



Morgan Stanley: Positioning to Be the Sustainability Finance Leader

Introduction

It had been five years since the worst of the financial crisis, and Morgan Stanley had just begun formulating new strategies to get the firm back on its feet and regain the confidence of the marketplace. James Gorman, Morgan Stanley CEO and chairman, contemplated how the company could re-earn the trust of stakeholders. As the saying goes, the best time to fix a house is after a fire. The financial crisis had been that fire, and now Gorman was in a position to make the radical changes that could not be made during business-as-usual times. He wondered what the next steps would be.

After countless meetings with department heads and managing directors, Gorman had laid the groundwork for a bold new initiative. In November 2013 he announced the firm was creating an Institute for Sustainable Investing, for which Morgan Stanley would provide the initial \$1 billion of investment capital in hopes of raising 10 times that amount. Gorman indicated it was not philanthropy, just good business for Morgan Stanley. Clients had demanded the fund to assist them in finding investment opportunities that offered a significant risk-adjusted return while furthering the social and environmental sustainability movement. Investors wanted a strong return on capital without compromising their conscience, and they thought Morgan Stanley had the talent and tools to make it happen. These investors understood the constraints on global resources and demanded investment opportunities that would secure sources of food, energy, water, and shelter for the prosperity of generations to come.

Unthinkable years before, Gorman pledged the capital to back the endeavor. This may not have come as a major surprise to insiders at Morgan Stanley or within the industry, however, because Gorman had always been an agent of change during his relatively short career in the finance industry.

Background

Financial Sector: History, Leaders, and the Emergence of Sustainable Investing

Across the world, the economic landscape is shaped heavily by its reliance on the financial sector, within which Morgan Stanley is a global leader. The sector's primary function is to facilitate access to capital throughout the economy to businesses, governments, and individuals. Of course, the industry is highly

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