

Eaton Vance Advisers International Ltd

**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 Advisers International Ltd ("EVAIL") is provision of portfolio management for clients.

EVAIL is a fund management entity authorised under the United Kingdom ("UK") Alternative Investment Fund Managers ("AIFM") Directive to provide a range of services and activities to investors in financial markets. EVAIL is authorised and regulated in the UK by the Financial Conduct Authority ("FCA").

EVAIL's disclosure as at 31 December 2023 has been prepared on a standalone basis. The disclosures fulfil the firm'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		
EVAIL	31 December 2023 (GBP thousands)	31 December 2022 (GBP thousands)
Common Equity Tier 1 Capital ("CET1")	16,986	20,452
Additional Tier 1 Capital ("AT1")	-	-
Tier 1 Capital	16,986	20,452
Tier 2 ("T2") Capital	-	-
Total Own Funds	16,986	20,452
Permanent Minimum Capital Requirement	75	75
Fixed Overheads Requirement	4,064	2,893
Total K-Factor Requirement	4,391	4,230
Assets for which the firm is responsible (K-AUM, K-CMH & K-ASA)	4,096	3,839
Execution activity undertaken by the firm (K-COH & K-DTF)	-	-
Exposure-based risks (K-NPR, K-CMG, K-TCD & K-CON)	295	391
Own Funds Requirement	4,391	4,230

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.

The Own Funds Requirement is equal to the higher of: a) Permanent Minimum Capital Requirement ("PMC"), b) FOR or c) K-Factor Requirement ("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. EVAIL 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 EVAIL'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 EVAIL's activities are K-AUM and K-NPR.

Morgan Stanley Group

EVAIL'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.

EVAIL 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

EVAIL 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 Markets in Financial Instruments Directive ("MiFID"), as well as AIFM investment firms and Undertaking for Collective Investment in Transferable Securities ("UCITS") investment firms which provide certain MiFID regulated services. 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.

EVAIL, as an AIFM investment firm with certain MiFID permissions, 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.

EVAIL has policies and procedures in place to assess the appropriateness of its disclosures. EVAIL'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.

EVAIL does not hold, directly or indirectly, any voting rights in any company and as such IFPR investment policy disclosures are not relevant.

3. Capital Management

EVAIL 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.

EVAIL 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 EVAIL 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 EVAIL's core internal risk management processes, collectively form EVAIL's ICARA process. EVAIL 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 EVAIL 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 EVAIL can be wound down in an orderly manner.

The ICARA therefore enables EVAIL 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 EVAIL 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 EVAIL 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, EVAIL may pay dividends, return capital to its shareholders or issue new shares.

4. Risk Management

Risk is an inherent part of EVAIL's business activity. EVAIL 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.

EVAIL is an agency business that manages money on behalf of its clients and has a fiduciary responsibility to those clients. EVAIL 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 EVAIL's Board and to appropriate senior management of EVAIL.

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

Risk taking is an inherent part of the EVAIL'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

EVAIL 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 EVAIL'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 EVAIL's and EMEA business activities. The EMEA CRO has overall responsibility for the Enterprise Risk Management Framework applicable to the EVAIL 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 EVAIL'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

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

EVAIL has a risk culture that encourages open dialogue, effective challenge, escalation and appropriate reporting of risk to senior management, the EVAIL Board and regulators, as well as external disclosures of risk matters. Developing EVAIL'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 EVAIL's risk culture, which enables individuals across the organisation to make appropriate risk decisions. EVAIL'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

EVAIL 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. EVAIL'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 EVAIL Board as part of the overall ICARA process.

Risk Identification

The Risk Identification process for EVAIL 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 EVAIL's ICARA, as well as guiding EVAIL'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 EVAIL'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 Risk¹

In the following sections these risks are outlined.

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

Operational Risk

Operational Risk refers to the risk of loss or damage to EVAIL'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 EVAIL's most material risk.

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

EVAIL 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 EVAIL's Three Lines of Defence model, and a governance structure designed to oversee the overall level of Operational Risk taken by EVAIL.

