Eaton Vance Management (International) Limited

Investment Firm Prudential Regime Disclosure Report

As at 31 December 2023

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1. Overview and Key Metrics

The principal activity of Eaton Vance Management (International) Limited (“EVMI”) is the provision of Investment Management ("IM") services to clients.

EVMI is an investment firm authorised under the United Kingdom ("UK") Markets in Financial Instruments Directive (“MiFID”) to provide a range of services and activities to investors in financial markets. EVMI is authorised and regulated in the UK by the Financial Conduct Authority (“FCA”).

EVMI’s disclosure as at 31 December 2023 has been prepared on a standalone basis. The disclosures fulfil EVMI’s regulatory obligation to disclose to market participants key pieces of information on its risk management objectives and policies, own funds, own funds requirements and remuneration policies.

The information presented below is reflective of the facts and circumstances that existed as at 31 December 2023.

Table 1: Key Metrics

EVMI	31 December 2023 (GBP thousands)	31 December 2022 (GBP thousands)
Common Equity Tier 1 Capital (“CET1”)	10,487	12,914
Additional Tier 1 Capital(“AT1”)	-	-
Tier 1 Capital	**10,487**	**12,914**
Tier 2 ("T2") Capital	**-**	**-**
Total Own Funds	**10,487**	**12,914**
Permanent Minimum Capital Requirement	75	75
Fixed Overheads Requirement	1,485	2,211
Total K-Factor Requirement	126	232
Assets for which the firm is responsible (K-AUM, K-CMH & K-ASA)	83	117
Execution activity undertaken by the firm (K-COH & K-DTF)	-	-
Exposure-based risks (K-NPR, K-CMG, K-TCD & K-CON)	43	115
Own Funds Requirement	**1,485**	**2,211**

Over the year, Total Own Funds have decreased primarily due to a dividend paid, partially offset by 2022 full year profits. Fixed Overheads Requirement ("FOR") for 2023 is based on 2022 audited financial statements. Decrease in Total K-Factor requirement ("KFR") is primarily due a reduction in standardised Market Risk Provisions ("NPR") and lower Assets Under Management ("AUM").

The Own Funds Requirement is equal to the higher of: a) Permanent Minimum Capital Requirement ("PMC"), b) FOR or c) KFR.

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

The FOR is intended to calculate the minimum amount of capital that an entity will need available to absorb losses if it must wind-down to exit the market. EVMI may need to consider in more detail the amount needed to wind-down as part of the Internal Capital Adequacy and Risk Assessment ("ICARA") process.

The FOR is equal to one quarter of an entities relevant expenditure in the previous year. The figures used will be those in its most recent audited annual financial statements. If there is a material increase in EVMI's projected relevant expenditure, the FOR must be calculated based upon this and the firm must consider the impact of the change on its ICARA process and conclusions.

The KFR is the amount of own funds required to cover the risk of harm from the ongoing operation of the firm’s business falling within the following risk categories:

- Assets for which the firm is responsible captures the value of assets an investment firm manages for its clients (“K-AUM”), amount of client money it holds (“K-CMH”) and the value of assets it safeguards and administers for clients (“K-ASA”).
- Execution activity undertaken by the firm captures the value of orders that an investment firm handles for clients (“K-COH”) and the daily value of transactions it enters through dealing on own account or the execution of orders on behalf of clients (“K-DTF”).

- Exposure-based risks captures standardised market risk provisions (“K-NPR”), margin required by a clearing member or qualifying central counterparty (“K-CMG”), trading activity giving rise to risk of trading counterparty default (“K-TCD”) and concentration risk to a client or group of connected clients in the trading book (“K-CON”).

The KFR provides for risk sensitive capital requirements based on the activities of the firm. The relevant K-Factors for EVMI’s activities are K-AUM and K-NPR.

Morgan Stanley Group

EVMI’s immediate parent is Morgan Stanley International Holdings LLC. The 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.

EVMI is a wholly owned subsidiary 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.

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

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.

War and increased tensions in the Middle East

EVMI is monitoring the war and increased tensions in the Middle East and its impact on the regional economy, as well as on other world economies and the financial markets.

2. Regulatory Frameworks

The Investment Firm Prudential Regime ("IFPR"), sets out a regulatory framework applicable to UK investment firms authorised under UK MiFID. The IFPR aims to provide a proportionate and streamlined regulatory framework for non-systemic investment firms prudentially regulated in the UK.

Under the IFPR Framework, investment firms are split into three categories:

1. Designated Investment firms - firms designated by the Prudential Regulation Authority ("PRA") under Article 3 of the PRA-regulated Activities Order, which remain subject to a Basel based capital regime.
2. Non small and non-interconnected ("Non-SNI") firms - firms that are not designated investment firms and do not meet the definition of a small and non-interconnected ("SNI") investment firm, which are subject to full IFPR requirements.
3. SNI firms - firms which meet all the required SNI thresholds and conditions set out by the FCA, which are subject to reduced IFPR requirements.

EVMI is a Non-SNI investment firm and is subject to full IFPR requirements implemented by the FCA via the Prudential Sourcebook for MiFID Investment Firms ("MIFIDPRU").

The IFPR 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 Non-SNI firms, a public disclosures requirement.

EVMI has policies and procedures in place to assess the appropriateness of its disclosures. EVMI's disclosures are not required to be, and have not been, audited. The disclosures have been prepared as at 31 December 2023 on the basis of the IFPR and related legislation requirements.

EVMI does not hold, directly or indirectly, any voting rights in any company and as such no IFPR investment policy disclosures are relevant.

3. Capital Management

EVMI views capital as an important source of financial strength. It manages and monitors this capital in line with established policies and procedures, and in compliance with local regulatory requirements.

