

MIFIDPRU Remuneration Disclosure

Morgan Stanley Investment Management Limited Regulatory Remuneration Disclosure

Morgan Stanley Investment Management Limited | As at 31 December 2022

This Remuneration Disclosure (the “Disclosure”) sets out the principles relating to compensation within Morgan Stanley Investment Management Limited and its branches (“MSIM”). Some of the policies, practices and procedures outlined in the Disclosure apply regionally to Morgan Stanley International Limited and its subsidiaries (together, the “MSI Group”) and 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”).

MSIM is not categorised as a small and 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

MSIM is committed to a responsible and appropriate compensation structure that is designed to align performance and conduct of employees to the 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.

MSIM'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 MSIM employees, with a view towards 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

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

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

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 and certified compliance with regulatory requirements to the MSI RemCo.

The MSI RemCo, which also supervises MSIM, was appointed by the MSI Group's Board of Directors to oversee the design and implementation of the compensation policies and practices applicable to the MSI Group including MSIM. This includes contributing to the global policy development that is subject to oversight by the CMDS Committee as well as overseeing compliance by MSIM with applicable Remuneration Rules. On December 31, 2022, the MSI RemCo was comprised of five

non-executive directors: Jonathan Bloomer (Chair), Terri Duhon, Jane Pearce (joined 1 October 2022), Melanie Richards and Paul Taylor, and met seven times during 2022. As a part of its remit, the MSI RemCo reviews and approves:

- The adequacy of MSIM remuneration practices against the applicable local regulations;
- Material risk identification framework for MSIM; and
- MSIM Annex to EMEA MRT cancellation and clawback policy.

The MSIM Limited Board

The MSIM Board approves the MSIM Remuneration Policy, which forms an annex to the MSI Group Remuneration Policy and ensures compliance across the regulatory requirements applicable to MSIM. The MSIM Remuneration Policy Annex is applicable to all business lines as well as all employees seconded to MSIM from MSIM Morgan Stanley Employment Services UK Limited, Morgan Stanley & Company International Plc - UK, Morgan Stanley Investment Management Inc.

The MSIM Board and MSI RemCo reviews the applicable compensation policies at least annually, and also oversees compliance by MSIM with the IFPR compensation rules.

On December 31, 2022, the MSIM Board was comprised of two Non-Executive Directors: Terri Duhon (Chair), David Best and four Executive Directors: Ruairi O’Healai, Zoe Parish, Richard Lockwood, and Fiona Kelly.

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) 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 MSIM Board, the MSI RemCo 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 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 MSIM’s obligations under the IFPR Remuneration Rules is delegated to MSIM’s control functions including, in relation to compensation, the EMEA Human Resources Department (“EMEA HR”). EMEA HR regularly reviews MSIM’s regulatory obligations with respect to compensation in each of the EMEA jurisdictions in which MSIM operates, or with branches, 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.

3. Identification of Material Risk Takers

MSIM 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 MSIM Material Risk Taker ("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 MSI Chief Risk Officer) and MSIM Board, which includes the MSIM Chief Executive Officer.

In accordance with Senior Management Arrangements, Systems and Controls 19G.6, MSIM is not subject to proportionality and as such MSIM MRTs are subject to the IFPR Remuneration Rules.

4. Link between Pay and Performance

In conjunction with the Global Compensation Policy and the MSI Group Remuneration Policy, the MSIM Remuneration Policy Annexes also set forth certain standards regarding the remuneration parameters applied within MSIM.

Incentivising the right behaviours

The following key features of the MSIM 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 Morgan Stanley:

- 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 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 Morgan Stanley Group, 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 are 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”, 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 incentive compensation; and
- Market and competitive conditions.

The allocation of variable compensation to employees of MSIM 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 MSIM 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 MSIM.

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 individual roles 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 MSIM, business unit, and individual performance.

