Capital	**-**	**-**	**-**	**-**
Total Own Funds	**127.8**	**187.5**	**165.9**	**225.0**
Permanent Minimum Capital Requirement[1]	0.1	0.1	0.1	0.1
Fixed Overheads Requirement	21.5	31.8	22.7	32.6
Total K-Factor Requirement	0.1	0.4	0.1	0.4
Risk to Market (“RtM”)	0.1	0.4	0.1	0.4
Risk to Client (“RtC”)	0.0	0.0	0.0	0.0
Risk to Firm (“RtF”)	-	-	-	-
Own Funds Requirement	**21.5**	**31.8**	**22.7**	**32.6**
Total Capital Ratio	**595.34%**	**589.02%**	**729.63%**	**689.29%**

1. Permanent Minimum Capital Requirement: €75,000.

Over the year, MS France's Total Own Funds decreased primarily due to an exceptional distribution of share premium. The MS France Group's Total Own Funds decreased due to a reduction in share capital.

Fixed Overheads Requirement ("FOR") is based on 2022 audited financial statements.

The own funds requirement is equal to the higher of: a) Permanent Minimum Capital Requirement ("PMC"), b) FOR or c) K-Factor Requirement ("KFR").

The PMC is dependent on the activities that the entity is authorised to undertake.

The FOR is a proxy for the amount of own funds which must be held to allow the investment firm to wind-down in an orderly way. The FOR is equal to 25% of the investment firms relevant expenditure.

The KFR fall within the following main risk categories:

- RtM captures the impact an investment firm could have on the markets in which it operates and on counterparties with which it trades.
- RtC covers risks of the investment firm during its services, actions or responsibilities, which could negatively impact clients.
- RtF captures risks to an investment firm’s solvency from its trading activity and market participation and only applies to an investment firm authorised to deal on its own account for its own purposes or on behalf of a client.

2. Regulatory Frameworks

The IFR sets out a consistent regulatory framework applicable to non-systemic investment firms (typically those less than €15bn in asset size) across the European Union ("EU").

Under the IFR Framework, investment firms authorised under the Markets in Financial Instruments Directive ("MiFID") are categorised based on asset size:

Class 1 – Systemic investment firms with greater than €15bn of assets, which are subject to the Capital Requirements Directive ("CRD") and Capital Requirements Regulation ("CRR"). Those that are greater than €30bn in asset size also need to re-authorise as credit institutions.

Class 2 - Non small and non-interconnected ("non-SNI") firms consisting of those that are not a Class 1 firm and do not meet the definition of a small and non-interconnected ("SNI") investment firm, which are subject to full IFR requirements.

Class 3 - SNI firms that meet certain thresholds and conditions, which are subject to reduced IFR requirements.

MS France is a Class 2 non-SNI investment firm.

The IFR framework applies; 1) minimum capital and liquidity requirements, 2) additional own funds requirements calculated based on additional risks as identified by the firm or relevant competent authority, and 3) for Class 2 investment firms, a public disclosures requirement.

Requirements described above are supplemented with further detail where relevant through the European Banking Authority ("EBA") Regulatory Technical Standards ("RTS") and Implementing Technical Standards ("ITS"), which include a number of common templates that are used within this disclosure.

MS France has policies and procedures in place to assess the appropriateness of its disclosure. MS France disclosures are not required to be, and have not been, audited.

MS France does not hold, directly or indirectly, any voting rights in any company and as such no investment policy disclosures are relevant. The parent entities for MS France; Morgan Stanley France Holdings I S.A.S., and Morgan Stanley France Holdings II S.A.S., hold 100% of the investment and voting rights in MS France.

MS France financials are prepared in accordance with the principles defined in regulation ANC 2014-07 of 26 November 2014 relating to the financial statements of French banking sector companies. MS France financial statements can be found in the legal gazette (Journal d'Annonces Légales - JAL) Les Affiches Parisiennes dated 19 July 2024 https://www.journal-officiel.gouv.fr/telechargements/BALO/pdf/2024/0724/202407242403361.pdf

MS France Group does not prepare audited financial statements.

3. Capital Management

MS France views capital as an important source of financial strength. It manages and monitors its capital in line with established policies and procedures and in compliance with local regulatory requirements. In line with Morgan Stanley Group capital management policies, MS France manages its capital position based upon, among other things, business opportunities, risks, capital availability and rate of return together with internal capital policies and regulatory requirements. Therefore, in the future it may adjust its capital base in reaction to the changing needs of its businesses. The appropriate level of capital is determined at a legal entity level to safeguard that entity's ability to continue as a going concern and ensure that it meets all regulatory capital requirements. The key components of the capital management framework used by MS France include a point in time capital assessment, forward looking capital projections and stress testing. MS France conducts a capital assessment at least annually in order to meet its obligations under the IFR regulation. The MS France capital assessment is a key tool used to inform the MS France Board and the executive management on risk profile and capital adequacy. The MS France capital assessment:

- Is designed to ensure that the risks to which MS France is exposed are appropriately capitalised and risk managed, including those risks that are either not captured, or not fully captured under the minimum own funds requirement;
- Uses stress testing to ensure MS France will continue to operate above regulatory requirements under a range of severe but plausible stress scenarios; and
- Assesses capital adequacy under normal and stressed operating environments over the three year capital planning horizon to ensure that MS France maintains a capital position in line with internal pre and post stress minimum levels.

The ACPR can request to review the MS France capital assessment results and, if it deems relevant, set the minimum own funds requirement and minimum liquidity requirement, to establish the minimum level of regulatory capital and liquidity for MS France. If required, the ACPR can also set an additional own funds and/or liquidity requirements in addition to the minimum requirements, which is available to support any additional capital or liquidity need for MS France even in a stressed market environment.

In order to maintain or adjust its capital structure, MS France may pay dividends, return capital to its shareholders, issue new shares, or issue or repay AT1 capital instruments or subordinated debt.

4. Risk Management

Risk taking is an inherent part of MS France's businesses activities and effective risk management is vital to MS France's success. The MS France Risk Management Framework is embedded and operating appropriately and encompasses the risk culture, approach and practices that support risk identification, measurement, monitoring, escalation, and decision-making processes within MS France.

Risk Strategy and Appetite

The Risk Strategy sets how risks will be identified, measured, monitored, and reported. The centerpiece of the Risk Strategy is the Risk Appetite Statement ("RAS"). The MS France RAS articulates the aggregate level and type of risk that MS France is willing to accept in order to execute its business strategy while protecting its capital and liquidity resources. The RAS consists of qualitative statements. The MS France risk appetite is set by the MS France Board in conjunction with its business strategy and in consideration of its capital and liquidity resource adequacy framework. To remain adequate in a changing environment, the RAS is reviewed by the MS France Board when required (e.g., when the business strategy is amended), but at least annually. This review takes into account changes in MS France's business strategy, financial resources and plans as well as any anticipated changes in risk appetite.

MS France risks arise primarily from the provision of services and business processes. The following risks are currently considered as material for MS France business activities: Operational Risk, Reputational Risk, Compliance Risk and Conduct Risk.

In addition, further detail about the following risks is provided, although they are considered non-material for MS France current business activities: Earnings at Risk and Strategic Risk, Liquidity Risk, Credit Risk, Market Risk and Valuation Risk.

<u>Operational Risk</u> is defined as the risk of loss, or damage to Morgan Stanley's reputation, resulting from inadequate or failed processes or systems, from human factors or from external events (e.g., fraud, theft, cyber-attacks or damage to physical assets). This includes legal risk and the risks arising from ESG factors (e.g., Climate) but excludes strategic risk.

MS France sets its operational risk appetite at a level of operational risk that, after considering the MS France's governance and control processes, is expected to be less than the benefits of the business strategy and not pose a material risk to MS France's capital adequacy, reputation, regulatory standing, or ability to pose a material risk to its strategy nor result in significant, detrimental impacts to markets and/or clients.

<u>Reputational Risk</u>, also referred to as franchise risk, describes potential risks associated with the way in which MS France conducts its business and the perception of MS France by external parties including our shareholders, clients, regulators, and the public. MS France complies with the group policies to identify, escalate, and report any situation which may pose potential franchise risk.

MS France has no appetite for transactions, business practices, clients or counterparties that pose a significant franchise risk and jeopardise the firm's reputation.

<u>Compliance Risk</u> is defined as the risk of legal or regulatory sanction, material financial loss or damage to reputation resulting from the failure to comply with laws, rules, regulations, related self-regulatory organisation standards and codes of conduct applicable to MS France's activities.

MS France seeks to comply with applicable laws, rules and regulations, including those related to financial crime. MS France has no appetite for transactions, business activities, or conduct by employees, contingents, customers or counterparties that give rise to a significant breach of MS France's compliance obligations.

<u>Conduct Risk</u> is defined as the risk arising from misconduct by individual employees or contingent workers (collectively, "Covered Persons") or groups of Covered Persons or the risk arising from conduct by the firm where the outcome has an adverse impact on clients or markets.