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

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

EVAIL's strategy and business plan enable it to deliver against its capital, risk and control agenda ensuring the overall safety and soundness of EVAIL. 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. EVAIL also has a robust NPA framework, reflecting the importance of the NPA process as a gatekeeping control in preventing EVAIL 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 EVAIL conducts its business and the perception of EVAIL 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).

EVAIL 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 EVAIL's activities.

EVAIL 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 EVAIL's compliance obligations.

EVAIL 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.

EVAIL 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.

EVAIL 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 EVAIL will be unable to finance its operations due to a loss of access to funding facilities, or difficulty in liquidating its assets.

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

EVAIL’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. EVAIL 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 EVAIL.

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

EVAIL has no direct exposure to the Credit Risk of its Assets Under Management (“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 EVAIL 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 EVAIL, 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 EVAIL’s reputation.

The Model Risk appetite is set to a level that, after considering EVAIL’s model governance and control processes, does not pose a material risk to EVAIL’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.

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

The primary Transition Risk for EVAIL 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, EVAIL 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

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

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

EVAIL 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 EVAIL 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 EVAIL’s activities.

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

The EVAIL 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 EVAIL 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

Ruairi O’Healai is the Chief Executive Officer of EVAIL (the “CEO”) and an executive director on the EVAIL Board. As CEO he is responsible for the executive management of the business and operations of EVAIL.

The CEO is a member of the EMEA Investment Management (“IM”) Operating Committee. The EMEA IM Operating Committee assists in the coordination of the EMEA IM Business, including the business conducted by EVAIL. 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. In particular, the CEO is also a member of the EMEA Operating Committee and the EMEA Risk Committee.

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.

EVAIL 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 CEO or other senior executives within the EMEA IM Business are members of these committees.

Appointments to the EVAIL Board

When identifying and recommending candidates to join the EVAIL Board, the EVAIL Board will consider a broad range of qualities and characteristics, to ensure there are directors with appropriate skills and experience on the EVAIL 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 EVAIL Board

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

The EVAIL Board aspires to meet or exceed a target of a minimum of 33% female representation on the EVAIL Board by 2025. As at 31 December 2023 the EVAIL Board has met that target.

Executive Directors

Ruairi O’Healai

Ruairi was appointed as an executive director and CEO of the EVAIL Board on 4 May 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.

Zoë Parish

Zoë was appointed as an executive director of the EVAIL Board on 26 April 2022. Zoë is the Head of International product and Board Governance for MSIM.

Before returning to Morgan Stanley in 2019, Zoë spent 4 years at Coutts and Co, and was most recently Head of Europe and Americas. From 1993 to 2014, Zoë held leadership and product roles in Morgan Stanley's Private Wealth Management business in EMEA.

Zoë holds a B. A. (Hons) in Politics and History and an LLB (Hons) in Law, both from the University of London.

Paul d'Arcy

Paul was appointed as an executive director of the EVAIL 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 EVAIL Board

Director	Number of Directorships as at 31 December 2023	Directorships adjusted For SYSC4.3A.7(2)
Ruairi O'Healai	13	3
Zoë Parish	11	1
Paul d'Arcy	2	1

Risk Committee

EVAIL 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.

6. Capital Resources

The capital resources of EVAIL 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

EVAIL	Amount (GBP thousands)	Cross-reference to Table 3
1 OWN FUNDS	16,986	
2 TIER 1 CAPITAL	16,986	
3 COMMON EQUITY TIER 1 CAPITAL	16,986	
4 Fully paid up capital instruments	1,500	A
5 Share premium	-	
6 Retained earnings	11,318	B
7 Accumulated other comprehensive income	-	
8 Other reserves	6,284	C
9 Adjustments to CET1 due to prudential filters	-	
10 Other funds	-	
11 (-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(2,116)	D
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 EVAIL 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

