MIFIDPRU Remuneration Disclosure

Eaton Vance Management International Limited Regulatory Remuneration Disclosure

Eaton Vance Management International Limited | As at 31 December 2022

This Remuneration Disclosure (the "Disclosure") sets out the principles relating to compensation within Eaton Vance Management International Limited ("EVMI"). Some of the policies, practices and procedures outlined in the Disclosure apply globally to Morgan Stanley, its subsidiaries and affiliates ("Morgan Stanley Group").

The Disclosure is pursuant to the Prudential Sourcebook for MiFID Investment Firms ("MIFIDPRU") of the Financial Conduct Authority ("FCA") handbook of rules and guidance ("the FCA Handbook"), the Investment Firms Prudential Regime ("IFPR"), the Remuneration Code set out in the FCA's Senior Management Arrangements, Systems and Controls (SYSC) at SYSC 19G and any associated regulations and guidance (together the "IFPR Remuneration Rules").

EVMI is a non-interconnected investment firm, and accordingly is considered as a "non-SNI MIFIDPRU investment firm" for the application of the IFPR Remuneration Rules.

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1. Morgan Stanley Compensation Objectives and Strategy

EVMI is committed to a responsible and appropriate remuneration structure that is designed to align performance and conduct of employees to Morgan Stanley Group's strategy and the interests of shareholders. The objective is that the structures are motivating, competitive, reflect current best practices in corporate governance and comply with applicable regulations, whilst also ensuring that incentives are not designed to encourage any excessive risk-taking activity.

EVMI's compensation processes are aligned with the 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. The alignment is a key element considered as part of the performance measurement process.

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 compensation programs, including for all EVMI employees, with a view to balancing the following key objectives, all of which support Morgan Stanley Group's culture and values and shareholders' interests:

- **Deliver Pay for Sustainable Performance**
  - Variable annual incentives 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 incentive compensation 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**
  - Compensation 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 compensation 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
    Incentive awards include vesting and cancellation provisions that retain employees and protect Morgan Stanley Group's interests

2. Compensation Governance

The EMEA Remuneration Oversight Committee ("EROC")

The EROC provides formal oversight of EMEA compensation matters to ensure compensation practices in EMEA are compliant with relevant EU and UK legislation. The EROC is comprised 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 2022.

The EVMI Board

The EVMI Ltd Board ("EVMI Board") reviews and approves recommendations on the design and implementation of the compensation policies and practices applicable to employees of EVMI. The EVMI Board approves the EVMI Remuneration Policy, which ensures compliance across the regulatory requirements applicable to EVMI. The EVMI Remuneration Policy is applicable to all business lines as well as all employees seconded to EVMI.

The EVMI Board reviews the applicable compensation policies on an annual basis as well as overseeing compliance by EVMI with applicable IFPR remuneration rules. As a part of its remit, the EVMI Board reviews and approves:

- The adequacy of EVMI remuneration policies and practices against the applicable local regulations and requirements; and
- The Material risk taker identification framework for EVMI
- EVMI annex to EMEA MRT Cancellation and Clawback Policy

On December 31, 2022, the EVMI Board was comprised of two executive members: Ruairi O'Healai, and Richard Lockwood, While Jenn Klempa (until 2 September 2022), Tjalling Halbertsma (until 5 August 2022), and Jackie Mills (until 20 June 2022) resigned from their post during the course of 2022.

EVMI has an overlay of global compensation governance from Morgan Stanley. Summaries of the composition and mandates of the relevant committees are provided below.

The CMDS Committee

On December 31, 2022, the CMDS Committee was comprised 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 2022, the CMDS Committee held eight meetings. The CMDS Committee operates under a written charter adopted by the Board, which is available on Morgan Stanley's website at http://www.morganstanley.com/about-us-governance/comchart.html.