MS France has no risk appetite to act in a manner which does not adequately consider the impact on clients, expected market users or the markets, and could result in detrimental outcomes or undermine the integrity of financial markets or damage the firm's reputation or regulatory standing.

Due to the nature of the current business model of MS France, financial risks arising from business activities are very limited.

Earnings at Risk and Strategic Risk are defined as the risk to earnings posed by falling or volatile income (Earnings at Risk), and the broader risk of a legal entities' business model or strategy proving inappropriate due to macroeconomic, geopolitical, industry, regulatory or other factors (Strategic Risk).

MS France aims to deliver a sustainable business model that allows for a strategic presence in its core businesses, targeting stable earnings, accumulation of profits allowing for capital accretion and expense efficiency.

Liquidity Risk is the risk that a firm, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost.

MS France's financial condition or overall soundness is adversely affected by an inability or perceived inability to meet its financial obligations in a timely manner.

MS France sets liquidity risk appetite to ensure adequate cash balances to meet its operating expenses and ensure durability of funding.

Credit Risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations.

MS France has a low-risk appetite for losses arising from an obligor's failure to pay. This risk includes failure of third-party debtors (fee income and other debtors), intercompany debtors and cash deposits with credit institutions.

Market Risk is the risk that a change in the level of one or more market prices, rates, indices, volatilities, correlations or other market factors, such as market liquidity, will result in losses for a position or portfolio owned by the firm.

MS France has a low-risk appetite for losses arising from Market Risk. Market risk is limited to foreign exchange ("FX") risk on non-EUR revenues/expenses.

Valuation Risk represents the possibility that valuation estimates of a position would differ from the price in an actual close-out transaction due to uncertainty around the actual price that could be obtained. Valuations are predominantly derived through models; thus, Valuation Risk comprises but is not limited to Model Risk.

MS France sets a valuation risk appetite to ensure sufficient capital to cover positions subject to valuation uncertainty. The risk is limited to reverse repos that cover the liquidity requirement.

Risk Policies and Processes

Morgan Stanley Group has established a number of policies and processes which set out the standards that govern the identification, assessment, monitoring, management, and mitigation of the various types of risk involved in its business activities. MS France has implemented a risk handbook to address local business and regulatory requirements where appropriate. This document is reviewed and approved by the MS France Board annually.

Control Framework

To execute risk oversight, MS France operates a control framework consistent with the "Three Lines of Defence" model, to create clear delineation of responsibilities between risk owners and independent risk control functions with a view to address potential conflicts of interest.

- First Line of Defence: Business units are responsible for managing their strategy and business activities in accordance with the entity's risk appetite. Support and Control functions (e.g., Operations, Technology, HR) support strategy execution of the entity's revenue-generating activities. Business units as well as support and control functions have primary responsibility for managing all business unit risks as well as ensuring compliance with applicable laws, rules and regulations and the entity's policies.
- Second Line of Defence: Responsible for independent identification, analysis, reporting, management, and escalation of risks arising from the entity's activities. It further sets policies and monitors adherence with these policies. This includes the Risk Division or the Compliance Division.
- Third Line of Defence: The Internal Audit Department is the third line of defence and is an independent of the first and second lines of defence. Internal Audit provides an independent assessment on the firm's control environment and risk management processes and further reviews and tests the entities compliance with internal guidelines set for risk management and risk monitoring, as well as external rules and regulations governing the industry.

The Risk, Legal and Compliance functions have each established frameworks to identify, analyse, monitor, mitigate and report risks relevant to MS France. An overview of the individual risk management frameworks is set out below:

<u>Operational Risk:</u> MS France as part of the MSEHSE Group operates within the established operational risk management framework to identify, measure, control and report risk across the entity. Effective operational risk management is essential to reducing the negative impact of operational risk incidents and mitigating legal, regulatory and reputational risks. The framework comprises the following: Risk Identification, Risk Measurement, Risk Appetite and Risk Reporting.

<u>Compliance Risk:</u> The MS France Compliance Division is responsible for identifying applicable compliance risks and obligations as well as for establishing and maintaining a Compliance Risk management program for MS France. All MS France businesses and operations are subject to the Compliance Risk management program. As part of its responsibilities to establish and maintain a Compliance Risk management program, the MS France Compliance Department:

- Completes an annual Compliance Risk Assessment for MS France that identifies and assesses material Compliance Risks;
- Subsequently develops an MS France Annual Compliance Plan that prioritises Compliance Division activities based on the Compliance Risk Assessment and other inputs, as appropriate; and
- Reports to the MS France Risk Committee on compliance risk, significant regulatory compliance related developments and the progress of the Annual Compliance Plan.

<u>Reputational Risk:</u> Matters, which may potentially present significant reputational risk to MS France, may require escalation to the EMEA Franchise Committee. The Franchise Committee Charter requires that items presented to the Franchise Committee for review (including business booked on MS France and business which is not booked on MS France but has a nexus to MS France) must be endorsed in advance by the relevant senior divisional and regional management and by each business unit, and by the MS France Risk Committee, as may be appropriate. The MS France Legal Division and MS France divisional management serve as escalation points for potentially significant reputational risk matters. The Legal Division is also responsible for the management of the Franchise Committee review process.

<u>Conduct Risk:</u> The Global Conduct Risk Management Policy sets out a consistent global framework for managing conduct risk and Conduct Risk Incidents (“CRIs”) including the management of conduct risk and CRIs within MS France. Responsibility for identifying, assessing, escalating, remediating and reporting on conduct risk and CRIs is shared among Business Units and Support and Control Functions. This is embedded through the Business Units’ and Support and Control Functions’ general accountability and responsibility for the conduct of their Covered Persons, which includes implementing processes and controls reasonably designed to assess, detect and deter conduct risk. This also includes responsibility to take reasonable steps to evaluate the underlying causes of conduct risk and CRIs as well as to escalate potentially material CRIs to Legal & Compliance Department and to formulate remedial actions as applicable. The MSEHSE Group Compliance Division is responsible for the design and development of a Conduct Risk Framework and for the execution of compliance-related responsibilities.

For the other risks that are not material for MS France, appropriate processes, commensurate with the size and complexity of the risks, are in place.

The MS France Board is satisfied that the risk management framework is appropriate given the strategy and risk profile of the entity. The effectiveness of the framework is reviewed at least annually and, where appropriate, elements are updated to reflect best practice, evolving market conditions, lessons learned following market-wide or idiosyncratic risk events, and in response to changing regulatory expectations and requirements.

5. Environmental, Social and Governance Risks

ESG Risks are assessed non-material to the current business activities of MS France.

Environmental Risk[1] is the risk of any negative financial impact on MS France stemming from the current or prospective impacts of environmental factors on its counterparties or invested assets. Environmental Risks may include impacts to biodiversity, pollution of land, water or air, climate change, deforestation and forest degradation, and other significant negative impacts on the environment as a result of human activities.

Environmental factors can be categorised as transition risks and physical risks.

- Transition Risks: Transitioning to a low-carbon and more environmentally sustainable economy will entail extensive regulatory, policy, legal, technology and market initiatives as society adapts to climate change, mitigates its causes and promotes a more sustainable environment. Depending on the nature, speed and focus of these changes, transition risks may pose varying types and levels of financial and reputational risk to businesses and other organisations.
- Physical Risks: These risks include both acute physical events such as flooding, and chronic physical risks related to longer-term shifts in climate patterns such as more frequent and prolonged drought and progressive shifts like biodiversity loss, land use change, habitat destruction and resource scarcity. Financial implications for organisations can range from direct damage to assets to indirect impacts from supply chain disruption, driven by factors such as changes in water availability, food security and agricultural productivity. Extreme temperature changes may affect an organisation's physical locations, operations, supply chain, transport needs and employee safety.

As a subsidiary of Morgan Stanley Group, MS France is part of Morgan Stanley's overall climate strategy, as articulated in the Morgan Stanley 2022 ESG report, which can be found at https://www.morganstanley.com/en/assets/pdfs/Morgan_Stanley_2022_ESG_Report.pdf.

Social Risk[1] is the risk of any negative financial impact on MS France stemming from the current or prospective impacts of social factors on its counterparties or invested assets. Social Risks may include unsafe working conditions, human and labour rights violations and modern slavery (e.g., child labour, forced labour or human trafficking), community protests, violations of indigenous people's rights, and damage to cultural heritage.

Environmental and Social Risk Management ("ESRM")

MS France is part of the overall Morgan Stanley Group approach to the management of environmental and social risks that could impact its reputation. Morgan Stanley Group's ESRM Group provides internal subject matter expertise on environmental and social risk, manages development and implementation of the Morgan Stanley Group's Environmental and Social Policy Statement and related policies and procedures, conducts diligence on relevant transactions, engages with stakeholders and monitors emerging risks and developments in partnership with the business units, Global Sustainability Office and other relevant control functions.