EVMI manages its capital position based upon, among other things, business opportunities, risks, capital availability and rate of return, internal policies and frameworks, 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 EVMI are aligned to other regulated UK group entities within the Morgan Stanley Group and include a point in time risk capital assessment, forward looking capital projections and stress testing. These components, along with EVMI’s core internal risk management processes, collectively form EVMI’s ICARA process. EVMI must review the adequacy of its ICARA process at least annually to meet its obligations under the FCA Handbook.

The ICARA is a key tool to ensure that EVMI has appropriate systems and controls in place to identify, monitor, and, if proportionate, reduce all material potential harms:

a) that the ongoing operation of the business may cause to: clients and counterparties, the markets in which the firm operates, and the firm itself; and

b) that may result from winding down the business, to ensure that EVMI can be wound down in an orderly manner.

The ICARA therefore enables EVMI to remain financially viable throughout the economic cycle (with the ability to address any potential material harms that may result from its ongoing activities), whilst also ensuring EVMI has adequate resources to support an orderly wind down of its business activities (if so required), by minimising impact on consumers and the wider market.

If required, the FCA may provide individual guidance to EVMI about the amount of own funds that the FCA considers necessary to comply with the overall financial adequacy rule. Alternatively, the FCA may apply a requirement to the firm that specifies an amount of own funds that the firm must hold for that purpose.

In order to maintain or adjust its capital structure, EVMI may pay dividends, return capital to its shareholders or issue new shares.

4. Risk Management

Risk is an inherent part of EVMI's business activity. EVMI seeks to identify, assess, monitor and manage each of the various types of risk involved in its business activities, in accordance with defined policies and procedures.

EVMI is an agency business that manages money on behalf of its clients and has a fiduciary responsibility to those clients. EVMI has developed its own risk management policy framework, which leverages the risk management policies and procedures of the Morgan Stanley Group where appropriate. The risk management policy framework includes escalation to EVMI's Board and to appropriate senior management of EVMI.

Given independence of the reporting lines, the risk management function is appropriately separated from the operating units, including the portfolio management function.

4.1 Risk Management Framework

The EVMI Risk Management Framework is embedded and operating appropriately. EVMI's Risk Management practices have been enhanced to be in line with Morgan Stanley Group's practices.

Risk taking is an inherent part of EVMI's business activities and effective risk management is vital to the success of the entity. The Morgan Stanley Group has established a Risk Management Framework which encompasses the risk management culture, risk governance, approach and practices that support risk identification, measurement, monitoring, escalation, and decision-making processes. This chapter covers the core components of the Framework.

Three Lines of Defence Framework

EVMI operates a "Three Lines of Defence" framework to create a clear delineation of responsibilities between risk owners and independent risk control functions with a view to addressing potential conflicts of interest. The functions responsible for carrying out the activities across the Three Lines of Defence are summarised below.

- **First Line of Defence:** The Business Unit is responsible for managing its strategy and business activities in accordance with EVMI's Risk Appetite and Risk Management Framework. Support functions are independent of the Business Units and support strategy execution of Morgan Stanley Group's revenue-generating activities.
- **Second Line of Defence:** Independent Risk Management and Control Functions identify, measure, monitor and control risks. Independent Risk Management and Control Functions include, for example, functions performed by the Europe, Middle East and Africa ("EMEA") Risk Division, EMEA Compliance Department (including Financial Crimes), EMEA Operational Risk Department and Product Control (part of Finance Division).
    - EMEA Risk Division: The EMEA Chief Risk Officer ("CRO") leads, manages and oversees the EMEA Risk Division. The EMEA Risk Division is responsible for the independent identification, analysis, monitoring, reporting, challenge and escalation of all market, credit and liquidity risk exposures arising from EVMI's and EMEA business activities. The EMEA CRO has overall responsibility for the Enterprise Risk Management Framework applicable to the EVMI which includes development of Risk Appetite, oversight of relevant risks reflected in the Risk Appetite Statement ("RAS") and monitoring and reporting of risks in line with agreed appetite. The EMEA CRO is assisted by governance across first and second line functions to discharge this responsibility.
    - EMEA Second-Line Non-Financial Risk Organisation: The Compliance Department, the Global Financial Crimes Department and the Operational Risk Department are combined into a single Non-Financial Risk Organisation to provide comprehensive and consistent coverage of non-financial risk. EMEA Second-Line Non-Financial Risk provides independent oversight and challenge of Non-Financial Risk Management and is responsible for identifying, measuring and monitoring non-financial risks.
    - Other Independent Risk Management and Control Functions: Finance Control and Assurance Functions determine whether the conceptual framework, governance, measurement and monitoring systems and controls are appropriate for the entity's size, complexity and business activities. The primary EMEA Finance Control and Assurance Functions include EMEA Product Control and the EMEA Regulatory Reporting Quality Assurance Group.

- **Third Line of Defence:** The EMEA Internal Audit Department ("IAD") is independent of the Business Units, Support Functions and Risk Management. IAD provides independent assurance on the design quality and operating effectiveness of EVMI's internal control environment, risk management and governance systems and control processes using a risk-based audit coverage model and audit execution methodology developed in line with professional auditing standards.

During 2023, the departments of Global Financial Crimes, Compliance and Operational Risk were organised within a single second line Non-Financial Risk Framework. There were no changes to the EMEA CRO, the EMEA Head of Compliance or the EMEA Head of IAD during 2023.

Risk Culture

EVMI's risk management culture is rooted in the following key principles: integrity, comprehensiveness, independence, accountability, and transparency.

EVMI has a risk culture that encourages open dialogue, effective challenge, escalation and appropriate reporting of risk to senior management, the EVMI Board and regulators, as well as external disclosures of risk matters. Developing EVMI's risk culture is a continuous process and builds upon Morgan Stanley's commitment to its values, including "Do the Right Thing", which make managing risk each employee's responsibility. Senior management promotes EVMI's risk culture, which enables individuals across the organisation to make appropriate risk decisions.