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

Role of relevant external consultants and other stakeholders

The EVMI Board and the CMDS Committee have the power to appoint independent remuneration consultants, legal counsel, 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 the Morgan Stanley Group's incentive compensation arrangements to help ensure that such arrangements do not encourage excessive risk-taking, and 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 incentive compensation arrangements. The Global CRO reported to the CMDS Committee their conclusion that Morgan Stanley Group's current compensation programs for 2022 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 material adverse effect on Morgan Stanley Group.

The day-to-day compliance with EVMI's obligations under the IFPR Remuneration Rules is delegated to the EMEA Human Resources Department ("EMEA HR") in relation to compensation. EMEA HR regularly reviews Morgan Stanley Group's regulatory obligations with respect to remuneration in each of the jurisdictions in which it operates and ensures that appropriate variations in policy relating to compensation structures approved by the CMDS Committee are fully compliant with local laws and regulations.

3. Identification of Risk Takers

EVMI has established a formal identification framework to identify employees whose professional activities have a material impact on the Group's risk profile. The EVMI Material Risk Taker ("MRT") identification framework complies with the criteria set out in FCA SYSC 19G.5.3-5.5. The identification framework is reviewed on an annual basis in line with the IFPR Remuneration Rules and the outcome of the review is subject to the approval by the EROC (which includes the EMEA Chief Risk Officer) and EVMI Board.

As of December 31, 2022, EVMI on and off-balance sheet assets do not exceed the proportionality threshold as defined in SYSC 19G.1.1 (2) and as such EVMI MRTs are not subject to all the remuneration rules as per SYSC 19G.1.1 (4).

4. Link between Pay and Performance

In conjunction with the Global Compensation Policy, the EVMI Remuneration Policy also set forth certain standards regarding the remuneration parameters applied within EVMI.

Incentivising right behaviours

The following key features of the EVMI compensation arrangements ensure that the EVMI does not incentivise employees to take unnecessary or excessive risk, and provide a link between an employee's compensation and the long-term interests of EVMI:

- a balance of fixed and variable compensation;
- a balance between short-term and long-term incentives;
- mandatory deferrals into both equity-based and cash-based incentive programmes;
- risk-mitigating features of awards such as cancellation/malus and clawback provisions; and
- governance procedures followed in making compensation decisions.

Delivering all or a portion of deferred incentive compensation in the form of equity or fund-based instruments links variable compensation to Morgan Stanley or the individual fund performance. Risk outcomes that result in a negative impact to Morgan Stanley or the relevant funds reduce the value of the deferred award, and employees are subject to this decline in value through the deferral period.

Morgan Stanley Group constantly reviews its policies and practices, and is working towards further enhancing the linkage between positive risk behaviours and remuneration outcomes.

Consideration of Capital and Liquidity Resources in the Bonus Pool Determination

Morgan Stanley Group has a 'pay for performance' philosophy, which is reflected throughout the four key objectives of its compensation programs (see section 1) and applies across all lines of business.

The final year-end bonus pool determination is subject to a multi-dimensional process that considers Company, business unit and individual performance, taking into account financial as well as non-financial performance metrics, and includes ex-ante adjustments where appropriate to take account of the potential for future unexpected losses. The metrics include but is not limited to profit before tax, client revenues, efficiency ratio, firm culture, and diversity.

5. 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's compliance, risk management, controls and standards, and other policies including the Code of Conduct".

6. Individual Compensation Determination Process

Morgan Stanley Group has a Global Incentive Compensation Discretion Policy that lays out standards for managers on the use of discretion when making annual compensation 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. Employees are eligible to receive variable remuneration where they are (i) permanent employee excluding certain exempt categories; (ii) new hires joining the firm within the current performance period and (iii) other new hires, subject to approval.

In determining the amount of discretionary incentive compensation to award an eligible employee, a compensation manager must consider only those factors that are legitimate, business-related and consistent with Morgan Stanley Group '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 compensation 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 compensation decisions;
- Performance feedback elicited through Morgan Stanley Group 's 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 incentive compensation; and
- Market and competitive conditions.