Due diligence and risk management processes are designed to identify, assess and address potentially significant environmental and social issues that may impact Morgan Stanley, clients and other stakeholders. As outlined in Morgan Stanley Group's Environmental and Social Policy Statement, Morgan Stanley Group has tailored approaches to certain sectors and cross-sector environmental and social issues. Transactions that carry potential franchise risk associated with environmental and social issues may be escalated to the Global Franchise Committee, or Regional Franchise Committees such as the EMEA Franchise Committee, as well as senior management. This Policy Statement is reviewed annually and updated as necessary to reflect strategy and key developments. For further detail, refer to Morgan Stanley Group's Environmental and Social Policy Statement which can be found at https://www.morganstanley.com/en/about-us-governance/pdf/Environmental_and_Social_Policy_Statement.pdf.

1. ESG Risk definitions are sourced from EBA Report 2021/18 Management and Supervision of ESG Risks for Credit Institutions and Investment Firms as required by IFR Article 53.

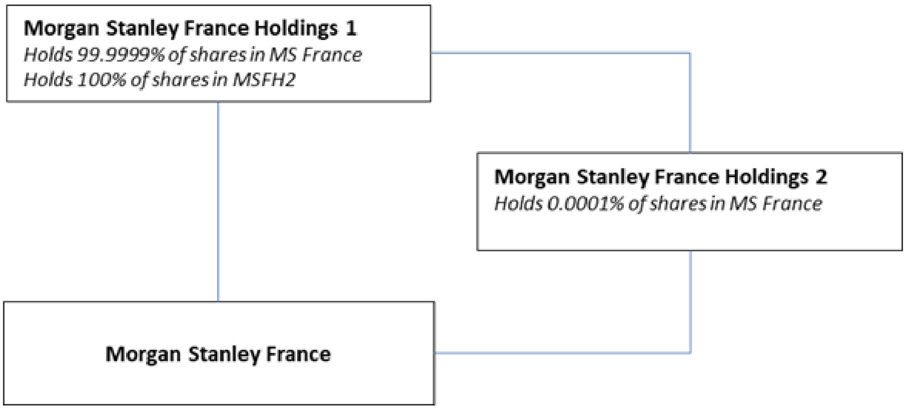
Governance Risk[2] is the risk of any negative financial impact on MS France stemming from the current or prospective impacts of governance factors on its counterparties or invested assets. Governance Risk at the Morgan Stanley Group's counterparties may include such factors as board oversight, shareholder rights, audit practices, tax evasion, and corruption and bribery (including sanctions and money-laundering).

The Morgan Stanley Group takes an integrated approach to governance risk management with oversight from senior management and input from across core businesses and support functions. MS France operates as part of, and within the frameworks established by, the wider Morgan Stanley Group. In line with Morgan Stanley's approach to ESG risk matters, governance risk issues are integrated into Morgan Stanley Group's existing risk management processes.

2. ESG Risk definitions are sourced from EBA Report 2021/18 Management and Supervision of ESG Risks for Credit Institutions and Investment Firms as required by IFR Article 53.

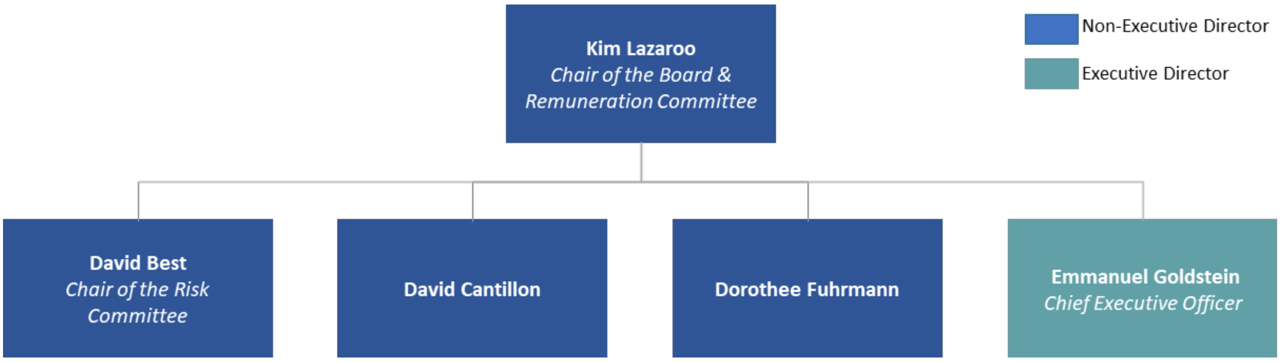
6. Governance and the Board of Directors

MS France Group is comprised of MS France and its two parent companies, MSFH1 and MSFH2.



The sole purpose of the two parent companies is to hold shares in MS France, with risk management and governance requirements for MS France Group primarily overseen by the MS France Board.

As at 31 December 2023, the MS France Board was comprised of 5 directors (1 executive director and 4 non-executive directors), as illustrated below.



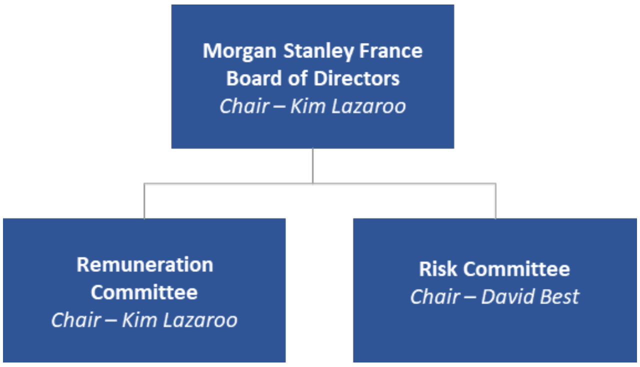
Number of Directorships

	Number of directorships as at 31 December 2023	Number of Directorships adjusted for Article 91(4) of Directive 2013/36/EU
Kim Lazaroo	8	1
David Best	11	5
David Cantillon	3	1
Dorothee Fuhrmann	1	1
Emmanuel Goldstein	7	3

Appointments to MS France Board & Diversity

The MS France Board recognises the importance and benefits of diversity both within its business operations and at a board level. All appointments to the MS France Board are made on merit, in the context of the skills and experience that the MS France Board as a whole requires to be effective, with due regard to the benefits of diversity. The MS France Board has in place a Board Diversity Policy which includes a target of 25% female representation. As at 31 December 2023, the Board had 40% female representation.

MS France Board Committees



The MS France Risk Committee is appointed by the MS France Board to assist and provide guidance to the MS France Board on its oversight of the management of financial and non-financial risks, including: (i) risk strategy and appetite; (ii) risk identification and management; (iii) risk governance framework and policies; (iv) measurement of risk and risk tolerance levels and limits and (v) financial resource management. The Risk Committee met three times in 2023.

The MS France Remuneration Committee is appointed by the MS France Board to (i) assist the Board in overseeing the implementation of remuneration policies and practices applicable to MS France; and (ii) oversee compliance with applicable EU and UK remuneration rules, statements, and guidance. The Remuneration Committee met twice in 2023.

7. Capital Resources

The capital resources of MS France and MS France Group are set out in Table 2a and 2b. All capital resources included are of standard form and the main terms and conditions of the capital instruments are disclosed in Table 4.

Table 2a: EU IF CC1.01 - Composition of regulatory own funds - MS France

€MM		(a)	(b)
MS France		Amounts	Source based on reference numbers / letters of the balance sheet in the audited financial statements
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	**Own Funds**	**127.8**	
2	**Tier 1 Capital**	**127.8**	
3	**Common Equity Tier 1 Capital**	**127.8**	
4	Fully paid up capital instruments	21.1	A
5	Share premium	116.9	B
6	Retained earnings	(1.0)	C
7	Accumulated other comprehensive income	-	
8	Other reserves	2.1	D
9	Minority interest given recognition in CET1 capital	-	
10	Adjustments to CET1 due to prudential filters		
11	Other funds	-	
12	(-) Total deductions from Common Equity Tier 1	(11.3)	
13	(-) Own CET1 instruments	-	
14	(-) Direct holdings of CET1 instruments	-	
15	(-) Indirect holdings of CET1 instruments	-	
16	(-) Synthetic holdings of CET1 instruments	-	
17	(-) Losses for the current financial year	-	
18	(-) Goodwill	-	
19	(-) Other intangible assets	-	
20	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	(11.3)	E
21	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	-	
22	(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds	-	
23	(-) CET1 instruments of financial sector entities where the institution does not have a significant investment	-	
24	(-) CET1 instruments of financial sector entities where the institution has a significant investment	-	
25	(-) Defined benefit pension fund assets	-	
26	(-) Other deductions	-	
27	CET1: Other capital elements, deductions and adjustments		
28	**Additional Tier 1 Capital**	**-**	
29	Fully paid up, directly issued capital instruments	-	
30	Share premium	-	
31	(-) Total deductions from Additional Tier 1	-	
32	(-) Own AT1 instruments	-	
33	(-) Direct holdings of AT1 instruments	-	
34	(-) Indirect holdings of AT1 instruments	-	
35	(-) Synthetic holdings of AT1 instruments	-	
36	(-) AT1 instruments of financial sector entities where the institution does not have a significant investment	-	
37	(-) AT1 instruments of financial sector entities where the institution has a significant investment	-	
38	(-) Other deductions		
39	Additional Tier 1: Other capital elements, deductions and adjustments		
40	**Tier 2 Capital**	**-**	
41	Fully paid up, directly issued capital instruments	-	
42	Share premium	-	
43	(-) Total deductions from Tier 2	-	
44	(-) Own T2 instruments	-	
45	(-) Direct holdings of T2 instruments	-	
46	(-) Indirect holdings of T2 instruments	-	
47	(-) Synthetic holdings of T2 instruments	-	
48	(-) T2 instruments of financial sector entities where the institution does not have a significant investment	-	
49	(-) T2 instruments of financial sector entities where the institution has a significant investment	-	
50	Tier 2: Other capital elements, deductions and adjustments	-	