EVMI's RAS is embedded in the entities risk culture and is linked to its short-term and long-term strategic, capital and financial plans, as well as compensation programmes.

The Compliance Department maintains an enterprise-wide, independent Compliance Risk Management Programme as detailed in the Global Compliance Policy. The Compliance Department is responsible for:

- promoting a strong culture of compliance;
- defining an operating model and setting standards for Compliance Risk Management;
- identifying, assessing, addressing and reporting on Compliance Risks;
- maintaining a risk-based programme for monitoring, testing and challenge of Compliance Risk Management by the first line of defence;
- providing advice, guidance (including Compliance policies and, where appropriate, procedures) and training concerning the laws, regulations and policies;
- managing a firmwide Compliance Risk reporting framework;
- reviewing new products and business initiatives to assess Compliance Risks as part of the New Product Approval ("NPA") process; and
- supporting and facilitating the framework for managing significant communications with regulators and regulatory relationships maintained by the EMEA Regulatory Relations Group.

This is reinforced by the Code of Conduct which sets out the high standards of conduct and ethical behaviour expected from all employees.

4.2 Risk Identification and Risk Appetite

Material Potential Harms

EVMI is required to identify, monitor and reduce all material potential harms/risks that may result from its ongoing operations, or the entity winding down. For each material risk, an internal capital adequacy and/or liquid assets assessment is performed to ensure that each risk is managed, governed and subject to effective internal controls, and where appropriate additional own funds and/or liquid assets are proposed to be held to address material potential harms. EVMI's risk management framework acts as a strong mitigant against the potential for harm associated with its business strategy. Risks and/or harms are identified through a formal risk appetite and identification process with mitigants/limits assigned against risk where appropriate.

The selection of risks reviewed as part of the ICARA is subject to governance through the EMEA Internal Capital Adequacy Assessment Process ("ICAAP") Steering Committee, and then the EVMI Board as part of the overall ICARA process.

Risk Identification

The Risk Identification process for EVMI is subject to regular review and enhancement and leverages firm-wide best practices.

The process of Risk Identification is performed as part of the day-to-day activities of the EMEA Business Unit and the EMEA independent Risk Management and Control Functions including the EMEA Risk Division and the EMEA Compliance Department.

The objectives of the Risk Identification process include identifying material risks that inform risk measurement, monitoring and management, and inform the scenarios that drive EVMI's ICARA, as well as guiding EVMI's Risk Appetite.

The EVAIL Risk Identification process is aligned to other Morgan Stanley Group entities and leverages firm-wide best practices.

As determined through the Risk Identification Framework, the following risk types are relevant to EVMI's business activities:

- Operational Risk
- Earnings at Risk (also referred to as Strategic Risk)
- Reputational Risk
- Compliance Risk
- Conduct Risk
- Liquidity Risk
- Credit Risk
- Concentration Risk
- Market Risk
- Model Risk
- Climate and Environmental Risk[1]

In the following sections these risks are outlined.

1.Climate change is a driver of existing risks and is managed within EVMI's existing Risk Appetite.

Operational Risk

Operational Risk refers to the risk of loss or damage to EVMI's reputation resulting from inadequate or failed processes or systems, from human factors or external events (e.g., fraud, theft, legal and compliance risks, cyber attacks or damage to physical assets).

Operational Risk is EVMI's most material risk.

EVMI acknowledges that Operational Risk is inherent to the asset management business and cannot, therefore, be entirely eliminated. As such, EVMI has articulated an Operational Risk Appetite.

EVMI manages its Operational Risk within the overall Risk Management Framework. The framework includes the application of specific Operational Risk related policies and procedures, the Operational Risk control framework, delivered primarily by EVMI's Three Lines of Defence model, and a governance structure designed to oversee the overall level of Operational Risk taken by EVMI.

Earnings at Risk (also referred to as Strategic Risk)

Earnings at Risk (also referred to as Strategic Risk) is defined as the risk arising from:

- Changes to EVMI’s business, including the acute risk to earnings posed by falling or volatile income, and the broader risk of EVMI’s business model or strategy proving inappropriate due to macroeconomic, geopolitical, industry, regulatory or other factors;
- The risk that EVMI may not be able to carry out its business plan and desired strategy;
- Risk arising from EVMI’s remuneration policy.

Material potential harms include key persons leaving the firm (e.g. Portfolio Managers); fee pressures and negative client perception towards EVMI's investment products. Strategic Risk also includes the evolving regulatory landscape.

EVMI’s strategy and business plan enable it to deliver against its capital, risk and control agenda ensuring the overall safety and soundness of EVMI. The strategy includes a range of initiatives and performance indicators, including specific qualitative and quantitative business targets and goals for the control and support functions. EVMI also has a robust NPA framework, reflecting the importance of the NPA process as a gatekeeping control in preventing EVMI from taking on risks which its management do not fully understand or are outside its strategy and risk appetite.

Reputational Risk

Reputational Risk (also referred to as Franchise Risk), describes the potential risks associated with the way in which EVMI conducts its business and the perception of EVMI by external parties including shareholders, clients, regulators and the public. Reputational Risks may be triggered by either the nature of the transaction (e.g., unusual complexity or novel issues) or business practice (e.g., a transaction without appropriate economic substance or business purpose) or by the identity or reputation of the client or counterparty (e.g., a client linked to alleged corruption or other improper activities).

EVMI does not have any appetite for transactions, business practices, clients or counterparties that pose a significant franchise risk and jeopardise the Firm’s reputation.

The Global Franchise Risk Policy sets out examples of “red flags” that may be indicative of potential Reputational Risk. The primary mitigant to Reputational Risk is a robust Reputational Risk Management Framework, encompassing monitoring, escalation and review.

