Kohlberg Kravis Roberts
KKR Credit Advisors (Ireland)

KKR Credit Advisors (Ireland) Unlimited Company

PILLAR 3 DISCLOSURES

JUNE 2018

1. Background

The European Union Capital Requirements Directive IV ("CRD" or "the Directive") as amended, sets out the regulatory framework governing the amount of capital which must be maintained by credit institutions and investment firms in Europe.

As an authorised MIFID regulated investment firm in Ireland, the CRD applies to KKR Credit Advisors (Ireland) Unlimited Company, hereafter "KKR CAI" or "the Firm". The regulatory framework comprises three Pillars:

- Pillar 1 sets out the minimum capital requirements that a firm is required to meet;
- Pillar 2 requires the firm to assess the amount of capital that would be adequate to cover the risks that the firm has or may be exposed to (Internal Capital Adequacy Assessment Process) which are not adequately covered by Pillar 1; and
- Pillar 3 requires the firm to disclose its risk management strategies, policies and processes, capital resources, capital requirements and the firm's approach to assessing capital adequacy.

The purpose of this document is to provide the Pillar 3 disclosures required for KKR CAI as at 31 December 2017. The requirements provide for the omission of one or more of the required disclosures if such information is considered to be immaterial, proprietary or confidential.

Information shall be regarded as material in disclosures if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

Information shall be regarded as proprietary to a firm if sharing that information with the public would undermine its competitive position. It may include information on products or systems which, if shared with competitors, would render a firm's investments therein less valuable.

Information shall be regarded as confidential if there are obligations to customers or other counterparty relationships binding a firm to confidentiality.

KKR CAI is a consolidated subsidiary of KKR & Co L.P. ("KKR"), a Delaware entity.

KKR CAI's primary regulatory activity is portfolio management of securitisation vehicles, alternative investment funds and separate managed accounts.

2. Scope of Application

KKR CAI is regulated by the Central Bank of Ireland ("CBOI") on a stand-alone basis and is not subject to consolidated supervision. The Pillar 3 disclosures contained within this document therefore apply to KKR CAI on an individual basis.

3. Frequency of Disclosure

The Firm publishes Pillar 3 disclosures on at least an annual basis. Given the scale and range of its operations and complexity, the Firm assesses that there is no need to publish some or all of its disclosures more frequently than annually.

4. Risk Management

4.1 Risk management body

The KKR CAI Board of Directors have ultimate responsibility for the wider risk management of the Firm. The Board are responsible for implementing the Firm's business plan and establishing its risk appetite. The Board reviews its risk appetite determinations at least annually, including in connection with the ICAAP process.

The Board meets on a quarterly basis and at such other times as may be necessary to review, discuss and approve matters relating to the Firm such including risk management (quarterly risk report, KKR CAI Risk dashboards and risk register/ICAAP review).

The KKR CAI Risk Officer independently reports to the Board of KKR CAI on a quarterly basis, including reporting the results of the Risk Appetite Statement measures.

4.2 Risk Management Framework

The KKR group operates an enterprise level risk governance framework and committee structure based on the three lines of defence model. This approach enables independent oversight of both (i) the primary risk takers in the business, as well as (ii) oversight of the risk and control functions that enable and advise the business on risk optimization:

•First line of defence: business owners are responsible for the identification and management of risks. Oversight of KKR's overall businesses and associated risks is executed by local and global committees for each business line. The KKR CAI CEO and Board of Directors are the first line of defence for KKR CAI.

•Second line of defence: KKR's control functions including Compliance, Finance and Risk advise on risk management strategies for the Firm, monitor risk management practices for the Firm and their implementation, provide independent challenge and provide reporting to (i) the business, (ii) the relevant Global or Regional Head of their function and (iii) to the KKR Risk and Operations Committee (ROC).

•Third line of defence: Internal Audit provides independent testing and validation of business processes and risk management, reporting to the KKR Global Audit Committee. Internal Audit also shares its reports with the relevant business heads, CEO and Board of Directors; the KKR ROC; and, for KKR CAI to the KKR EMEA Audit, Risk and Compliance Committee which is chaired by the Chief Compliance Officer – International Markets.

4.3 Risk appetite statement

Our risk management policies and processes are comprehensive and proportionate to the nature and scale of KKR CAI's activities.

The risk appetite framework is discussed and agreed with the Board, and is reviewed and updated each year based on the development of the key risks / risk profile of the Firm.

The methodology for deriving these statements is as follows:

•Through the annual Risk Register review, the Firm identifies the material risks to achieving KKR CAI objectives and strategy

•For the material risks identified, KKR CAI has developed a comprehensive set of risk appetite objectives and area-specific risks

Each quarter, the KKR CAI Board of Directors receives a complete set of risk appetite statements as well as the KKR CAI Risk Dashboards (which the statements feed into). These are discussed during the Board meeting and any necessary mitigating actions agreed and assigned. Any items requiring action are monitored and tracked by the relevant control functions and the Risk team. The Board is kept informed of meaningful developments as they arise and/or at the next Board meeting as appropriate.

4.4 Adequacy of risk management arrangements

The Board considers that is has in place adequate and appropriate systems and controls with regards to the Firm's strategy and that the Firm is properly resourced and skilled, to avoid or minimise loss.

4.5 Identified Risks

The following risks are considered to be the most significant business risks:

a) Business and Strategic and fund performance risk

The risk that strategic business decisions prove to be ill-founded or poorly executed (e.g. performance, investment decisions, moves into new markets, products, or regions; changing the operating model), or there is a failure to anticipate / react to a more general shift in the economic environment or the loss of key personnel).