The allocation of variable compensation to employees of EVMI is a discretionary process and informed by the performance evaluation process outlined above. Morgan Stanley Group 's 'pay for performance' philosophy means that where a variable compensation award is not appropriate, none is paid; every year a portion of the eligible 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 compensation decisions for employees working in those functions are determined by Control Function management and is 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 benchmarked appropriately within the market, and that EVMI can attract and retain experienced personnel.

Pay Equity

Morgan Stanley's compensation program, and its related policies and practices, reflect and promote the objective of ensuring all employees, including women and ethnically diverse employees, are rewarded equitably. A system of checks and balances is in place within Morgan Stanley Group 's processes to support fair and equitable pay, including regular in-depth analysis of employee compensation in consultation with external experts. Morgan Stanley Group 's 2022 global review of pay equity did not identify any areas of concerns within EVMI.

7. Compensation Structure

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

- Fixed compensation consisting of base salary and, for certain employees, a Role Based Allowance ("RBA") which are determined based on an individual roles and responsibilities and are paid monthly in cash via the payroll; and
- Variable compensation that is based on a number of factors, including but not limited to Company, business unit, and individual performance.
- Subject to local law, variable compensation is subject to cancellation and clawback

As EVMI is subject to exemption from applying remuneration rules due to proportionality and it is not required to apply pay out rules to its MRTs. However, Employees who reach a certain compensation eligibility threshold still receive a portion of their variable compensation in the form of deferred incentive compensation awards

Guaranteed variable compensation is only paid in exceptional circumstances in the context of hiring new staff and is limited to the first year of service. The awarding of guaranteed variable compensation is 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 Morgan Stanley Group Chief Human Resources Officer (CHRO).

Termination payments made to employees on leaving EVMI are reviewed to ensure that they are linked to performance over time and do not reward negative performance contributions or misconduct, in line with the requirements of the IFPR Remuneration Rules and the EBA Guidelines on Sound Remuneration Policies.

Ratios between fixed and variable compensation

The Company's policy on the ratio between fixed and variable compensation is to allow for flexibility, whilst recognising the need to ensure that compensation is appropriately balanced between the fixed and variable elements. An appropriate ratio of fixed compensation to variable compensation was applied to all MRT employees according to the FCA's IFPRU Remuneration Code 19A.3.44A.

Deferred Compensation

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

Each year, the CMDS Committee reviews the variable compensation pool as well as the design and structure of the annual compensation program, including eligibility, the form of deferred incentive awards, deferral formulae, vesting and timing of payments and cancellation/clawback provisions.

The form of deferred incentive compensation awards (i.e., equity, fund-based, 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 MRTs, ensuring compliance with applicable remuneration rules including the IFPR Remuneration Rules.

Delivering all or a portion of deferred incentive compensation in the form of fund-based instruments or equity links variable compensation to fund or Morgan Stanley Group's performance through fund or Morgan Stanley Group's stock price performance. Risk outcomes that result in a negative impact to the fund or the Morgan Stanley Group's Stock price reduce the value of the deferred award, 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 compensation decisions for 2022 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.

8. Risk Adjustment

EVMI continually monitors the effectiveness of its compensation 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 incentive compensation 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 compensation, as well as downward adjustments to current year compensation. All variable compensation for MRTs has provisions that allow for clawback of any awards or compensation paid or delivered. Cancellations and clawbacks of previously awarded compensation are reviewed with the Employee Discipline Oversight Committee (a committee of senior management currently composed of Morgan Stanley Group 's Chief Operating Officer, Chief Legal Officer, Global CRO, Global CHRO, Chief Audit Officer, and Chief Compliance Officer) 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 compensation and/or to apply cancellation and/or clawback, with reference to specific criteria that are contained in governing incentive compensation award documents and applicable policies.

In addition to the above governance processes, conduct driven adjustments to current year variable compensation proposed by managers as part of the compensation decision-making process are reviewed by an EMEA panel composed of senior representatives from the Legal, Compliance, and HR functions. This ensures that both the business and the relevant independent functions are included in the review, and that compensation adjustments made are consistent across EMEA region. Compensation adjustments are also reviewed globally, to ensure consistent application.