Compliance Risk

Compliance Risk is defined as the risk of legal or regulatory sanctions, 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 EVMI’s activities.

EVMI seeks to comply with applicable laws, rules and regulations and has no appetite for transactions, business activities or conduct by employees, contingents, customers, or counterparties that give rise to a significant breach of EVMI’s compliance obligations.

EVMI is covered by the Global Compliance Policy, which establishes a Firmwide Compliance Risk management program and sets forth the roles and responsibilities of Firm and Business Line Management and the Global Compliance Department.

EVMI has a range of first and second line controls in place to comply with applicable laws, rules and regulations and a Compliance risk-based monitoring and testing program which helps to provide assurance that standards are being met. The controls are regularly under review, subject to revision and will continue to evolve. In addition, the IAD provides independent assurance on compliance controls.

Conduct Risk

Conduct Risk 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.

EVMI is covered by the Global Conduct Risk Policy and an EMEA Conduct Risk Management supplement which sets forth the Conduct Risk Framework.

Liquidity Risk

Liquidity risk refers to the risk that EVMI will be unable to finance its operations due to a loss of access to the funding facilities, or difficulty in liquidating its assets.

EVMI has an inherently low liquidity risk profile given its business model.

EVMI’s Board of Directors sets the liquidity risk appetite to ensure adequate liquid resources are held to meet potential outflows under normal and stressed conditions and to meet its operating expenses while simultaneously ensuring durability of funding. The entity manages its liquidity risk appetite through the overall Required Liquidity Framework (“RLF”). The RLF establishes the amount of liquidity the entity must hold in both normal and stressed environments to ensure that the entity’s financial condition and overall soundness are not adversely affected by an inability (or perceived inability) to meet financial obligations in a timely manner. The RLF ensures the entity holds sufficient liquidity to meet both the Regulatory and Internal Liquidity Requirements. EVMI maintains its liquidity reserves in the form of short-term cash deposits within its credit limit framework to remove any risk from liquidating assets.

The RLF includes the application of specific liquidity risk related policies and procedures in addition to a governance structure designed to oversee the overall level of liquidity risk taken.

Credit Risk

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

For EVMI, Credit Risk manifests itself as cash in the form of deposits at other institutions or outstanding payments or loans due.

EVMI has no direct exposure to the Credit Risk of its AUM.

Concentration Risk

Concentration Risk is the risk of loss due to an outsized exposure to counterparty, group of counterparties or counterparties in the same industry or geographic region.

Credit Risk exposures that would give rise to Concentration Risk are not material. As EVMI has no direct exposure to the Credit Risk of funds, there is no further Concentration Risk from the AUM.

Market Risk

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

For EVMI, Market Risk is limited to Foreign Exchange (“FX”) risk on non-sterling revenues and expenses. There is no direct Market Risk exposure to the AUM.

Model Risk

Model Risk is the potential for adverse consequences from decisions based on incorrect or misused model outputs. Model Risk can lead to financial loss, poor business and strategic decision making, or damage to EVMI's reputation.

The Model Risk appetite is set to a level that, after considering EVMI's model governance and control processes, does not pose a material risk to EVMI's capital adequacy, reputation and regulatory standing.

Model Risk is managed through the Global Model Risk Management ("MRM") Framework, which includes policies and procedures, as well as enhanced standards for Model Risk governance, roles and responsibilities and reporting. All models are captured in the Morgan Stanley Group's Model Inventory and are subject to Global MRM standards including independent review (validation).

Climate and Environmental Risk

Climate and Environmental Risk include impacts to biodiversity, pollution of land, water or air, climate change, deforestation and forest degradation, and other negative impacts on the environment as a result of human activities. Within climate and environmental risks, the risks arising from climate change are a particular area of focus.

EVMI considers climate and environmental risks through two main categories: 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.

In addition, EVMI may be exposed to litigation risk or reputational risk losses arising from statements or representations in relation to Environmental, Social and Governance ("ESG") matters which are later discovered to be incorrect or misleading.

Climate change and other environmental considerations are integrated into EVMI's Risk Framework as drivers of credit, market, operational, and liquidity risks. Climate and environmental risks are also integrated into policies and procedures. EVMI's Risk Framework continues to be enhanced to meet requirements set out in new and evolving regulations.

The primary Transition Risk for EVMI is ensuring compliance with sustainability-related regulation, primarily the Sustainable Finance Disclosure Regulation ("SFDR") in the European Union ("EU"). For funds that include ESG related guidelines or consider ESG characteristics of issuers, EVMI has a control environment in place to ensure portfolios operate within their objectives and guidelines on a pre and post-trade basis. In addition, there is an independent risk process to monitor adherence to objectives and guidelines such as carbon emissions targets and sector exclusions.

Risk Appetite Statement

EVMI's RAS articulates the aggregate level and types of risk that EVMI is willing to accept in order to execute its business strategy and protect its capital and liquidity resources.

EVMI's RAS is reviewed and approved by various Risk Committees, at least annually. The annual review of the EVMI RAS takes into account any new risks identified through the comprehensive Risk Identification process, changes in EVMI's Business Strategy or Capital/Liquidity resources, as well as any changes in risk appetite given changes in market conditions.

EVMI has a low overall risk appetite. Specifically, it does not intend to take any material risks with its own capital and ensures that risk taken is closely monitored and consistent. Issues arising with the latter would not only affect the clients but also have an adverse effect on EVMI itself. In practical terms, the low-risk appetite means that whilst management would be prepared to tolerate a degree of unexpected costs, close attention is paid to ensuring that these do not exceed the expected long-term economic benefit of EVMI's activities.

Adequacy of the Risk Management Arrangements for the Mitigation of Material Potential Harms

The EVMI Board has approved, for the purpose of MIFIDPRU 8.2.2, the below concise risk statement and declaration on the adequacy of the risk management arrangements.

