

Morgan Stanley Report on the CARE Employee Dispute Resolution Program

Morgan Stanley undertook a review of the arbitration feature of its internal dispute resolution program for US based employees, the CARE Program, in response to a shareholder request for Morgan Stanley to report on its use of arbitration for employee claims related to harassment or discrimination. Morgan Stanley agreed to evaluate the impact of its current use of arbitration on the prevalence of harassment and discrimination in its workplace and on employees' ability to seek redress. Morgan Stanley also agreed to evaluate whether the CARE Program: (1) prevents investors from understanding the effectiveness of its human capital management program; and (2) fit(s) into the company's goals and organizational values.

Independent Review Process

Morgan Stanley retained Kerrie R. Heslin and Ryan S. Carlson from the law firm Nukk-Freeman & Cerra, P.C. ("NFC") and Victoria Lipnic from Resolution Economics, LLC to conduct a confidential review of Morgan Stanley's CARE Program under the attorney-client and other applicable privileges. NFC is a 100% women-owned employment law firm that has represented Morgan Stanley from time to time and is an active member of the National Association of Minority and Women Owned Law Firms (NAMWOLF). The lawyers primarily responsible for the report both have significant employment law experience.

Victoria Lipnic is an employment attorney with nearly 30 years of government and private practice experience who currently leads the Human Capital Strategy Group at Resolution Economics. Prior to joining Resolution Economics, Ms. Lipnic served as Commissioner (from 2010 to 2020) and as the Acting Chair (from 2017 to 2019) of the Equal Employment Opportunity

Commission (“EEOC”). She was appointed to the EEOC by President Barack Obama and unanimously confirmed by the U.S. Senate. In her roles at the EEOC, Ms. Lipnic was responsible for, among other things, development and approval of EEOC policies, issuing discrimination and harassment charges, and filing lawsuits to enforce federal employment discrimination and harassment laws. Ms. Lipnic also previously served as Assistant Secretary of Labor for Employment Standards at the U.S. Department of Labor from 2002 – January 2009, where her responsibilities included enforcement of the federal wage and hour laws and Executive Order 11246, which requires equal employment opportunity and affirmative action planning by federal contractors.

Over the course of five months, the independent reviewers evaluated the details and outcomes of internal and external claims over an approximately 9 year period brought by current and former employees that related to harassment or discrimination made through Morgan Stanley’s Integrity Hotline, Human Resources, other reporting channels, the CARE Program, pre-litigation demand letters, federal and state administrative agencies, and federal and state courts. The independent reviewers also analyzed Morgan Stanley’s policies, protocols, training, and processes for preventing and remediating harassment and discrimination. They also interviewed the CARE Program Administrator and the Head of Internal Investigations.

Morgan Stanley’s Policies and Procedures for Addressing Discrimination

Morgan Stanley is committed to creating a culture where every employee feels a sense of belonging and is valued for their unique worldview, experiences, and thought processes. Morgan Stanley maintains robust policies designed to prevent, address, and remediate workplace complaints of harassment and discrimination, including its Code of Conduct and Non-

Discrimination and Anti-Harassment policies. Employees have been, and continue to be, urged to escalate potential discrimination or harassment concerns.

Employees have multiple internal and external channels through which they may report violations of the Code of Conduct or concerns of discrimination or harassment. For instance, employees can report concerns of discrimination or harassment to their supervisor, a member of the Legal and Compliance Division, or a Human Resources representative. Employees can also separately report any concerns to Morgan Stanley's Integrity Hotline anonymously. These mechanisms are not impacted or limited in any way by the arbitration feature of the CARE Program.

The CARE Program

The CARE Program exists within a robust framework for the prevention and resolution of disputes. Arbitration is only one component of Morgan Stanley's CARE Program. The Program also provides employees with the opportunity to raise concerns for redress through: (1) the Open Door Policy (pursuant to which employees have multiple avenues to raise a concern for resolution, in addition to contacting their manager) and (2) mediation. These alternatives to litigation are a way for employees to quickly, fairly, and amicably resolve workplace concerns. Morgan Stanley pays 100% of the costs and fees associated with mediation so that the mediation process is at no cost to the employees, except for their counsel fees (if they elect to have representation).

In 2015, Morgan Stanley announced an expansion of the CARE Program to add a pre-dispute arbitration agreement for all covered claims. Employees were given the choice whether to opt-out of arbitration and, while most employees decided to participate, significant numbers of employees exercised the choice to opt-out. New hires are similarly given an option to opt-out.