Table 2b: EU IF CC1.01 - Composition of regulatory own funds - MS France Group

€MM MS France Group		(a) Amounts	(b) [1] Source based on reference numbers / letters of the balance sheet in the audited financial statements
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	**Own Funds**	**165.9**	
2	**Tier 1 Capital**	**165.9**	
3	**Common Equity Tier 1 Capital**	**165.9**	
4	Fully paid up capital instruments	133.6	
5	Share premium	11.1	
6	Retained earnings	11.6	
7	Accumulated other comprehensive income	(0.4)	
8	Other reserves	14.9	
9	Minority interest given recognition in CET1 capital	-	
10	Adjustments to CET1 due to prudential filters		
11	Other funds	-	
12	**(-) Total deductions from Common Equity Tier 1**	**(4.9)**	
13	(-) Own CET1 instruments	-	
14	(-) Direct holdings of CET1 instruments	-	
15	(-) Indirect holdings of CET1 instruments	-	
16	(-) Synthetic holdings of CET1 instruments	-	
17	(-) Losses for the current financial year	-	
18	(-) Goodwill	-	
19	(-) Other intangible assets	-	
20	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	(4.9)	
21	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	-	
22	(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds	-	
23	(-) CET1 instruments of financial sector entities where the institution does not have a significant investment	-	
24	(-) CET1 instruments of financial sector entities where the institution has a significant investment	-	
25	(-) Defined benefit pension fund assets	-	
26	(-) Other deductions	-	
27	CET1: Other capital elements, deductions and adjustments		
28	**Additional Tier 1 Capital**	-	
29	Fully paid up, directly issued capital instruments	-	
30	Share premium	-	
31	(-) Total deductions from Additional Tier 1	-	
32	(-) Own AT1 instruments	-	
33	(-) Direct holdings of AT1 instruments	-	
34	(-) Indirect holdings of AT1 instruments	-	
35	(-) Synthetic holdings of AT1 instruments	-	
36	(-) AT1 instruments of financial sector entities where the institution does not have a significant investment	-	
37	(-) AT1 instruments of financial sector entities where the institution has a significant investment	-	
38	(-) Other deductions		
39	Additional Tier 1: Other capital elements, deductions and adjustments		
40	**Tier 2 Capital**	**-**	
41	Fully paid up, directly issued capital instruments	-	
42	Share premium	-	
43	(-) Total deductions from Tier 2	-	
44	(-) Own T2 instruments	-	
45	(-) Direct holdings of T2 instruments	-	
46	(-) Indirect holdings of T2 instruments	-	
47	(-) Synthetic holdings of T2 instruments	-	
48	(-) T2 instruments of financial sector entities where the institution does not have a significant investment	-	
49	(-) T2 instruments of financial sector entities where the institution has a significant investment	-	
50	Tier 2: Other capital elements, deductions and adjustments	-	

1. The MS France Group is included in the audited consolidated financial statements of a European Group (I.e. Morgan Stanley Europe Holding SE). It is therefore not required to prepare audited consolidated financial statements at an MS France Group level.

Own Funds of MS France are based on audited financial statements. The Accounting and Regulatory scope are the same. Table 3 provides a reconciliation of regulatory own funds to balance sheet information for MS France.

Table 3: EU IF CC2 - Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements

		a	c
€MM		**Balance sheet as in published / audited financial statements**	
MS France[1]		**31 Dec 2023**	**Cross reference to EU IF CC1**
Assets – Breakdown by asset classes according to the balance sheet in the published / audited financial statements			
1	Cash in hand and balances with central banks and post office banks	73.7	
2	Treasury bills and similar paper	-	
3	Loans and advances to credit institutions	95.7	
4	Loans and advances to customers	-	
5	Bonds and other fixed-income securities	-	
6	Equities and other variable-yield securities	-	
7	Equity interests and other long-term investments	-	
8	Investments in affiliates	-	
9	Intangible assets	-	
10	Property, plant and equipment	19.8	
11	Subscribed capital unpaid	-	
12	Own shares	-	
13	Trading and settlement accounts	-	
14	Other assets	46.7	
	Of which: Deferred Tax Assets	11.3	E
15	Prepayments and accrued income	0.3	
16	**Total Assets**	**236.2**	
Liabilities – Breakdown by liability classes according to the balance sheet in the published / audited financial statements			
1	Central banks, post office banks	-	
2	Amounts owed to credit institutions	-	
3	Amounts owed to customers	12.7	
4	Tradeable securities	-	
5	Other liabilities	59.2	
6	Accruals and deferred income	-	
7	Trading and settlement accounts	-	
8	Provisions for liabilities and charges	25.2	
9	Subordinated liabilities	-	
10	General Bank Risk Fund (GBRF)	-	
11	**Total Liabilities**	**97.1**	
Shareholders' Equity			
1	Share capital	21.1	
	of which: Fully Paid-up Capital Instruments	21.1	A
2	Share premium	116.9	B
3	Reserves	2.1	D
4	Revaluation reserves	-	
5	Statutory provisions and investment subsidies	-	
6	Retained earnings	-	
7	Net profit for the year	(1.0)	C
8	**Total Shareholders' Equity**	**139.1**	

1. Column (b) ‘Under regulatory scope of consolidation’ has been omitted as the investment firm’s accounting and regulatory consolidation is the same.

8. Capital Instruments Template

Table 4 provides a description of the main features of the capital instruments issued by MS France and MS France Group as at 31 December 2023.

Table 4: EU IF CCA: Own funds: main features of own instruments issued by the firm

	Description MS France and MS France Group	MS France Common Equity Tier 1 A	MS France Group Common Equity Tier 1 B
1	Issuer	MS France S.A.	MSF Holdings I
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A
3	Public or private placement	Private	Private
4	Governing law(s) of the instrument	French Law	French Law
5	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares	Ordinary Shares
6	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	€138.0	€144.7
7	Nominal amount of instrument	€15 per ordinary share	€1 per ordinary share
8	Issue price	N/A	N/A
9	Redemption price	N/A	N/A
10	Accounting classification	Shareholders' Equity	Shareholders' Equity
11	Original date of issuance	30/09/1998	02/12/2016
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	N/A	N/A
15	Optional call date, contingent call dates and redemption amount	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A
	Coupons / dividends		
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	N/A	N/A
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully Discretionary	Fully Discretionary
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully Discretionary	Fully Discretionary
22	Existence of step up or other incentive to redeem	No	No
23	Noncumulative or cumulative	Noncumulative	Noncumulative
24	Convertible or non-convertible	Nonconvertible	Nonconvertible
25	If convertible, conversion trigger(s)	N/A	N/A
26	If convertible, fully or partially	N/A	N/A
27	If convertible, conversion rate	N/A	N/A
28	If convertible, mandatory or optional conversion	N/A	N/A
29	If convertible, specify instrument type convertible into	N/A	N/A
30	If convertible, specify issuer of instrument it converts into	N/A	N/A
31	Write-down features	No	No
32	If write-down, write-down trigger(s)	N/A	N/A
33	If write-down, full or partial	N/A	N/A
34	If write-down, permanent or temporary	N/A	N/A
35	If temporary write-down, description of write-up mechanism	N/A	N/A
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A
38	Link to the full term and conditions of the instrument (signposting)	Full Terms and Conditions of Capital Instruments	

9. Remuneration

9.1 Overview

This Remuneration Disclosure sets out the principles relating to remuneration within MS France Group ("MS France"). Some of the policies, practices and procedures outlined apply globally to the Morgan Stanley Group. The chapter has been prepared in line with the IFR, CRD V, the CRR, the EBA Guidelines on Sound Remuneration Policies, the French Monetary and Financial Code, the ACPR, and any associated regulations and guidance (together the "French Compensation Rules"). References made to persons in the masculine for reasons of readability apply equally in the feminine and diverse.