Given the strategy and risk profile of the entity, the EVMI Board is satisfied that the risk management framework is appropriate for the identification and mitigation of the potential for harm associated with its business strategy. 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, in response to changing regulatory expectations and requirements, and any significant audit issues.

5. Governance and Board of Directors

Governance Arrangements

Richard Lockwood was the Chief Executive Officer of EVMI (the "CEO") during 2023 and an executive director on the EVMI Board. As CEO he is responsible for the executive management of the business and operations of EVMI.

The CEO is a member of the EMEA IM Operating Committee. The EMEA IM Operating Committee assists in the coordination of the EMEA IM Business, including the business conducted by EVMI. Its authority and responsibilities extend to a wide range of matters including strategy; performance; investment oversight and product development; risks and controls; operational, conflicts, legal and regulatory matters; and human resources and culture-related matters. Connectivity with the wider EMEA governance structure is facilitated by cross membership between the EMEA IM Operating Committee and other EMEA Executive-Level and Management-Level Committees.

The EMEA IM Operating Committee is supported in its activities by a layer of EMEA IM Management-Level committees. Namely the EMEA IM Operations Committee, the EMEA IM Product Governance Committee, the EMEA IM Regulatory Management Committee, the EMEA IM Investment Committee, the EMEA IM Conflicts of Interest Committee and EMEA IM Risk Committee.

EVMI is also supported by a number of global committees which consider certain processes that are relevant to Morgan Stanley Group's IM business globally. Where appropriate, the Directors or other senior executives within the EMEA IM Business are members of these committees.

Appointments to the EVMI Board

When identifying and recommending candidates to join the EVMI Board, the EVMI Board will consider a broad range of qualities and characteristics, to ensure there are directors with appropriate skills and experience on the EVMI Board. It will also take into account regulatory requirements and relevant policies of the Morgan Stanley Group. New directors go through tailored induction programmes and all directors are provided with ongoing training.

Diversity and the composition of the EVMI Board

The EVMI Board recognises the importance and benefits of diversity both within business operations and at a board level. All appointments to the EVMI Board are made on merit, in the context of the skills and experience that the EVMI Board as a whole requires to be effective, with due regard given to the benefits of diversity. When assessing the composition of the EVMI Board and recommending new directors, the EVMI Board considers the benefits of diversity, including gender diversity.

The EVMI Board aspires to meet or exceed a target of a minimum of 33% female representation on the EVMI Board by 2025. As at 31 December 2023 the EVMI Board has not yet met that target.

Directors[2]

Ruairi O'Healai

Ruairi was appointed as an executive director of the EVMI Board on 4 August 2022. With effect from January 2024, Ruairi is the Morgan Stanley Investment Management ("MSIM") division's global Co-Chief Operating Officer ("COO"). Ruairi was previously MSIM's EMEA COO. Ruairi is a member of the MSIM Operating Committee and the Morgan Stanley EMEA Operating Committee.

Ruairi has over twenty eight years' industry experience. Prior to joining MSIM, he was the Global Head of Risk Management for Pioneer Investments, where he worked for 12 years.

Ruairi holds a B.A. Banking and Finance degree from the University of Ulster and a Master of Commerce from the Graduate School of Business, University College Dublin.

2. Catherine Suprun was appointed as an executive director of the EVMI Board on 12 April 2024.

Richard Lockwood[3]

Richard was appointed as an executive director and CEO of the EVMI Board on 4 August 2022. Richard is Head of Northern European Distribution for MSIM.

Richard joined Morgan Stanley in 2004 and has over thirty-five years of industry experience.

Prior to joining the Firm, Richard worked at ABN Amro as director of institutional business development. Previously, he worked as business development director at Fleming Asset Management and prior to that, as finance director at Fleming Pooled Pensions.

Richard holds a B.Sc. in Mathematics from the University of Manchester and is a fellow of the Institute and Faculty of Actuaries.

Paul d'Arcy

Paul was appointed as an executive director of the EVMI Board on 20 April 2023.

Paul is the EMEA Head of Regulatory Capital Control within the Finance Division.

Paul joined Morgan Stanley in 2005 and has held various previous positions within the Finance Division, including EMEA Head of IM Finance and EMEA Head of Valuation Control.

Prior to joining the firm Paul worked in Finance and Risk Management roles across Investment banks and energy companies having qualified as a Chartered Accountant (ACA) with Ernst & Young.

Paul holds a B.Eng (Hons) in Engineering from Loughborough University.

Directorships Held by the EVMI Board

Director	Number of Directorships as at 31 December 2023	Directorships adjusted For SYSC4.3A.7(2)
Richard Lockwood	3	1
Ruairi O'Healai	13	3
Paul d'Arcy	2	1

Risk Committee

EVMI does not meet the thresholds under MIFIDPRU 7.1.4 R(1) for the requirement for a Risk Committee and therefore does not have one.

3. Richard Lockwood resigned as an executive director of the EVMI Board on 31 January 2024.

6. Capital Resources

The capital resources of EVMI as at 31 December 2023 are set out in Table 2. The main terms and conditions of the capital instruments are disclosed in Table 4.

Table 2: Composition of regulatory own funds

	EVMI	Amount (GBP thousands)	Cross-reference to Table 3
1	**OWN FUNDS**	**10,487**	
2	**TIER 1 CAPITAL**	**10,487**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**10,487**	
4	Fully paid up capital instruments	10	A
5	Share premium	851	B
6	Retained earnings	6,512	C
7	Accumulated other comprehensive income	29	D
8	Other reserves	3,576	E
9	Adjustments to CET1 due to prudential filters	-	
10	Other funds	-	
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(491)	F
19	CET1: Other capital elements, deductions and adjustments	-	
20	**ADDITIONAL TIER 1 CAPITAL**	**-**	
21	Fully paid up, directly issued capital instruments	-	
22	Share premium	-	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	
24	Additional Tier 1: Other capital elements, deductions and adjustments	-	
25	**TIER 2 CAPITAL**	**-**	
26	Fully paid up, directly issued capital instruments	-	
27	Share premium	-	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	-	
29	Tier 2: Other capital elements, deductions and adjustments	-	

Own Funds of EVMI are based on audited financial statements. Table 3 provides a reconciliation of regulatory own funds to balance sheet information as at 31 December 2023.