EVAIL ^{1,2}	a Balance sheet as in published / audited financial statements (GBP thousands) 31 Dec 2023	c Cross-reference to Table 2
Assets – Breakdown by asset classes according to the balance sheet in the audited financial statements		
1 Cash and short-term deposits	31,531	
2 Loans and advances	11,723	
3 Trade and other receivables	5,773	
4 Deferred tax assets	2,116	D
5 Other assets	192	
Total assets	51,335	
Liabilities – Breakdown by liability classes according to the balance sheet in the audited financial statements		
1 Trade and other payables	17,907	
2 Current tax liabilities	2,155	
Total liabilities	20,062	
Shareholders' Equity		
1 Share capital	1,500	A
2 Share-based payments reserve	6,284	C
3 Retained earnings	23,489	
of which: Previous years retained earnings	11,318	B
of which: Profit or loss not recognised in Own Funds	12,171	
Total Shareholders' Equity	31,273	

1. "Under regulatory scope of consolidation" column has been omitted as the investment firm's accounting and regulatory consolidation is the same.

2. Previously EVAIL 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 EVAIL as at 31 December 2023.

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

EVAIL

Description	Common Equity Tier 1
Instrument Type	Ordinary Shares
Accounting classification	Shareholder's Equity
Amount recognised in Regulatory Capital	£1,500,001
Nominal amount of instrument	£1 per ordinary share
Original date of issuance	01/05/2015
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 EVAIL. 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”).

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

8.1. EVAIL Compensation Objectives and Strategy

EVAIL is committed to a responsible and appropriate remuneration 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.

EVAIL’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 of EVAIL’s 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 EVAIL
 - 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, EVAIL 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 (EMEA “CLO”), the EMEA Head of Compliance, and the EMEA CRO. The EROC met seven times during 2023.

The EVAIL Board

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

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

- The adequacy of EVAIL remuneration policies and practices against the applicable local regulations and requirements;
- The Material risk identification framework for EVAIL; and the
- EVAIL Annex to EMEA Material Risk Taker (“MRT”) Cancellation and Clawback policy.

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 EVAIL Board and the CMDS Committee have the power to appoint independent remuneration consultants, legal counsel, 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 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 the 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 EVAIL’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 EVAIL’s regulatory obligations with respect to compensation in each of the EMEA jurisdictions in which EVAIL 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

EVAIL 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 EVAIL 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 EVAIL Board.

As of December 31, 2022, EVAIL on and off-balance sheet assets do not exceed the proportionality threshold as defined in SYSC 19G.1.1 (2) and as such EVAIL 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 Incentive Compensation Discretion Policy, the EVAIL Remuneration Policy sets forth certain standards regarding the remuneration parameters applied within EVAIL.

Incentivising the right behaviours

The following key features of the EVAIL compensation arrangements ensure that excessive risk taking is not promoted, whilst ensure there is a link between an employee's compensation and the long-term interests of EVAIL:

- 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 EVAIL is a discretionary process and informed by the performance evaluation process outlined above. Morgan Stanley Group’s ‘pay for performance’ philosophy means that where a variable compensation award is not appropriate, none is paid; every year a portion of the eligible population receive no variable compensation. The governance around the performance evaluation and compensation decision-making process ensures decisions are a product of a number of inputs including performance, risk, and conduct.

Control Functions

In order to ensure the independence of Control Function employees, individual compensation decisions for employees working in those functions are determined by Control Function management and 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 EVAIL 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 EVAIL is subject to exemption from applying remuneration rules due to proportionality and it is not required to apply pay out rules to its MRTs. However, Employees who reach a certain compensation eligibility threshold still receive a portion of their variable compensation in the form of deferred incentive compensation awards.

Guaranteed variable compensation is only paid in exceptional circumstances in the context of hiring new staff and is limited to the first year of service. Such awards would only be made if EVAIL 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 EVAIL 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

EVAIL'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 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

EVAIL 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, Global CRO, Global 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 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 Human Resources and EMEA Head of Internal Audit.

Furthermore, EVAIL maintains an EMEA-wide Cancellation and Clawback policy which is applicable to all MRTs and includes an EVAIL specific annex applicable to EVAIL MRTs. Circumstances which trigger the application of this policy for EVAIL include but are not limited to:

- Where 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.