MS France does not benefit from a derogation laid down in Article 32(4) of Directive (EU) 2019/2034.

All quantitative information is reported in million Euros ('€ MM').

9.2 Morgan Stanley Group Compensation Objectives and Strategy

MS France is committed to a responsible and appropriate compensation structure that is designed to align the performance and conduct of employees to its business and risk strategy. The MS France business strategy is focused on delivering a sustainable business model in line with Morgan Stanley Group's global business strategy and local regulatory requirements. MS France's remuneration arrangements are therefore also aligned to the wider Morgan Stanley Group business strategy and the interests of shareholders.

The remuneration structure is also designed to be competitive, complying with applicable regulations, and reflecting current best practices in corporate governance and risk management.

MS France is committed to fostering and maintaining a culture based on Morgan Stanley Group's core values: Do the Right Thing, Put Clients First, Lead with Exceptional Ideas, Commit to Diversity and Inclusion and Give Back. Alignment with these values is considered as a key part of the performance measurement process, which in turn is a key component of the remuneration structures.

The global Compensation, Management Development and Succession Committee ("CMDS Committee") of the Morgan Stanley Board of Directors ("the Board") continually evaluates Morgan Stanley Group's remuneration programs with a view toward balancing the following key principles, all of which support Morgan Stanley Group's culture and values and shareholders' interests:

- **Deliver Pay for Sustainable Performance**
    - Variable remuneration and, for certain senior executives, performance-vested long-term incentives tied to future performance against strategic objectives
    - Consideration of returns for shareholders and appropriate rewards to motivate employees
- **Align Compensation with Shareholders' Interests**
    - Significant portion of variable remuneration is deferred, subject to cancellation and clawback, and tied to Morgan Stanley Group's stock with retention requirements
    - Ongoing shareholder engagement to understand shareholder views
- **Mitigate Excessive Risk-taking**
    - Remuneration arrangements do not incentivise unnecessary or excessive risk-taking that could have a material adverse effect on Morgan Stanley Group
    - Robust governance around review and approval of remuneration programs, including from a risk perspective
- **Attract and Retain Top Talent**
    - Competitive pay levels to attract and retain the most qualified employees in a highly competitive global talent environment
    - Variable remuneration awards include vesting and cancellation provisions that retain employees and protect Morgan Stanley Group's interests

9.3 Remuneration Governance

The MS France Board of Directors ("MSF Board")

The MSF Board reviews and approves recommendations on the design and implementation of the remuneration policies and practices applicable to employees of MSF.

The MSF Board reviews the appropriateness of the remuneration system for all employees, and its implementation especially in the case of material strategic and organisational changes. Consistency of the remuneration strategy with the business strategy is considered in coordination with MSF RemCo.

The MS France Remuneration Committee ("MSF RemCo")

The MSF RemCo oversees the design and implementation of the remuneration policies and practices applicable to MS France. It is appointed by the Board of Directors of MS France to assist the Board in the preparation of its decisions on compensation, in particular those which have an impact on the risks and risk management of MS France. Annually, the MSF RemCo reviews and approves compensation decisions for Identified Staff. In addition, the Board of MS France reviews and approves the aggregate annual compensation spend relating to all MS France employees. The MSF RemCo is currently composed of two Non-Executive Directors, Kim Lazaroo (Chair) and David Cantillon.

The MSEHSE Group Management Boards and the MSEHSE Group Remuneration Committees ("MSEHSE RemCo")

MSEHSE Group has a two-tier board structure in place, which reflects the separation between the responsibilities of the Supervisory Board, which monitors and advises the Management Board, and the Management Board itself, which manages the direct business.

The MSEHSE Management Boards ("Management Boards") review and approve recommendations on the design and implementation of the remuneration policies and practices applicable to employees of the MSEHSE Group, including MS France. The MSEHSE Group Management Board is comprised of the MSEHSE Group Chief Executive Officer ("MSEHSE CEO"), the MSEHSE Group Chief Operations Officer ("MSEHSE COO"), the MSEHSE Group Chief Finance Officer ("MSEHSE CFO"), the MSEHSE Group Chief Risk Officer ("MSEHSE CRO") and Management Board members representing key business units.

The MSEHSE Group Management Boards review the appropriateness of the remuneration system for all employees, and its implementation and especially in the case of material strategic and organisational changes. Consistency of the remuneration strategy with the MSEHSE Group business strategy is considered in coordination with MSEHSE RemCo.

The MSEHSE RemCo monitors compliance by the MSEHSE Group with applicable local regulations. As a part of its remit, the MSEHSE RemCo reviews, provides updates, and makes recommendations to the MSEHSE Group Supervisory Boards on the MSEHSE Group Management Board Remuneration Policy, which forms an annex to the MSI Group Remuneration Policy and sets out specific regulatory requirements applicable to the MSEHSE Group. The MSEHSE Group Management Board Remuneration Policy Annex is applicable to Management Board members of the MSEHSE Group, including: Morgan Stanley Europe SE ("MSESE") and its branches, Morgan Stanley Bank AG ("MSBAG") and MS France.

As a subsidiary, the MS France RemCo consults with the MSEHSE RemCo as appropriate to ensure that remuneration policies and practices are aligned.

The EMEA Remuneration Oversight Committee ("EROC") and the MSI Group Remuneration Committee ("MSI RemCo")

The EROC provides formal oversight of EMEA remuneration matters to ensure that remuneration practices in EMEA are compliant with relevant EU and French legislation. The EROC is composed of the EMEA Chief Executive Officer (Chair), the EMEA Head of Human Resources (Deputy Chair), the EMEA Chief Finance Officer ("EMEA CFO"), the EMEA Chief Legal Officer ("EMEA CLO"), the EMEA Head of Compliance, and the EMEA Chief Risk Officer ("EMEA CRO"). The EROC met seven times during 2023 and certified compliance with regulatory requirements to the MSI RemCo. In addition, the MSF RemCo receives regular updates of discussions held at the EROC.

The MSI RemCo was appointed by the MSI Board of Directors to oversee the design and implementation of the remuneration policies and practices applicable to the MSI Group, which includes contributing to the global policy development that is subject to oversight by the CMDS Committee, as well as overseeing compliance by the MSI Group with applicable EU and UK Remuneration Rules. On December 31, 2023, the MSI RemCo was composed of five non-executive directors: Jonathan Bloomer (Chair), Terri Duhon, Jane Pearce, Melanie Richards and Paul Taylor, who met seven times during 2023.

The CMDS Committee

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

On December 31, 2023, the CMDS Committee was composed of four directors, including the independent Lead Director of the Board, all of whom are independent under the New York Stock Exchange listing standards and the independence requirements of Morgan Stanley Group. The members were Dennis M. Nally (Chair), Thomas H. Glocer, Stephen J. Luczo and Rayford Wilkins Jr.. In 2023, the CMDS Committee held ten meetings. The CMDS Committee operates under a written charter adopted by the Board, which is available on Morgan Stanley's website at https://www.morganstanley.com/about-us-governance/comchart.

Role of external consultant and other stakeholders

The MSF RemCo, MSI RemCo, and CMDS Committee have the power to appoint independent compensation consultants, legal counsel, financial or other advisors as it may deem necessary to assist it in the performance of its duties and responsibilities.

Together with the Global Chief Risk Officer ("Global CRO"), the CMDS Committee oversees Morgan Stanley Group's variable remuneration practices and arrangements to help ensure that such practices and arrangements: (i) are designed in accordance with the Morgan Stanley Group's responsibility to appropriately balance risk and financial results in a manner that does not encourage employee's to expose the Morgan Stanley Group to imprudent financial or non-financial risk, (ii) are consistent with the safety and soundness of the Firm, and (iii) are consistent with applicable related regulatory rules and guidance. The Global CRO attends CMDS Committee meetings at least annually, and on an as needed basis, to discuss the risk attributes of Morgan Stanley Group's variable remuneration practices and arrangements. The Morgan Stanley Group concluded that the Firm's current remuneration programs for 2023 do not incentivise employees to take unnecessary or excessive risk and that such programs do not create risks that are reasonably likely to have a materially adverse effect on the Morgan Stanley Group. The Global CRO reviewed the Morgan Stanley Group's compensation practices and arrangements from a risk perspective, and reviewed the risk assessment process and his findings and conclusions with the CMDS Committee. The CMDS Committee concurred with the risk assessment process and results.

The day-to-day compliance with the MS France's obligations under the French Remuneration Rules is delegated to the EMEA Human Resources Department ("EMEA HR"), which regularly reviews the entity's regulatory obligations with respect to compensation in each of the EMEA jurisdictions in which it operates, or with branches, and ensures that appropriate variations in policy relating to remuneration structures approved by the CMDS Committee are fully compliant with applicable local laws and regulations in the jurisdictions covered by EMEA HR.