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

		a	c
		Balance sheet as in published / audited financial statements (GBP thousands)	Cross-reference to Table 2
	EVMI[1,2]	31 Dec 2023	
Assets – Breakdown by asset classes according to the balance sheet in the audited financial statements			
1	Cash and short-term deposits	20,976	
2	Loans and Advances	-	
3	Trade and other receivables	3,571	
4	Current tax assets	—	
5	Deferred tax assets	120	F
6	Other assets	102	
7	Investments in subsidiaries	371	F
8	Property, plant and equipment	1,874	
	Total Assets	**27,014**	
Liabilities – Breakdown by liability classes according to the balance sheet in the audited financial statements			
1	Trade and other payables	5,808	
2	Debt and other borrowings	7,849	
3	Current tax liabilities	919	
	Total Liabilities	**14,576**	
Shareholders' Equity			
1	Share capital	10	A
2	Share premium account	851	B
3	Share-based payments reserve	3,576	E
4	Currency translation reserve	29	D
5	Retained earnings	7,972	
	of which: Previous years retained earnings	6,512	C
	of which: Profit or loss not recognised in Own Funds	1,460	
	Total Shareholders' Equity	**12,438**	

1.“Under regulatory scope of consolidation” column has been omitted as the investment firm’s accounting and regulatory consolidation is the same.
2. Previously EVMI prepared financial statements in accordance with FRS 102, and transitioned to UK-adopted international accounting standards through the adoption of FRS 101 with effect from 1 January 2022.

7. Capital Instruments Template

Table 4 provides a description of the main features of the capital instruments issued by EVMI as at 31 December 2023.

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

EVMI

Description	Common Equity Tier 1
Instrument Type	Ordinary Shares
Accounting classification	Shareholder’s Equity
Amount recognised in Regulatory Capital	£860,901
Nominal amount of instrument	£1 per ordinary share
Original date of issuance	04/06/2001
Perpetual/Dated	Perpetual
Write-down features	N/A
Fixed or Floating Dividend/Coupon	Floating
Convertible or non-convertible	Non-Convertible

8. Remuneration

This Remuneration Disclosure (the “Disclosure”) sets out the principles relating to compensation within EVMI. Some of the policies, practices and procedures outlined in this chapter apply globally to Morgan Stanley, its subsidiaries and affiliates (“Morgan Stanley Group”).

The disclosure in this chapter is pursuant to the MIFIDPRU of the FCA handbook of rules and guidance, the 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 for the application of the IFPR Remuneration Rules.

8.1. EVMI Compensation Objectives and Strategy

EVMI is committed to a responsible and appropriate compensation structure that is designed to align performance and conduct of employees to its business and risk strategy and the interests of shareholders. The objective is that the compensation 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 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. This 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 variable 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 EVMI
  - 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
  - Variable compensation awards include vesting and cancellation provisions that retain employees and protect Morgan Stanley Group’s interests

8.2. Compensation Governance

As a subsidiary, EVMI has an overlay of regional and global compensation governance from the Morgan Stanley Group. Summaries of the composition and mandates of the relevant committees are provided below.

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 CEO (Chair), the EMEA Head of Human Resources (Deputy Chair), the EMEA Chief Finance Officer ("CFO"), the EMEA Chief Legal Officer ("CLO"), the EMEA Head of Compliance, and the EMEA CRO. The EROC met seven times during 2023.

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 compensation 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;
- Material risk identification framework for EVMI;
- EVMI annex to EMEA Material Risk Taker ("MRT") Cancellation and Clawback Policy

On December 31, 2022, the EVMI Board was comprised of three executive members: Ruairi O'Healai, and Richard Lockwood, and Paul d'Arcy who was appointed on 20 April 2023.

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

The CMDS Committee

On December 31, 2023, 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 2023, the CMDS Committee held nine 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.

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 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, financial or other advisors as they may deem necessary to assist them in the performance of their duties and responsibilities.

Together with the 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 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 material adverse effect on Morgan Stanley Group.

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

8.3. Identification of Material Risk Takers

EVMI has established a formal identification framework, in line with the IFPR Remuneration Rules, to identify employees whose professional activities have a material impact on the Group’s risk profile. The EVMI MRT identification framework complies with the criteria set out in FCA SYSC 19G.5.3-5.5, and takes into consideration any additional internal criteria that may be required. 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 CRO) 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).

8.4. 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 the right behaviours

The following key features of the EVMI compensation arrangements ensure that excessive risk taking is not promoted, whilst ensuring there is 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 equity-based and/or fund-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 variable 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.

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 8.1) 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. This process includes a review of the adherence to conduct and inclusion controls, market and competitive factors, regulatory outcomes, and business or location specific factors.

8.5. 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”.

8.6. 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.

In determining the amount of discretionary variable 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”, ensuring a 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 variable 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 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 compensation 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 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 that 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 that support fair and equitable pay. This includes an annual global pay equity review and an analysis of employee compensation in consultation with external experts.

8.7. 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 is determined based on an individual's role and responsibilities and is 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, 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. Such awards would only be made if the relevant legal entity has a sound and strong capital base. Awards of guaranteed variable compensation 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 Morgan Stanley Group Chief Human Resources Officer ("CHRO").

