



Kohlberg Kravis Roberts

KKR Credit Advisors (Ireland) Unlimited Company

---

## **KKR Credit Advisors (Ireland) Unlimited Company**

### **PILLAR III DISCLOSURES**

**JUNE 2024**

## Contents

<b>1. Background</b>	<b>3</b>
<b>2. Scope of Application</b>	<b>3</b>
<b>3. Frequency of Disclosure</b>	<b>3</b>
<b>4. Board of Directors</b>	<b>4</b>
4.2 Board of Directors	4
4.3 Risk Committee	4
4.4 Remuneration Committee	4
4.5 Recruitment and diversity	4
<b>5. Risk Management</b>	<b>5</b>
5.2 Risk management body	5
5.3 Risk Management Framework	5
5.4 Risk appetite statement	6
5.5 Adequacy of risk management arrangements	6
5.6 Identified Risks	6
5.7 Risk procedures and controls framework	7
5.8 Sustainability Risk	7
5.9 Liquidity Risk	7
5.10 Concentration Risk	8
5.11 Risk Strategy	8
5.12 Risk policies	8
<b>6. Capital Resources and Capital Adequacy</b>	<b>8</b>
<b>7. Capital Requirement</b>	<b>9</b>
7.2 Minimum Capital Requirements	9
7.3 Capital Ratio	9
7.4 Own Funds reconciliation	9
7.5 Fixed Overhead Requirement	9
7.6 K-Factor Requirement	10
7.7 Oversight	11
<b>8. Internal Capital Adequacy Assessment Process (“ICAAP”)</b>	<b>11</b>
<b>9. Remuneration Policy</b>	<b>11</b>
9.2 Remuneration Objectives	11
9.3 Remuneration Framework and Regulatory Compliance	12
9.4 Oversight of Remuneration	12
9.5 Remuneration Award Setting	12
9.6 Components of Remuneration	13
9.7 Fixed and Variable Remuneration	13
9.8 Remuneration Design	14
9.9 Material Risk Takers	14
9.10 Malus and Clawback	14
9.11 Quantitative Information on Remuneration	15
<b>10. Investment Policy</b>	<b>16</b>

## 1. Background

KKR Credit Advisors (Ireland) Unlimited Company (“KCAI” or “the Firm”) is authorised and regulated by the Central Bank of Ireland as a “Class 2” MiFID investment firm. In response to the governance requirements imposed by the Directive (EU) 2019/2034<sup>1</sup> and the Regulation (EU) 2019/2033<sup>2</sup> (together the “IFD/IFR”). The framework imposed new requirements relating to Capital and Own Funds, Liquidity, Internal Governance, Remuneration, Disclosure and Reporting on in-scope investment firms.

As an authorised MiFID regulated investment Firm in Ireland, the IFR/IFD applies to KCAI. The regulatory framework comprises three Pillars:

- Pillar I sets out the minimum capital requirements that a Firm is required to meet;
- Pillar II 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. This process is known as the Internal Capital Adequacy Assessment Process (ICAAP); and
- Pillar III complements the capital requirements described in Pillar I and Pillar II and seeks to promote greater market discipline and transparency through the disclosure of key information about risk exposures and risk management processes.

The purpose of this document is to provide the Pillar III disclosures required for KCAI as at 31 December 2023. 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.

KCAI is an indirect subsidiary of KKR & Co. Inc. (“KKR”), a Delaware entity, (NYSE: KKR). KKR is a US Securities and Exchange Commission (“SEC”) registered investment advisor.

KCAI’s primary regulatory activity is the portfolio management of securitisation vehicles, alternative investment funds and separate managed accounts.

## 2. Scope of Application

KCAI is regulated by the Central Bank of Ireland (“CBI”) on a stand-alone basis and is not subject to consolidated supervision. The Pillar III disclosures contained within this document therefore apply to KCAI on an individual basis.

## 3. Frequency of Disclosure

The Firm publishes Pillar III 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.