9.4 Identification of Risk Takers

MS France has established a formal identification framework to identify employees whose professional activities have a material impact on MS France's risk profile (material risk takers, referred to as "Identified Staff" in this Disclosure). The MS France Material Risk Taker ("MRT") Identification Framework complies with the qualitative and quantitative criteria set out in Articles 5 and 6 of Commission Delegated Regulation (EU) No 2021/923. The identification framework is reviewed on an annual basis in line with the rules set out in the Code Monétaire et Financier and the outcome of the review is subject to approval of the EROC and the MSF RemCo.

Additionally, with effect from 1 January 2022, MS France became subject to the Investment Firm Directive ("IFD") and the IFR. In accordance with Article 28(1) of the IFR, the requisite MRTs have been identified under the relevant qualitative and quantitative criteria.

9.5 Link between Pay and Performance

Incentivising Right Behaviours

In conjunction with Morgan Stanley Group's Global Incentive Compensation Discretion Policy and the MSI Group Remuneration Policy, the MSEHSE Group Annexes to the MSI Group Remuneration Policy and the MS France Remuneration Policy also set forth certain standards regarding the remuneration parameters applied within MS France.

The following key features of the MS France's remuneration arrangements ensure that MS France does not incentivise employees to take excessive risk-taking, and instead provides a link between an employee's remuneration and Morgan Stanley's long-term interests:

- A balance of fixed and variable remuneration;
- A balance between short-term and long-term incentives;
- Mandatory deferrals into equity-based incentive programs (and/or cash-based incentive programs if needed for local regulatory or business reasons);
- Risk-mitigating features of awards such as cancellation/malus and clawback provisions; and
- Governance procedures followed in making remuneration decisions.

Delivering all or a portion of deferred variable remuneration in the form of equity links variable remuneration to Morgan Stanley Group's performance through its stock price. Risk outcomes that result in a negative impact to Morgan Stanley Group reduce the value of the equity award, and employees are subject to this decline in value through the deferral period.

Morgan Stanley Group constantly reviews its policies and practices, including those applicable to specific legal entities, such as MS France, and is working towards further enhancing the linkage between positive risk behaviours and remuneration outcomes.

Consideration of Capital and Liquidity Resources in the Variable Remuneration Pool Determination

Morgan Stanley Group has a 'pay for performance' philosophy, which is reflected throughout the four key objectives of its remuneration programs (see section 9.2) and applies across all lines of business.

The final year-end bonus pool determination is subject to a multi-dimensional process that considers Morgan Stanley Group, business unit and individual performance, taking into account financial as well as non-financial performance metrics. The process includes a review of the adherence to risk limits, conduct and inclusion controls, market and competitive factors, regulatory outcomes, and business or location specific factors.

The MSF RemCo reviews MS France's final bonus pool against financial and risk KPIs to ensure sufficient risk bearing capacity as well as adequate liquidity and capital resources and recommends necessary adjustments as required to maintain a sound capital base. The Board of MS France provides final approval of the bonus pool, taking into account:

1. MS France's profit situation; and
2. MS France's capacity to permanently maintain or restore adequate capital and liquidity resources

9.6 Individual Performance Measurement

All employees have an Employee Performance Dashboard, which is an aggregation of various performance inputs, including non-financial and conduct related information, as applicable, in three areas:

- Performance & Contributions – includes employee performance evaluation forms, i.e., employee goals, feedback, self-evaluation
- Culture & Leadership – includes employee survey results (if applicable) and self-disclosed employee contributions to culture on the employee self-evaluation
- Compliance, Conduct and Risk Management – includes information resulting from disciplinary incidents and input from Control Functions

Where appropriate, in addition to the full performance evaluation and 360 review process, performance evaluation managers are required to answer the following question regarding each employee as it relates to compliance, conduct and risk management: "Rate this employee's conduct and adherence to the letter and spirit of Morgan Stanley Group's compliance and risk management controls and standards, and other policies including the Code of Conduct".

MS France's compensation policies and risk management procedures are continually being refined, and there is ongoing managerial focus on developing this framework to reinforce desired behaviours and promote positive risk outcomes.

9.7 Individual Remuneration Determination Process

MS France applies the Morgan Stanley Global Incentive Compensation Discretion Policy that lays out standards for managers on the use of discretion when making annual remuneration decisions and considerations for assessing risk management and outcomes. The policy specifically provides that all managers must consider whether their team members managed risk appropriately and effectively managed and supervised the risk control practices of the employees reporting into them during the performance year. Managers are trained on these requirements annually and are required to certify compliance with the applicable requirements.

In determining the amount of discretionary variable remuneration to award an eligible employee, a compensation manager must consider only those factors that are legitimate, business-related and consistent with the MS France's legal and regulatory obligations and policies and practices. With this discretion, comes the responsibility to make pay decisions consistent with Morgan Stanley Group's equal pay philosophy, which means that compensation managers are accountable for making deliberate, thoughtful, and defensible remuneration decisions considering only legitimate, business-related factors. These factors include but are not limited to:

- The employee's absolute and relative performance in an individual and, if relevant, supervisory capacity;
- The employee's conduct and adherence to Morgan Stanley Group's core values, including "Commit to Diversity and Inclusion", ensures focus on diversity and inclusion when making remuneration decisions;
- Performance feedback elicited through the performance evaluation processes, including information provided by Control Function personnel;
- Any disciplinary outcomes administered to the employee during the performance year;
- Any circumstances during the performance year that may result in the cancellation and/or clawback of the employee's previously awarded variable remuneration; and
- Market and competitive conditions.

The individual allocation of variable remuneration is a discretionary process informed by the performance evaluation process outlined above. Morgan Stanley Group's 'pay for performance' philosophy means that where a variable remuneration award is not appropriate, none is paid; every year a portion of the eligible employee population receive no variable compensation. The governance around the performance evaluation and compensation decision-making process ensures decisions are a product of a number of inputs including performance, risk, and conduct.

Control Functions

In order to ensure the independence of Control Function employees, individual remuneration decisions for employees working in those functions are determined by Control Function management and are not influenced by employees working in revenue-producing roles. In addition, benchmarking data is utilised to consider whether pay levels for key Control Function employees are commensurate with the market, and that MS France can attract and retain experienced personnel. The compensation decisions of all Control Function Identified Staff are reviewed and approved by the MSF RemCo.

Pay Equity

Morgan Stanley Group's compensation program, and its related policies and practices, reflect and promote the objective that all employees, including women and ethnically diverse employees, are rewarded equitably. A system of checks and balances is in place with Morgan Stanley Group's processes that support fair and equitable pay. This includes an annual global pay equity review and analysis of employee compensation in consultation with external experts. Morgan Stanley Group's 2023 global review of pay equity did not identify any areas of concern within MS France.

9.8 Remuneration Structure

Morgan Stanley Group's remuneration philosophy is based on the concept of annualised total reward (or total remuneration) and accordingly remuneration for the majority of employees is composed of two key elements:

- Fixed remuneration consisting of base salary and, for certain employees, a Role Based Allowance ("RBA"), which are determined based on an individual's roles and responsibilities and are paid monthly in cash via payroll; and
- Variable remuneration that is based on a number of factors, including but not limited to Morgan Stanley Group, MS France, business unit, and individual performance.

RBAs are considered to be fixed compensation and meet the requirements of the relevant compensation rules, being paid monthly in cash via the payroll and based on roles and responsibilities.

The structure of variable remuneration for MS France Identified Staff complies with the applicable regulations and is differentiated according to the MRT category and the amount of variable remuneration awarded. The variable remuneration may be comprised of upfront cash, a stock bonus, and deferred equity.

In line with applicable rules, and at a minimum, is structured as follows:

- An appropriate ratio between fixed and variable compensation is attained, as per the applicable regulations;
- A minimum of 40% to 60% of variable remuneration to be deferred over at least a 3-year period, vesting no faster than on a pro-rata basis. Individuals with a "particularly high" variable compensation are subject to 60% deferral. For 2023, €500k was used as the threshold for employees subject to the 60% deferral;
- The deferred annual variable remuneration is generally awarded in equity;
- Non-deferred variable remuneration is awarded 50% in upfront cash, with the remaining 50% as a stock bonus:
    - The stock bonus is granted in the form of restricted stock units that vest and convert to shares after six months, and are transferable 12-months after grant;
- Deferred equity awards are subject to sales restrictions for a period of 6 to 12-month post vesting; and
- Variable compensation awards are subject to cancellation and/or clawback, to the extent applicable under local labour law.

As a subsidiary of MSEHSE Group and MSI Group, certain MS France employees are also identified under the Capital Requirements Directive and have their variable compensation deferred in line with appropriate regulatory requirements.