Termination payments made to employees on leaving EVMI are considered in accordance with the applicable severance framework, and are intended to avoid rewarding negative performance contributions or misconduct, in line with the requirements of the IFPR Remuneration Rules.

Ratios between fixed and variable compensation

EVMI'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 compensation elements. An appropriate ratio of fixed compensation to variable compensation was applied to all MRT employees according to the FCA's Prudential sourcebook for Investment Firms ("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 variable compensation awards, deferral formulae, vesting and timing of payments, as well as cancellation and clawback provisions.

The form of deferred variable compensation awards (i.e., equity, fund-based instruments, 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 variable compensation in the form of fund-based instruments or equity links variable compensation to fund or Morgan Stanley Group's or fund performance through Morgan Stanley Group's stock price or fund performance. Risk outcomes that result in a negative impact to Morgan Stanley Group's stock price or the fund 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 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.

8.8. 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 variable 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 Financial Officer, CLO, CRO, CHRO, 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 compensation and/or to apply cancellation and/or clawback to previously awarded compensation, with reference to specific criteria that are contained in governing variable compensation award documents and applicable policies.

The EROC's responsibilities include oversight of the conduct driven adjustments to current year variable compensation proposed by managers as part of the compensation decision-making process. This facilitates the inclusion of the business and the relevant independent functions in the review, and supports the consistent application of compensation adjustments across the Morgan Stanley Group; compensation adjustments are also monitored globally for consistency.

In 2020, the EMEA Conduct and Culture Committee was set-up to monitor culture and conduct risk trends and to 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.

Furthermore, 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:

- 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 relevant business unit in which an MRT is employed (or in relation to which they carry out some or all their duties) suffers a material failure of risk management;
- Morgan Stanley Group and/or the relevant regulated entity and/or relevant business unit suffers a material downturn in its financial performance (subject to cancellation only);
- The MRT directly and/or materially, through their conduct, contributed to a regulatory sanction (or sanctions) being imposed; or
- The MRT failed to meet appropriate standards of fitness and propriety.

EVMI will also take into consideration an 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 EMEA MRT 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.

8.9. 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. MSI Group monitors compliance by requiring employees to report their private custodial accounts, and additionally applies trading restrictions and approval processes to any transactions involving Morgan Stanley stock.

8.10. 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 MRTs:

Table 5: Remuneration awarded for the financial year

		a + b	c
£000's	**Row reference**	**Management and Other Material Risk Takers**	**Other Staff**
Number of identified staff	3	6	12
Fixed remuneration	4b	1,976	1,857
Variable remuneration	4c	1,412	894
Total remuneration	**4a**	**3,388**	**2,751**

Table 6: Deferred remuneration (material risk takers)

		a + b
£000's	**Row reference**	**Senior Management and Other Material Risk**
Total amount of deferred remuneration awarded for previous performance periods:	6b	2,494
Of which due to vest in the financial year in which disclosure is made	6b	516
Of which vesting in subsequent financial years	6b	1,978
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	-

Table 7: Exemption provision to material risk takers

		a
£000's	**Row reference**	**Material Risk Takers[2]**
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	1,411
Of which fixed remuneration	6diii	1,001
Of which variable remuneration	6diii	162

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 MRTs 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 2023.

9. Appendix I: IFPR Article Reference Mapping

<table>
<tr><th>Articles</th><th>Summary of Requirements</th><th>Compliance Reference EVMI</th></tr>
<tr><td colspan="3">8.1 Disclosure</td></tr>
<tr><td>8.1.1</td><td rowspan="2">All disclosure requirements apply to a Non-SNI firm, with the exception of:
(4) Investment policy only applies if the firm does not fall within MIFIDPRU 7.1.4R(1).</td><td rowspan="2">EVMI is a Non-SNI firm.</td></tr>
<tr><td>8.1.2</td></tr>
<tr><td>8.1.3</td><td rowspan="4">SNI MIFIDPRU Investment Firms:
1. A Non-SNI investment firm may be reclassified as an SNI MIFIDPRU Investment firm in certain circumstances and be subject to reduced disclosure requirements. When reclassified to a SNI investment firm, full disclosure requirements apply the year of reclassification.
2. When an SNI investment firm is reclassified as a Non-SNI investment firm, reduced disclosure requirements apply the year of reclassification, but it can choose to fully disclose in line with non-SNI investment firms requirements.</td><td rowspan="4">Not applicable</td></tr>
<tr><td>8.1.4</td></tr>
<tr><td>8.1.5</td></tr>
<tr><td>8.1.6</td></tr>
<tr><td>8.1.7</td><td>Disclosure required on an individual basis, unless exempt.</td><td>Disclosure prepared for EVMI on an individual basis.</td></tr>
<tr><td>8.1.8</td><td rowspan="2">Qualitative disclosure detail must be appropriate to the size and complexity of the investment firm.
E.g., non-SNI investment firms should disclose more detailed remuneration information than an SNI investment firm.</td><td rowspan="4">Meets requirement.</td></tr>
<tr><td>8.1.9</td></tr>
<tr><td>8.1.10</td><td rowspan="2">Disclosure is required annually on the date the investment firm publishes its annual financial statements.
More frequent disclosure should be considered in particular circumstances, such as a major change in business model or merger.</td></tr>
<tr><td>8.1.11</td></tr>
<tr><td>8.1.12</td><td>MIFIDPRU TP12 details transitional provisions for disclosure requirements.</td><td>Not applicable</td></tr>
<tr><td>8.1.13</td><td rowspan="5">Disclosure must be easily accessible, free to obtain, clearly presented and easy to understand.
For future disclosures, the format should be consistent with previous disclosure periods, and any significant changes should be highlighted.
A firm is not required to disclose items which in doing so would breach the law of another jurisdiction.
Disclosures should be published on a website.</td><td rowspan="5">Meets requirement.</td></tr>
<tr><td>8.1.14</td></tr>
<tr><td>8.1.15</td></tr>
<tr><td>8.1.16</td></tr>
<tr><td>8.1.17</td></tr>
<tr><td colspan="3">8.2 Risk management objectives and policies</td></tr>
<tr><td>8.2.1</td><td rowspan="3">An investment firm must disclose its risk management objectives and policies relating to Own funds requirements, concentration risk and liquidity.