---

<sup>1</sup> Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU

<sup>2</sup> Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014

## 4. Board of Directors

### 4.2 Board of Directors

The number of Directorship held by the KCAI Board members are set out below:

Directorships held by Management body	
Number of Directorships held	66
of which KKR Group directorships	51
External Directorships	15

### 4.3 Risk Committee

KCAI has established a risk committee (the "KCAI Risk Committee") as a committee of the Board of Directors of KCAI (the "Board"). The KCAI Risk Committee is tasked with monitoring and making recommendations to the Board in relation to risk, including current and future risk appetite and strategy, as it relates to KCAI and its funds under management. The KCAI Risk Committee Terms of Reference will be reviewed on at least an annual basis. Meetings shall take place quarterly or at any other time as required.

The KCAI Risk Committee is composed of at least three members, currently comprised of Valeria Rebulli, as Chairperson, and Michael Buckley, Eileen Fitzpatrick and Eilish Finan as permanent members. All members of the KCAI Risk Committee meet the necessary suitability requirements, including individually and collectively, appropriate knowledge, skills and expertise concerning risk management and control practices, and have appropriate time to commit to the KCAI Risk Committee.

The KCAI Risk Committee have access to all the relevant information and data necessary to perform its role and receive regular reports, ad hoc information, communications and opinions from heads of internal control functions and other relevant functions concerning the current risk profile of KCAI, its risk culture and its risk limits, as well as on any material breaches that may have occurred, with detailed information on and recommendations for corrective measures taken, to be taken or suggested to address them.

### 4.4 Remuneration Committee

KCAI has established a remuneration committee (the "KCAI Remuneration Committee") as a committee of the Board, from which it derives its authority and to which it regularly reports. The KCAI Remuneration Committee Terms of Reference will be reviewed on at least an annual basis. Meetings take place at least twice a year, and otherwise as determined by the chairperson of the committee.

The KCAI Remuneration Committee is composed of three permanent members, all of which are the independent non-executive directors of KCAI. The chairperson of the committee is Eileen Fitzpatrick.

The KCAI Remuneration Committee has access to all data and information concerning the decision making process on the remuneration, including policies and practices design and implementation, oversight and review, and collaborate with other committees of the Board and the KKR Group whose activities may have an impact on the design and proper functioning of the remuneration policies and practices provide adequate information to the Board.

### 4.5 Recruitment and diversity

As a member of the KKR group, KCAI is focused on promoting and supporting diversity in both the Firm and in the industry. KCAI also provide employees with training and experiences that develop their skills to maximize performance and realize their full potential. Becoming more diverse and inclusive is a strategic priority for our internal operations, as we believe that people from different backgrounds and perspectives help us make better decisions.

In considering new appointments to the Board, the Firm acknowledges the importance and benefits of diversity (including, without limitation, by reference to the experience, background, race, culture, age and gender of any prospective candidates) in the boardroom. It is the policy of the Firm that all appointments to the Board are based on merit against objective criteria and with due regard to the benefits of diversity. The Board is committed to achieving an appropriate balance of diversity over time.

## 5. Risk Management

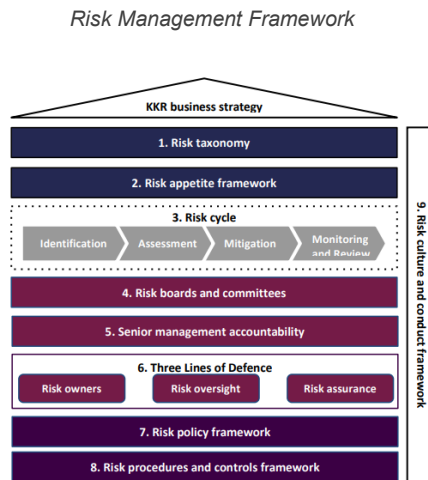
### 5.2 Risk management body

The board of directors (“the Board”) of KCAI are the governing bodies responsible for the management and supervision of their respective entities. Risk management is overseen at a global level by the KKR Global Risk and Operating Committee.