MS France Identified Staff whose variable remuneration is not greater than €50k are not subject to the full scope of the French Compensation Rules. However, such MS France Identified Staff continue to be subject to Morgan Stanley Group's compensation and deferral practices for the general employee population.

MS France expects deferred remuneration awards to constitute a significant component of variable compensation and is designed to promote Morgan Stanley Group's long-term interests and alignment with shareholders' interests. Notwithstanding, Morgan Stanley Group's 'pay for performance' philosophy means that where a variable award is not appropriate, none will be paid and every year a portion of our eligible population receives no variable compensation.

Guaranteed variable remuneration for MS France is only paid in exceptional circumstances, including in the context of hiring, to new employees and is limited to the first 12 months of service. Awards of guaranteed variable remuneration are subject to an approval process, which includes receiving approval from the appropriate Senior Manager, the EMEA Head of Compensation, the EMEA Head of HR and in certain circumstances the global Chief Human Resources Officer (the "Global CHRO").

Additional variable remuneration granted for the purposes of retaining employees in MS France (retention bonuses) were not made in 2023.

Termination payments made to certain employees upon leaving MS France are considered in accordance with the relevant severance framework and are intended to avoid rewarding negative performance contributions or misconduct.

Ratio between Fixed and Variable Remuneration

The MS France policy on the ratio between fixed and variable remuneration is to allow for flexibility, whilst recognising the need to ensure that remuneration is appropriately balanced between the fixed and variable remuneration elements. A fixed remuneration to variable remuneration ratio of 1:2 was approved by the MS France shareholders (Morgan Stanley Holdings I and Morgan Stanley Holdings II) on 25 May 2018, being the maximum allowed under IFD V and Article L. 511-79 of the Code Monétaire et Financier and the Code du travail. Additionally, a ratio of 1:0.5 of fixed compensation to variable compensation applies to staff of Control Functions under IFD.

Additionally, employees who are identified under IFD are subject to an appropriate fixed to variable remuneration ratio as determined by the Morgan Stanley Group.

Deferred Compensation

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

Each year, the CMDS Committee reviews the annual variable remuneration pool and the design and structure of the annual compensation program, including the deferral formulae applicable to variable remuneration, and the eligibility for and form of deferred variable remuneration awards, and the vesting and timing of payments and cancellation and clawback provisions of such awards.

The form of deferred variable remuneration awards (i.e., equity, cash, or a combination thereof) is determined based on a variety of factors, including the number of shares available for grant under Morgan Stanley Group's equity plans and, for MS France Identified Staff, ensuring compliance with the requirements of the French Remuneration Rules.

Delivering all or a portion of deferred variable remuneration in the form of equity links variable remuneration to Morgan Stanley's performance through Morgan Stanley Group's stock price performance and aligns employee remuneration with shareholder interests. Risk outcomes that result in a negative impact to Morgan Stanley Group reduce the value of the equity, and the employee is subject to this decline in value through the deferral period. In addition, there is a formal governance process to consider and determine ex-ante and ex-post adjustments to variable compensation. Morgan Stanley Group believes that its remuneration decisions for 2023 demonstrate its focus on long-term profitability and commitment to sustainable shareholder value with appropriate rewards to retain and motivate top talent throughout economic cycles.

9.9 Risk Adjustment

MS France continually monitors the effectiveness of its remuneration structure and utilises a thorough process of considering risk-adjusted performance, compliance with risk limits and the market and competitive environment when sizing and allocating annual variable remuneration pools.

Throughout the year, employee conduct matters that are escalated through Morgan Stanley Group's Global Conduct Risk Program are reviewed to determine whether they present situations that could require clawback or cancellation of previously awarded remuneration, as well as downward adjustments to current year remuneration. All variable remuneration for Identified Staff has provisions that allow for clawback of any awards or remuneration paid or delivered. Cancellations and clawbacks of previously awarded remuneration are reviewed with the Employee Discipline Oversight Committee (a committee of senior management currently composed of Morgan Stanley Group's Chief Financial Officer, Chief Legal Officer, Chief Risk Officer, Chief Human Resources Officer, Chief Audit Officer, and the Head of Non-Financial Risk) and reported to the CMDS Committee quarterly. This process is enhanced by a formalised EMEA malus review process overseen by the EROC. This process involves EROC assessing situations which may warrant adjustment to current year variable remuneration and/or to apply cancellation and/or clawback to previously awarded remuneration, with reference to specific criteria that are contained in governing variable remuneration award documents and applicable policies. The MS France Board receives relevant updates on the EMEA malus review process.

In addition to the above governance processes, conduct driven adjustments to current year variable remuneration proposed by managers as part of the remuneration decision-making process are reviewed by an MSEHSE Group panel composed of senior representatives from the Legal, Risk, Compliance, and Human Capital Management functions. This ensures that both the business and the relevant independent functions are included in the review, and that remuneration adjustments made are consistent across the Morgan Stanley Group. Remuneration adjustments are also reviewed globally, to ensure consistent application.

Furthermore, the MSI Group maintains an EMEA-wide Cancellation and Clawback Policy which is applicable to all MRTs within the EMEA region. Circumstances which trigger the application of this policy include but are not limited to:

- There is reasonable evidence of serious misconduct. Serious misconduct means a situation in which Morgan Stanley Group and/or the relevant regulated entity and/or business unit have sufficient consideration to justify summary termination of employment;
- Morgan Stanley Group and/or the relevant regulated entity and/or business unit in which the MRT is employed (or in relation to which they carry out some or all of their duties) suffers a material failure of risk management;
- Morgan Stanley Group or the relevant regulated entity or business unit suffers a material downturn in its financial performance;
- The MRT directly and/or materially, through their conduct, contributed to a regulatory sanction (or sanctions) being imposed;
- There is a serious breach of relevant external or internal rules relating to suitability and conduct with respect to MSEHSE Group's Code of Conduct.

Cancellation may occur where there is a misconduct or material error of the MRT which may include:

- Where there has been a severe breach of duty by the MRT and/or serious deficiencies in performance of the MRT;
- Negative performance contributions in which the MRT does not achieve objectives set during the performance management process; and
- Negative performance contribution has resulted in a written warning or occurrence of a reason justifying a termination of employment relationship in accordance with Section 626 of the Civil Code.

9.10 Prohibition of personal hedging strategies

Personal hedging and pledging strategies which may undermine the risk alignment effects of variable remuneration are not permissible.

Staff members receive training and make an annual attestation to desist from such activities. Morgan Stanley monitors compliance by requiring employees to report their private custodial accounts, and additionally applies trading restrictions and approval processes before allowing any transactions involving Morgan Stanley stock.

9.11 Aggregate Quantitative Information on Remuneration

The following table sets out aggregate quantitative information on the compensation of MRTs (21 by natural headcount for 2023) who are employed by, or are seconded to, any entities of the MS France Group that were subject to French Compensation Rules in 2023:

Table 5: Remuneration awarded for the financial year

(All values in €MM)		Row ref.	a+b+c MB Supervisory, Management Function, and Other Senior Management	d Other Identified Staff
Fixed remuneration	Number of identified staff	1	10	11
	Total fixed remuneration	2	3.59	9.07
	Of which: cash-based	3	3.59	9.07
	(Not applicable in the EU)	4		
	Of which: shares or equivalent ownership interests	EU-4a	-	-
	Of which: share-linked instruments or equivalent non-cash instruments	5	-	-
	Of which: other instruments	EU-5x	-	-
	(Not applicable in the EU)	6		
	Of which: other forms	7	-	-
	(Not applicable in the EU)	8		
Variable remuneration	Number of identified staff	9	6	9
	Total variable remuneration	10	3.90	5.15
	Of which: cash-based	11	0.84	1.17
	Of which: deferred	12	-	-
	Of which: shares or equivalent ownership interests	EU-13a	3.06	3.99
	Of which: deferred	EU-14a	2.29	2.82
	Of which: share-linked instruments or equivalent non-cash instruments	EU-13b	-	-
	Of which: deferred	EU-14b	-	-
	Of which: other instruments	EU-14x	-	-
	Of which: deferred	EU-14y	-	-
	Of which: other forms	15	-	-
	Of which: deferred	16	-	-
Total remuneration (2 + 10)		**17**	**7.50**	**14.23**

Table 6: Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

(All values in €MM)	Row ref.	a+b+c MB Supervisory, Management Function, and Other Senior Management	d Other Identified Staff
Guaranteed variable remuneration awards - Number of identified staff	1	-	-
Guaranteed variable remuneration awards -Total amount	2	-	-
Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	3	-	-
Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	4	-	-
Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	5	-	-
Severance payments awarded during the financial year - Number of identified staff	6	-	-
Severance payments awarded during the financial year - Total amount	7	-	-
Of which paid during the financial year	8	-	-
Of which deferred	9	-	-
Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	10	-	-
Of which highest payment that has been awarded to a single person	11	-	-