The structure of annual incentive compensation for MRTs complies with the IFPR Remuneration Rules and may be comprised of: upfront cash, stock bonus, and a mix of deferred equity and/or, Fund based instruments. The following structure applies to relevant MRTs:

- A minimum of 40% to 60% of variable compensation is deferred as follows:
 - Executive members of the MSIM Board have a four-year deferral vesting on a pro rata basis
 - All other MRT employees have a minimum of a three-year deferral vesting on a pro-rata basis
- Deferred variable compensation is generally awarded in equity or Fund-based instruments,

Remuneration	Component breakdown	% of variable remuneration (40% deferral)	% of variable remuneration (60% deferral)
Fixed remuneration	Base Salary	N/A	N/A
	Role base allowance	N/A	N/A
Variable remuneration – non-deferred	Upfront cash	50%	40%
	Upfront equity ¹	10%	n/a
Variable remuneration – deferred	Deferred stock / Fund-based Instruments ²	40%	60%

¹ Upfront equity vest after 6-months and are available to sell 6-months after grant

² Deferred equity and Fund-based instruments are generally subject to a 6-month post-vest sales restriction

- Subject to local law, variable compensation is subject to cancellation and clawback

MSIM expects deferred incentive awards to constitute a significant component of MRT's variable compensation and to be designed to protect Morgan Stanley Group's long-term interests and align with shareholders' interests. Some employees, including executive members of the MSIM Board, receive a greater portion of their compensation in equity or Fund-based instruments.

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's Chief Human Resources Officer (CHRO).

Termination payments made to employees upon leaving MSIM 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

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 determined and approved by MSIM Board and 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 and clawback provisions.

The form of deferred incentive 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 incentive compensation in the form of equity links variable compensation to fund or Morgan Stanley Group's performance through Morgan Stanley Group's stock price performance. Risk outcomes that result in a negative impact to the fund or Morgan Stanley Group 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

MSIM 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 Financial Officer, Chief Legal Officer, Chief Risk Officer, Chief Human Resources Officer, Chief Audit Officer, and the Head of Non-Financial Risk) and reported to the CMDS Committee quarterly. This process is enhanced by a formalised EMEA malus review process overseen by the EROC. This process involves EROC assessing situations which may warrant adjustment to current year variable compensation and/or to apply cancellation and/or clawback to previously awarded compensation, with reference to specific criteria that are contained in governing incentive compensation award documents and applicable policies. The MSI RemCO receive regular updates on the EMEA malus review process.

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 Risk, 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 the MSI Group, including MSIM. 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 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.

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

- Where there is significant downturn in the financial performance of the MSIM, entity or business unit in which the MRT works,

- Significant failure of risk management within the MSIM, entity or business unit in which the MRT works
- MRT has participated in or been responsible for conduct which resulted in significant losses, to MSIM 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

The Company 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 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 MSIM in 2022, among which 34 are material risk takers:

Remuneration awarded for the financial year

		(GBP)	Senior Management a	Other Material Risk Takers b	Other Staff c
(GBP)	Number of identified staff	3	14	20	306
Fixed remuneration	Total fixed remuneration	4b	7,568,368	33,026,853	35,281,915
	Total variable remuneration	4c	6,791,860	49,537,129	39,828,365
Variable remuneration	Of Which: Cash-based	6a	1,621,333	19,055,467	30,396,827
	Of which: non-deferred	6a	1,621,333	19,055,467	30,396,827
	Of which: deferred	6a	-	-	-
	Of which: Shares or equivalent ownership interests	6a	5,170,528	7,268,484	2,670,600
	Of which: non-deferred	6a	1,311,373	1,205,562	346,155
	Of which: deferred	6a	3,859,154	6,062,922	2,324,445
	Of which: other instruments	6a	-	23,213,178	6,760,938
	Of which: non-deferred	6a	-	-	-
	Of which: deferred	6a	-	23,213,178	6,760,938
Total remuneration		4a	14,360,228	82,563,982	75,110,280

Deferred remuneration (material risk takers)

		Senior Management a	Other Material Risk Takers b
Total amount of deferred remuneration awarded for previous performance periods:	6b	21,603,974	112,629,438
Of which due to vest in the financial year in which disclosure is made	6b	5,578,384	26,899,971
Of which will vest in subsequent financial years	6b	16,025,590	85,729,466
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

		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	1,234,207
Of which fixed remuneration	6diii	938,066
Of which variable remuneration	6diii	296,142

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).

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