In 2020, the EMEA Conduct and Culture Committee was set-up to monitor culture and conduct risk trends and determine appropriate culture and conduct remediation actions (such as targeted culture training). This committee is co-chaired by the EMEA CEO and the EMEA Head of Compliance, and members include the EMEA Business Units Heads, the EMEA CRO, the EMEA CFO, EMEA Head of HR and EMEA Head of Internal Audit.

In addition to the above, Morgan Stanley Group maintains an EMEA-wide Cancellation and Clawback policy which is applicable to all MRTs and includes an EVMI specific annex applicable to EVMI MRTs. Circumstances which trigger the application of this policy for EVMI include but are not limited to:

- Where there is significant downturn in the financial performance within the Investment Management business segment at Morgan Stanley
- Significant failure of risk management within the Investment Management business segment at Morgan Stanley
- MRT has participated in or been responsible for conduct which resulted in significant losses, and/or failed to meet appropriate standards of fitness and propriety; and
- MRT has on reasonable evidence been found to have committed an act of fraud or other conduct with intent or severe negligence

Due consideration is also given to a MRT's proximity to the failure of risk management in question and that individual MRT's level of responsibility. Any cash bonus is subject to repayment, recovery and recapture pursuant to the Company's EMEA Material Risk Taker Cancellation and Clawback Policy, as amended from time to time, and any applicable clawback, repayment, recapture or recovery requirements imposed under applicable laws, rules and regulations.

9. Aggregate quantitative information on remuneration

The following tables sets out aggregate quantitative information on compensation of individuals who were employed by EVMI in 2022, among which 7 are material risk takers:

Remuneration awarded for the financial year

(GBP)	Row reference	**Senior Management and Other Material Risk Takers** a + b	**Other Staff** c
Number of identified staff	3	7	21
Fixed remuneration	4b	1,980,822	1,583,747
Variable remuneration	4c	1,954,720	520,470
Total remuneration	4a	**3,935,542**	**2,104,217**

Deferred remuneration (material risk takers)

(GBP)	Row reference	Senior Management and Other Material Risk Takers a + b
Total amount of deferred remuneration awarded for previous performance periods	6b	5,617,007
Of which due to vest in the financial year	6b	263,493
Of which vesting in subsequent financial years	6b	5,353,514
Amount of deferred remuneration due to vest in the financial year which is or will be paid out but have been withheld as a result of performance adjustment;	6c	-
Amount of deferred remuneration due to vest in the financial year which were due to vest but have been withheld as a result of performance adjustment;	6c	-

Exemption provision to material risk takers

(GBP)	Row reference	Material Risk Takers [2] a
Total number of material risk takers who benefit from an exemption [1]	6dii	4
Total remuneration of those material risk takers who benefit from an exemption	6diii	870,051.3
Of which fixed remuneration	6diii	685,051.3
Of which variable remuneration	6diii	185,000.0

[1] The firm uses the exemption in SYSC 19G.5.9R(2) with the below provisions not applying in relation to a material risk taker where the individual's annual variable remuneration (i) does not exceed £167,000; and (ii) does not represent more than one-third of the individual's total annual remuneration:
(a) SYSC 19G.6.19R to SYSC 19G.6.21G (Shares, instruments and alternative arrangements);
(b) SYSC 19G.6.22R and SYSC 19G.6.23G (Retention policy); and
(c) SYSC 19G.6.24R to SYSC 19G.6.29R (Deferral).
[2] There was only one Senior Management MRT benefited from the exemption provisions in 2022 and according to MIFIDPRU 8.6.8 (7), information for senior management and other material risk takers are aggregated for the disclosure on 6d(ii-iii).

EVMI did not make any special payments, including guaranteed variable remuneration awards and severance payments, to MRT employees in 2022.