Arbitration under the CARE Program is fair and efficient: employees have the same amount of time to bring their claims and they are entitled to the same legal remedies that they would have been entitled to under the applicable laws governing their claims had they filed in court. Morgan Stanley covers the cost of all arbitration filing and administrative fees with the exception of an employee filing fee up to what they would have paid had they filed in court. The parties also jointly select a neutral arbitrator who will hear the claims. The arbitrator applies the federal or state law that would have governed had the claims been filed in court. The parties can also serve written discovery, take depositions, and file discovery motions. Nothing in the CARE Program prohibits employees (including those who do not opt-out) from filing a charge with the EEOC or any other federal, state, or local administrative agency. Confidentiality with regard to the claim is likewise not required even for those employees who elect to participate in arbitration. Further, while Morgan Stanley has long made clear that it will not compel arbitration of claims that cannot be compelled to arbitration under applicable law, it recently clarified that this extends to arbitration of sexual harassment or assault claims covered by the Federal Ending Forced Arbitration of Sexual Assault and Sexual Harassment Act of 2022 and expressly carved out such claims from the arbitration feature for new employees.

No Impact on Prevalence of Discrimination or Harassment Claims

The CARE Program is operating as the Program was intended. The arbitration feature under the CARE Program has not resulted in an increase in the prevalence of employee discrimination or harassment in the workplace. There is no meaningful increase in harassment or discrimination claims – in some years the number of claims increased, whereas in some years it decreased. Overall, the trend at Morgan Stanley is consistent with Morgan Stanley’s employee

headcount and the external trend for harassment and discrimination charges filed with the EEOC generally. Data reviewed does not indicate that claims were in any way suppressed as a result of the expansion of the CARE Program.

No Impact on Employee's Ability to Seek Redress for Discrimination or Harassment

The arbitration feature of the CARE Program affords numerous benefits to employees. As an initial matter, employees had a meaningful choice about whether to even participate in arbitration under the CARE Program. The CARE Program provided an opt-out mechanism and Morgan Stanley made clear that choosing to opt out would not adversely impact employment. Indeed, significant numbers of employees exercised their choice not to participate.

For employees who decided to remain in the CARE Program, the process provides significant benefits to both Morgan Stanley and its employees. For example, the data supports the fact that arbitration is generally quicker, less expensive, more flexible, and provides employees with some control over who will adjudicate their claims. Under CARE, more employees had their claims heard on the merits in arbitration than in court, and the resolution of employees' claims took less time than in court. There is also no indication that arbitration impairs or limits employees' ability to receive a fair and unbiased proceeding. For example, arbitration under the CARE Program does not limit the available remedies in any way, and employees are entitled to written awards from arbitrators who are experienced in their field. Arbitration also provides employees with more of an opportunity to be heard, especially for sensitive claims where employees may not want the information relating to their performance, disability, mental health, or family/personal medical conditions to be part of a permanent public court record.

Arbitrating workplace disputes is not unique to Morgan Stanley. Employees who are registered with securities broker-dealers have long been, and continue to be, required to arbitrate most workplace disputes in FINRA's arbitration forum. Congress and the Supreme Court have also approved of and encouraged the use of arbitration as a fair and equitable means of resolving employee disputes, including in the employment discrimination context.

Morgan Stanley's CARE Program Does Not Prevent Investors From Understanding the Effectiveness of the Human Capital Management Program

The arbitration feature of the CARE Program does not discourage claims of discrimination or harassment, and there is no evidence that Morgan Stanley is using the program to cover up discrimination, to protect discriminators, or to encourage recidivism. Unlike other employers, Morgan Stanley has allowed employees to opt-out of their arbitration program. Employees who elect to opt-out of arbitration can continue to bring their claims in court. Importantly, unlike other companies' programs, confidentiality with regard to the claim is not required even for those employees who elect to participate in arbitration. To the contrary, the CARE Program does not require confidentiality and does not prevent employees from speaking about their experiences or sharing their concerns with other employees or government agencies. All employees can also still file charges of discrimination or harassment with government agencies.

The CARE Program Aligns With Morgan Stanley's Organizational Goals and Values

Employment disputes will invariably occur, but the CARE Program is one of many mechanisms available to address and remediate disputes of discrimination and harassment. Pre-litigation mediation under the CARE Program promotes early and amicable resolution of employee disputes without costly litigation, and arbitration provides a dispute resolution forum that is fair

and efficient. These benefits are not only aligned with Morgan Stanley's core values of diversity, inclusion, and doing the right thing, but also with shareholders' and business goals of reducing adversarial litigation and outside counsel expense.

Next Steps

Based on the review, it is recommended that Morgan Stanley consider adopting the following measures to promote further transparency and accountability: (1) quarterly reporting to the Board of Directors on discrimination and harassment claims made against Managing Directors or more senior Morgan Stanley employees; (2) periodic assessment – within a reasonable time after Morgan Stanley implements any material changes – of the arbitration feature of the CARE Program to evaluate the impact of any such changes on the prevalence of discrimination and harassment claims; and (3) consistent with JAMS' Diversity and Inclusion Arbitration Clause, Morgan Stanley should encourage JAMS to present a diverse slate of potential arbitrators for its consideration and promote the fair representation of diverse arbitrators.

Following a review of these recommendations, Morgan Stanley has agreed to implement them.