This must include a concise statement approved by the investment firm's governing body describing the potential for harm associated with the business strategy and a summary of the strategies and processes used to manage each risk category, highlighting how this helps reduce the potential for harm.

An investment firm may draw information from the ICARA process to comply with disclosing its approach to risk management referencing its risk management policies, details of risk management structure and operations, how risk appetite is set and summary of how it assesses the effectiveness of its risk management processes.</td><td rowspan="3">Section 4: Risk Management.</td></tr>
<tr><td>8.2.2</td></tr>
<tr><td>8.2.3</td></tr>
<tr><td colspan="3">8.3 Governance arrangements</td></tr>
<tr><td>8.3.1</td><td>Information relating to internal governance arrangements:
1. an overview of how it complies with governance arrangements;
2. number of directorships (executive and non-executive) held by each board member;
3. a summary of the policy promoting diversity in the board;
4. if the firm has a risk committee and whether the firm is required to establish a risk committee.</td><td>Section 5: Governance and Board of Directors.</td></tr>
<tr><td colspan="3">8.4 Own Funds</td></tr>
<tr><td>8.4.1</td><td>Information on own funds:
1. a reconciliation of CET1, AT1 and T2 to calculate own funds;
2. a reconciliation of own funds to its audited financial statements; and
3. a description of the main features of CET1, AT1 and T2 instruments issued by the firm.
A firm that is not required to publish annual financial statements is not required to disclose (2)</td><td rowspan="2">Section 6. Capital Resources
Table 2: Composition of regulatory own funds.
Table 3: Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements.

Section 7: Capital Instruments Template
Table 4: Own funds: main features of own instruments issued by the firm.</td></tr>
<tr><td>8.4.2</td><td>A firm must use the template available at MIFIDPRU 8 Annex 1R in order to disclose the information requested at MIFIDPRU 8.4.1R.</td></tr>
<tr><td colspan="3">8.5 Own Funds Requirements</td></tr>
<tr><td>8.5.1</td><td>An investment firm must disclose:
1. The KFR broken down into
a. Sum of K-AUM, K-CMH and K-ASA;
b. Sum of K-COH and K-DTF;
c. Sum of K-NPR, K-CMG, K-TCD and K-CON.
2. FOR.</td><td>Section 1. Overview and Key Metrics.
Table 1: Key Metrics.</td></tr>
<tr><td>8.5.2</td><td>An investment first must disclose its approach to assessing the adequacy of its own funds in accordance with the overall financial adequacy rule.</td><td>Section 3. Capital Management.</td></tr>
<tr><td colspan="2">8.6 Remuneration policy and practices</td><td>Section 8. Remuneration</td></tr>
<tr><td colspan="2">8.7 Investment policy</td><td>Not applicable</td></tr>
</table>

10. Appendix II: Abbreviations

Term	Definitions
AT1	Additional Tier 1 Capital
AUM	Assets Under Management
Board	Morgan Stanley Board of Directors
CEO	Chief Executive Officer
CET1	Common Equity Tier 1 Capital
CFO	Chief Finance Officer
CHRO	Chief Human Resources Officer
CLO	Chief Legal Officer
CMDS Committee	Compensation, Management Development and Succession Committee
COO	Chief Operating Officer
CRO	Chief Risk Officer
EMEA	Europe, Middle East, and Africa
EMEA HR	EMEA Human Resources Department
EROC	EMEA Remuneration Oversight Committee
ESG	Environmental, Social and Governance
EU	European Union
EVMI	Eaton Vance Management (International) Limited
FCA	Financial Conduct Authority
FOR	Fixed Overheads Requirement
FX	Foreign Exchange
GBP	British Pound Sterling
IAD	Internal Audit Department
ICAAP	Internal Capital Adequacy Assessment Process
ICARA	Internal Capital Adequacy and Risk Assessment
IFPR	Investment Firms Prudential Regime
IFPRU	Prudential sourcebook for Investment Firms
IM	Investment Management
K-ASA	Assets Safeguarded and Administered K-Factor Requirement
K-AUM	Assets Under Management K-Factor Requirement
K-CMG	Clearing Margin Given K-Factor Requirement
K-CMH	Client Money Held K-Factor Requirement
K-COH	Client Orders Handled K-Factor Requirement
K-CON	Concentration Risk K-Factor Requirement
K-DTF	Daily Trading Flow K-Factor Requirement
KFR	K-Factor Requirement
K-NPR	Net Position Risk K-Factor Requirement
K-TCD	Trading Counterparty Default K-Factor Requirement
MiFID	Markets in Financial Instruments Directive
MIFIDPRU	Prudential Sourcebook for MiFID Investment Firms
Morgan Stanley Group	Morgan Stanley and its subsidiaries and affiliates
MRM	Model Risk Management
MRT	Material Risk Taker
MSIM	Morgan Stanley Investment Management
Non-SNI	Non small and non-interconnected
NPA	New Product Approval
NPR	Market Risk Provision (Net Position Risk)
PMC	Permanent Minimum Capital Requirement
PRA	Prudential Regulation Authority
RAS	Risk Appetite Statement
RBA	Role Based Allowance
RLF	Required Liquidity Framework
SFDR	Sustainable Finance Disclosure Regulation
SNI	Small and non-interconnected
SYSC	Senior Management Arrangements, Systems and Controls
T2	Tier 2 Capital
UK	United Kingdom