KKR Kohlberg Kravis Roberts

Prisma Capital Management International LLP

Pillar 3 Disclosures June 2016

1. Background

The Capital Requirements Directive (the “Directive”) of the European Union establishes a revised regulatory capital framework governing the amount and nature of capital that credit institutions and investment firms must maintain. The Financial Conduct Authority (the “FCA”) implemented the Directive in the United Kingdom in its regulations through the General Prudential Sourcebook (“GENPRU”) and the Prudential Sourcebook for Banks, Building Societies and Investment Firms (“BIPRU”).

The FCA framework consists of 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); 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 in BIPRU Chapter 11. 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.

2. Scope of Application

Prisma Capital Management International LLP (the “Prisma LLP” or the “Firm”) is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. The Firm has been categorised as a €50k limited licence BIPRU firm by the FCA for capital purposes and has no trading book exposures, nor does it hold client monies. Prisma LLP as a member of a group is required to prepare consolidated reporting for prudential purposes. We foresee no impediments to the prompt transfer of capital between group entities should the need arise and there are no differences in the basis of consolidation for accounting and prudential purposes.

3. Frequency of Disclosures

The Firm publishes Pillar 3 disclosures on at least an annual basis in conjunction with the date of its financial statements. 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

Prisma LLP is governed by its Executive Committee who determines its business strategy and risk appetite. They are also responsible for establishing and maintaining the Firm’s governance arrangements along with designing and implementing a risk management framework that recognises the risks that the business faces. The Executive Committee meets regularly to monitor, assess and review general business activity.

The Executive Committee also determine how the risk the Firm’s business faces may be mitigated and assess on an on-going basis the arrangements to manage those risks. The Executive Committee manage the Firm’s business risks through a framework of policy and procedures having regard to relevant laws, standards, principles and rules (including FCA principles and rules). These policies and procedures are updated as required.

The Executive Committee have identified that business, operational, and liquidity risks are the main areas of risk to which the Firm is exposed. Annually the Executive Committee formally review their risks, controls and other risk mitigation arrangements and assess their effectiveness. Where the Executive Committee identify material risks, they consider the financial impact of these risks as part of business planning and capital management and conclude whether the amount of regulatory capital is adequate.

Business risk

Prisma LLP in conjunction with its US Parent, Prisma Capital Partners LP ("Prisma LP"), monitors the business environment on an on-going basis to ensure that the Firm has appropriate resources. As a regulated entity, the Executive Committee have identified regulatory compliance as a key business risk. To mitigate this risk the Executive Committee utilise both internal and external regulatory resources to ensure that all necessary regulatory requirements are met.

The future health of the business is dependent upon good investment performance and the ability to retain and/or increase the assets under management. If for whatever reason, assets under management significantly decrease then this could jeopardize the future of the US and UK businesses. Faced with insufficient assets, the business would be wound down in an orderly manner.

Prisma LLP's key assets are its staff members. Inability to retain and recruit suitably qualified professional staff could lead to closure of the business. This risk is mitigated by the implementation of strong incentives for key staff to remain at and in the continual success of the Firm, such as a share in the profits of the Firm and rewarding staff with above average industry remuneration rates. In addition, Prisma LLP uses experienced and reputable recruitment consultants, who can provide high quality temporary employees at short notice if required.

Operational risk

Operational risk includes a risk of loss resulting from inadequate or failed internal processes relating to human resources, legal, compliance, IT systems, financial reporting, public affairs, tax and insurance. The Firm has processes and controls in place to manage and mitigate operational risks and, as a result, operational risks are not considered to be net material risks to the business.

5. Capital Resources and Capital Adequacy

Prisma LLP is a Limited Liability Partnership and its capital arrangements are established in its Partnership Agreement and are enhanced by the production and regular updating of its Individual Capital Adequacy Assessment Process (the "ICAAP"). As at 31 December 2015 the LLP's capital resources were £1,600,000 and comprised of Tier 1 capital only.

6. Minimum Capital Requirement

The Firms overall regulatory capital requirements are determined after performing Pillar 1 capital calculations, assessing Pillar 2 capital requirements and taking into account any Individual Capital Guidance ("ICG") issued by the FCA.

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.

During the financial year ended 31st December 2015, the Firm maintained surplus capital resources at all times to satisfy its minimum capital requirements.

Primsa LLP is small with a simple operational infrastructure. There is no market risk as all accounts receivable are in Pounds Sterling. There is limited credit risk from management fees receivable from Prisma LP. Prisma LLP follows the standardised approach to market risk and the simplified standard approach to credit risk. The Firm is subject to the Fixed Overhead Requirement ("FOR") and is not required to calculate an operational risk capital charge though it considers this as part of its process to identify the level of risk based capital required.

As discussed above, the Firm is a limited licence firm and as such its Pillar 1 capital requirements are the greater of:

- its base capital requirement of €50,000; or
- the sum of its market and credit risk requirements; or
- its Fixed Overhead Requirement ("FOR").

It is the Firms experience that, as the FOR exceeds the market and credit risks of £50,000; it is this FOR therefore that establishes the variable capital requirement of £731,000 as at 31st December 2015.

Pillar 2 requires firms to assess the amount of internal capital they consider adequate to cover all of the risks to which they are, or are likely to be, exposed to. It also requires firms to consider the costs associated with winding down Firm (orderly wind down) and various stressed scenarios. The Firms Pillar 2 requirements have been assessed as being lower than its Pillar 1 requirement, and therefore it's the minimum capital requirement is £731,000 at the reporting date.

7. Oversight

The Executive Committee monitor the on-going compliance of the firm with its capital requirements and assess the impact on capital adequacy. This ensures that the firm maintains adequate capital to cover its credit, market and operational risks at all times.

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

The Firm 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. 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 crystallize. 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.

9. Remuneration Code Disclosures

The Firm is subject to the FCA's rules on remuneration. The rules are contained in the FCA's Remuneration Code located in the SYSC Sourcebook of the FCA's Handbook. The Remuneration Code (the "RemCode") covers an individual's total remuneration both fixed and variable. The Firm 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.

The Firm's policy is designed to ensure compliance with the RemCode and the Firm's compensation arrangements:

- does not encourage excessive risk taking;
- is consistent with and promote effective risk management;
- include measures to avoid conflict of interest; and
- is in line with the Firm's business strategy, objectives and interests.

The RemCode requires authorised firms to apply principles of proportionality when establishing and applying their remuneration policies. The FCA applies the proportionality by categorising firms into three tiers. The Firm falls into tier three and as such this disclosure is made in line with the requirement of a tier three firm.

Remuneration is set by the Global Heads of Prisma LP, 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. Similarly, remuneration for other Primsa LLP employees is also overseen by the Board, in line with the strategic guidelines and decisions of the wider KKR Management Committee, with the assistance of human resources.

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.

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, which may be subject to a deferral process.

For the year ended 31 December 2015, total remuneration payable to senior management who are involved in Prisma LLP business was £5.1m.