Fund performance risk is controlled and managed by ensuring that all new investments are approved by the Investment Committee. Business risk is controlled and managed through all new strategic initiatives being approved by the Board. KKR CAI considers the risks in its' business carefully and seeks to reduce and mitigate risks so as to ensure it maintains an appropriate capital position.

Risk regarding the ability to attract and retain appropriate investors into the KKR Funds and the management of investor relations.

To manage the risks regarding the ability to attract and retain appropriate investors into the KKR Funds and to successfully manage investor relations, a team of individuals with solid experience in capital raising and investor relations manage the KKR Funds and manage investor relationships.

b) Reputational risk

The current and prospective impact on earnings (and/or access to liquidity and capital) arising from how KKR CAI is perceived by counterparties, regulators, clients and governments is considered an ongoing risk to the firm.

This risk is managed centrally via the KKR Public Affairs team, the KKR client relationship team and locally by the Board of KKR CAI.

c) Operational risk

The risk of loss resulting from inadequate or failed internal processes relating to back office operations, human resources, legal, compliance, IT systems, financial reporting, public affairs, tax and insurance.

KKR CAI has processes and controls in place to manage and mitigate operational risks and local controls are supplemented by operational support from KKR.

d) Market risk

KKR CAI does not have material exposures to credit risk save for fee receivables and risk on banks with which it deposits funds and there are no material net exposures to market risk.

4. Capital Resources and Capital Adequacy

As at 31 December 2017, KKR CAI's capital resources were comprised of Tier 1 capital only, which included audited accumulated profits but does not take into account the unaudited profits of the Firm occurring subsequent to such date.

Capital Position as of 31 December 2017

	€'000
Ordinary Share Capital	0
Capital Contribution	266,001
Reserves	17,702
Deductions	(236,359)
Available tier 1 Capital	47,345

In addition, KKR CAI currently has access to additional capital resources through the firm's direct parent company and ultimately from the KKR Group.

5. Minimum Capital Requirement

The Firm's overall regulatory capital requirements are determined after performing Pillar 1 capital calculations and assessing Pillar 2 capital requirements. The calculation of Pillar 1 and Pillar 2 capital requirements allows the Firm to determine, and subsequently monitor, the appropriate amount of capital to be held based on its risk profile.

As at 31 December 2017 KKR CAI's minimum regulatory capital requirement was €5.1m (Pillar 1 requirement of €4.1m and Pillar 2 requirement of €1.0m).

During the financial year ended 31 December 2017, the Firm maintained surplus capital resources at all times to satisfy its minimum capital requirements.

6. Oversight

The Board of Directors monitors the on-going compliance of the firm with its minimum capital requirements and ensures that the firm maintains adequate capital to cover its material risks at all times.

7. Internal Capital Adequacy Assessment Process ("ICAAP")

KKR CAI conducts at least annually an internal assessment of the amount of capital that is considered adequate to cover the risks facing the firm's current and future activities.

Determination of the business strategy for the Firm includes the projection of financial profitability, capital resources and capital requirements. Stress testing and scenario analysis are also conducted on these projections in order to determine the appropriate level of capital required to be held by the Firm. The key risks to which the business is or might be exposed are considered along with the amount of capital that would be considered adequate to cover the Firm in the event that those risks were to crystallise. In addition, the economic environment and the impact of adverse economic conditions on the Firm's profitability and capital position are considered, as well as the actions that management would take in those situations.

8. Remuneration Code

KKR CAI is authorised and regulated by the CBOI as a MIFID investment firm and is subject to the rules on remuneration outlined in the CRD IV and CRR (collectively referred to as "CRD"). The CRD remuneration rules cover an individual's total remuneration both fixed and variable. KKR CAI, in line with KKR, offers a fixed base salary to its employees and also a variable remuneration, which is dependent on individual and business performance.

KKR CAI's policy is designed to ensure compliance with the CRD and the Firm's compensation arrangements:

- Do not encourage excessive risk taking;
- Are consistent with and promote effective risk management;

- Include measures to avoid conflict of interest;
- Are in line with the Firm's business strategy, objectives and interests.

The CRD requires authorised firms to apply principles of proportionality when establishing and applying their remuneration policies, having regard to their size, internal organisation, nature, scope and complexity of their activities. The proportionality principles outlined in the CRD and the European Bank Authority Guidelines aims to match the remuneration policies and practices with the individual risk profile, risk appetite and the strategy of the firm. KKR CAI's policy and disclosures are made in accordance with these principles.

The remuneration of the KKR CAI senior management is set by the Global Heads of KKR Credit, as appropriate, in conjunction with members of the KKR Management Committee and with the assistance of the human resource department, having regard to the principles laid out in the Firm's Remuneration Policy Statement and the Firm's Conflict of Interest Policy.

Appropriate measures are taken to ensure that support and control employees are not placed in a position where their activities could be directly linked to an increase in their variable remuneration. In addition to reporting to KKR CAI CEO, the support and control employees have independent reporting lines to the KKR Global Head of the relevant support and control function who also have input to support and control employee remuneration.

The Remuneration Policy (in accordance with requirements of the CRD) outlines the governance framework supporting the remuneration practices in relation to staff whose professional activities have a material impact on the Firm's risk profile. The schedule of Identified Staff is maintained by Compliance.

Remuneration is made up of fixed and variable elements. Variable remuneration is discretionary and is awarded based on performance against a number of financial and non-financial metrics, in each case taking appropriate consideration of all regulatory guidance, the function of the relevant employees and the impact of their actions on the risk profile of the Firm. Variable remuneration is paid in cash and in certain cases in common units of KKR and carry dollar, which may be subject to a deferral process.

As at 31 December 2017 there were 11 personnel were classified as holding senior management roles and/or whose actions have a material impact on the risk profile of the firm.

For the year ended 31 December 2017, total remuneration payable to Senior Management who are involved in the KKR CAI business was €8.4m