EVAIL will also take into 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 on 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 EVAIL in 2023, among which 10 are MRTs:

Table 5: Remuneration awarded for the financial year

£000's	Row reference	a+b	
		Senior Management and Other Material Risk Takers	Other Staff
Number of identified staff	4	10	40
Fixed remuneration	1	3,938	5,166
Variable remuneration	1	4,917	5,164
Total remuneration	2	8,855	10,330

Table 6: Deferred remuneration (material risk takers)

£000's	Row reference	a + b	
		Senior Management and Other Material Risk Takers	
Total amount of deferred remuneration awarded for previous performance periods:	6b	11,097	
Of which due to vest in the financial year in which disclosure is made	6b	2,234	
Of which will vest in subsequent financial years	6b	8,863	
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

£000's	Row reference	a	
		Material Risk Takers	
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	1,370	
Of which fixed remuneration	6diii	994	
Of which variable remuneration	6diii	265	

1. The firm uses the exemption in SYSC 19G.5.9R(2) with the below provisions not applying in relation to a MRT 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).

EVAIL 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

Articles	Summary of Requirements	Compliance Reference EVAIL
8.1 Disclosure		
8.1.1	All disclosure requirements apply to a Non-SNI firm, with the exception of:	EVAIL is a Non-SNI firm.
8.1.2	(4) Investment policy only applies if the firm does not fall within MIFIDPRU 7.1.4R(1).	
8.1.3	SNI MIFIDPRU Investment Firms:	Not applicable
8.1.4	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.	
8.1.5	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.	
8.1.6		
8.1.7	Disclosure required on an individual basis, unless exempt.	Disclosure prepared for EVAIL on an individual basis
8.1.8	Qualitative disclosure detail must be appropriate to the size and complexity of the investment firm.	Meets requirement.
8.1.9	E.g., non-SNI investment firms should disclose more detailed remuneration information than an SNI investment firm.	
8.1.10	Disclosure is required annually on the date the investment firm publishes its annual financial statements.	
8.1.11	More frequent disclosure should be considered in particular circumstances, such as a major change in business model or merger.	
8.1.12	MIFIDPRU TP12 details transitional provisions for disclosure requirements.	Not applicable
8.1.13	Disclosure must be easily accessible, free to obtain, clearly presented and easy to understand.	Meets requirement.
8.1.14	For future disclosures, the format should be consistent with previous disclosure periods, and any significant changes should be highlighted.	
8.1.15	A firm is not required to disclose items which in doing so would breach the law of another jurisdiction.	
8.1.16		
8.1.17	Disclosures should be published on a website.	
8.2 Risk management objectives and policies		
8.2.1	An investment firm must disclose its risk management objectives and policies relating to Own funds requirements, concentration risk and liquidity.	Section 4: Risk Management.
8.2.2	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.	
8.2.3	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.	
8.3 Governance arrangements		
8.3.1	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.	Section 5: Governance and Board of Directors.
8.4 Own Funds		
8.4.1	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)	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.
8.4.2	A firm must use the template available at <i>MIFIDPRU 8 Annex 1R</i> in order to disclose the information requested at <i>MIFIDPRU 8.4.1R</i> .	Section 7: Capital Instruments Template Table 4: Own funds: main features of own instruments issued by the firm.
8.5 Own Funds Requirements		
8.5.1	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.	Section 1: Overview and Key Metrics. Table 1: Key Metrics.
8.5.2	An investment firm must disclose its approach to assessing the adequacy of its own funds in accordance with the overall financial adequacy rule.	Section 3: Capital Management.
8.6 Remuneration policy and practices		Section 8: Remuneration
8.7 Investment policy		Not applicable

10. Appendix II: Abbreviations

Term	Definitions
AIFM	Alternative Investment Fund Managers
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
EVAIL	Eaton Vance Advisers International Ltd
FCA	Financial Conduct Authority
FOR	Fixed Overheads Requirement
FX	Foreign Exchange
GBP	British pound sterling
IAD	Internal Audit Department
ICARA	Internal Capital Adequacy and Risk Assessment
ICAAP	Internal Capital Adequacy Assessment Process
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 Limited
Non-SNI	Non small and non-interconnected
NPA	New Product Approval
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
UCITS	Undertaking for Collective Investment in Transferable Securities
UK	United Kingdom
U.S.	United States