Table 7: Deferred remuneration

Deferred and retained remuneration		a	b	c	d	e	f	EU-g	EU-h
(All values in €MM)	Row ref.	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
MB Supervisory, Management Function, and Other Senior Management	1+7+13	7.67	2.71	4.95	-	-	(0.19)	2.89	2.20
Cash-based	2+8+14	0.02	0.02	-	-	-	-	0.27	-
Shares or equivalent ownership interests	3+9+15	7.64	2.69	4.95	-	-	(0.19)	2.62	2.20
Share-linked instruments or equivalent non-cash instruments	4+10+16	-	-	-	-	-	-	-	-
Other instruments	5+11+17	-	-	-	-	-	-	-	-
Other forms	6+12+18	-	-	-	-	-	-	-	-
Other identified staff	19	26.02	9.35	16.67	-	-	(0.64)	10.00	8.08
Cash-based	20	0.07	0.06	0.01	-	-	-	0.93	-
Shares or equivalent ownership interests	21	25.95	9.29	16.66	-	-	(0.64)	9.08	8.08
Share-linked instruments or equivalent non-cash instruments	22	-	-	-	-	-	-	-	-
Other instruments	23	-	-	-	-	-	-	-	-
Other forms	24	-	-	-	-	-	-	-	-
Total amount	25	**48.62**	**17.60**	**31.02**	**-**	**-**	**(1.19)**	**18.86**	**15.35**

Table 8: Remuneration of 1 million EUR or more per year

	Row ref.	Identified staff that are high earners
1 000 000 to 1 500 000	1	5
1 500 000 to 2 000 000	2	2
2 000 000 and above	3	3

Table 9: Information of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

(Remuneration values in €MM)	Row ref.	a + b + c Management body remuneration Total MB	d + e + f + g + h + i Business areas Investment Banking and other identified staff	j Total
Total number of identified staff	1			21
Of which: members of the MB	2	6		
Of which: other senior management	3		4	
Of which: other identified staff	4		11	
Total remuneration of identified staff	5	3.80	17.88	
Of which: variable remuneration	6	2.40	6.67	
Of which: fixed remuneration	7	1.50	11.21	

This document represents the annual Compensation Disclosure of MS France, as required under the CRR and IFD.

Population buckets MB Supervisory function (a), MB Management function (b), and Other Senior Management (c), as well as Investment Banking (d), Retail Banking (e), Asset Management (f), Corporate Functions (g), Independent Control Functions (h), and All Other (i), are aggregated respectively for the report given the small population size under each bucket.

10. Appendix I: IFR Article Reference Mapping

IFR Ref	High Level Summary	Compliance Reference
Article 46 Scope		
46 (1)	Investment firms that are not small and non-interconnected investment shall publicly disclose on the same date as they publish their annual financial statements.	MS France will publish post AGM on same date as the financial statements.
46 (2)	Investment firms that are not small and non-interconnected investment which issue Additional Tier 1 instruments shall publicly disclose articles 47, 49 and 50.	Not Applicable
46 (3)	If no longer a small and non-interconnected investment shall publicly disclose the year following the year ceased to meet those conditions.	Not Applicable
46 (4)	Investment firms shall disclose in one medium or location and if similar information disclosed, a reference is required in both media.	MS France will publish the Pillar 3 disclosure on the Morgan Stanley France office location website with the existing Remuneration requirements.
Article 47 Risk management objectives and polices		
47	Investment firms shall disclose their risk management objectives and policies including strategies and processes to manage those risks together with a concise risk statement approved by the firm's management body describing the overall risk profile	Section 4: Risk Management
Article 48 Governance		
48	Disclose information regarding internal governance arrangements:	
48 (a)	The number of directorships held by members of the management body.	Section 6: Governance and the Board of Directors
48 (b)	The policy on diversity with regard to the selection of members of the management body, its objectives, relevant targets, and the extent to which those objectives and targets have been achieved.	
48 (c)	Whether or not the investment firm has set up a separate risk committee and the number of times the risk committee has met annually.	
Article 49 Own funds		
49 (1)	Disclose information on:	
49 (1) a	A full reconciliation of own funds of the investment firm and the balance sheet in the audited financial statements of the investment firm.	Section 7: Capital Resources Table 3: EU IF CC2 – Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements
49 (1) b	The main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the investment firm.	Section 8: Capital Instruments Template Table 4: EU IF CCA: Own funds: main features of own instruments issued by the firm
49 (1) c	The restrictions applied to the calculation of own funds in accordance with this Regulation and the instruments and deductions to which those restrictions apply.	Section 6: Capital Resources Table 2a and 2b: EU IF CC1.01 – Composition of regulatory own funds
49 (2)	EBA shall develop draft implementing technical standards to specify templates for disclosure under points (a), (b) and (c) of paragraph 1.	Refers to defined template formats required for a, b and c.
Article 50 Own funds requirements		
50 (1)	Disclose information on:	
50 (1) a	A summary of the investment firm's approach to assessing the adequacy of its internal capital to support current and future activities.	Section 3: Capital Management
50 (1) b	Upon a request from the competent authority, the result of the investment firm's ICAAP including the composition of the additional own funds based on the supervisory review process.	To be provided on request.
50 (1) c	The K-factor requirements calculated, in aggregate form for RtM, RtF, and RtC, based on the sum of the applicable K-factors.	Section 1: Overview and Key Metrics Table 1: Key Metrics
50 (1) d	The fixed overheads requirement.	Section 1: Overview and Key Metrics Table 1: Key Metrics
Article 51 Remuneration Policy - Section 9. Remuneration		
Article 52 Investment Policy – Section 2. Regulatory Framework		
Article 53 Environmental, social and governance risks		
53	Investment firms which do not meet the criteria referred to in Article 32(4) of Directive (EU) 2019/2034 shall disclose information on environmental, social and governance risks, including physical risks and transition risks, as defined in the report referred to in Article 35 of Directive (EU) 2019/2034.	Section 5: Environmental, Social and Governance Risks

11. Appendix II: Abbreviations

Term	Definition
ACPR	Authority of Prudential Control and Resolution
AT1	Additional Tier 1 Capital
Bn	Billions
CET1	Common Equity Tier 1 Capital
CMDS Committee	Compensation, Management Development and Succession Committee
CRD	Capital Requirements Directive
CRIs	Conduct Risk Incidents
CRR	Capital Requirements Regulation
EBA	European Banking Authority
EMEA CFO	EMEA Chief Finance Officer
EMEA CLO	EMEA Chief Legal Officer
EMEA CRO	EMEA Chief Risk Officer
EMEA HR	EMEA Human Resources Department
EROC	EMEA Remuneration Oversight Committee
ESG	Environmental, Social and Governance
ESRM	Environmental and Social Risk Management
EU	European Union
FCA	Financial Conduct Authority
FED	Federal Reserve System
F&P	Fitness & Propriety
FOR	Fixed Overhead Requirement
FX	Foreign Exchange
GBRF	General Bank Risk Fund
Global CHRO	Global Chief Human Resources Officer
Global CRO	Global Chief Risk Officer
IFD	Investment Firm Directive
IFR	Investment Firms Regulation
ITS	Implementing Technical Standards
K	Thousands
KFR	K-Factor Requirement
Management Boards	MSEHSE Management Boards
MiFID	Markets in Financial Instruments Directive
MM	Millions
MRT	Material Risk Taker
Morgan Stanley Group	Morgan Stanley, its subsidiaries and affiliates
MS France	Morgan Stanley France S.A.
MS France Group	MS France together with MSFH1 and MSFH2
MSBAG	Morgan Stanley Bank AG
MSEHSE	Morgan Stanley Europe Holding SE
MSEHSE CEO	MSEHSE Group Chief Executive Officer
MSEHSE CFO	MSEHSE Group Chief Finance Officer
MSEHSE COO	MSEHSE Group Chief Operations Officer
MSEHSE CRO	MSEHSE Group Chief Risk Officer
MSEHSE Group	Morgan Stanley Europe Holding SE Group
MSEHSE RemCo	MSEHSE Group Remuneration Committees
MSESE	Morgan Stanley Europe SE
MSF Board	MS France Board of Directors
MSFH1	Morgan Stanley France Holdings I S.A.S.
MSFH2	Morgan Stanley France Holdings II S.A.S.
MSF RemCo	The MS France Remuneration Committee
MSI	Morgan Stanley International Limited
MSI Group	Morgan Stanley International Group
MSI RemCo	MSI Group Remuneration Committee
Non-SNI	Non small and non-interconnected
PMC	Permanent Minimum Capital Requirement
PRA	Prudential Regulation Authority
RAS	Risk Appetite Statement
RBA	Role Based Allowance
RtC	Risk to Client
RtF	Risk to Firm
RtM	Risk to Market
RTS	Regulatory Technical Standards
SNI	Small and non-interconnected
T2	Tier 2 Capital
UK	United Kingdom
US	United States