The Boards of KCAI delegate the oversight of risk management at a regional level to the KKR EMEA Audit, Risk and Compliance Committee (“ARC”). The ARC is tasked with monitoring and making recommendations to the Board in relation to Risk, financial reporting, external audit, internal controls and select regulatory and compliance matters.

### 5.3 Risk Management Framework

To help the Board discharge their responsibilities and support the management of risk, KKR Europe has established the Risk Management Framework (“RMF”). The Board is responsible for overseeing the risk framework of the Firm.



KCAI operates a three lines of defence model to manage risk throughout the business:

First line of defence: Risk owners embedding accountability with each employee at the business level forms the ‘first line of defence’. Business line management takes the lead in identifying and managing risks for their business areas.

**a) The first line is responsible for:**

- Identifying and managing all the risks in the activities in which they are engaged
  - Developing appropriate policies, standards and controls to govern their activities
  - Regular self-assessments of risks and controls
  - Escalating risk events and issues as appropriate
- Second line of defence: Risk oversight the business areas are independently monitored by the Risk and Compliance functions which form the ‘second line of defence’.

**b) The second line is responsible for:**

- Design and maintenance of the risk framework and programs for KCAI
- Facilitating risk management activities and providing oversight and challenge
- Ongoing monitoring of (i) risk exposure, (ii) design and performance of controls in the first line of defence
- Providing reporting to (i) the business, (ii) the relevant Global or Regional Head of their function (iii) relevant committees/governance forums. Note: Finance and Human Resources are control functions that provide oversight of certain risks, while also being accountable as first line owners of the risks inherent to their functional activities.

**c) Third line of defence: Risk assurance**

Internal Audit is the ‘third line of defence’, responsible for independently evaluating the adequacy and effectiveness of business processes and controls as well as evaluating the effectiveness of the 3rd Line Risk assurance, 2nd Line Risk oversight, 1st Line Risk owners second line functions. Internal Audit reports to the KKR Global Audit Committee and will also share their reports with the relevant business heads, CEO and Board of Directors.

#### **5.4 Risk appetite statement**

KCAI risk management policies and processes are comprehensive and proportionate to the nature and scale of KCAI'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 KCAI objectives and strategy; and
- For the material risks identified, KCAI has developed a comprehensive set of risk appetite objectives and area-specific risks.

Each quarter, the KCAI Board of Directors receives a complete set of risk appetite statements as well as the KCAI 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.

#### **5.5 Adequacy of risk management arrangements**

The Board considers that it 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.

#### **5.6 Identified Risks**

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

##### **a) Strategic & Business Risk**

The risk that strategic business decisions prove to be ill-founded or poorly executed (e.g. 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).

Business risk is controlled and managed through all new strategic initiatives being approved by the Board. KCAI 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) Financial Risk (including Market & Macro risk and Investment / Fund Performance Risk)**

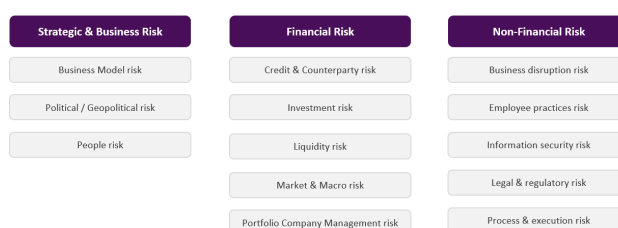
KCAI does not have material exposures to credit risk save for fee receivables and risk on banks with which it deposits funds and there are no material net exposures to market risk.

Investment / Fund performance risk is controlled and managed by ensuring that all new investments are approved by the Investment Committee. The objective of the Firm is to develop a positive institutional track record through the medium to long term outperformance of the funds under its management in relation to its peers.

##### **c) Non-Financial (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. KCAI has processes and controls in place to manage and mitigate operational risks and local controls are supplemented by operational support from KKR.

### Major risk categories and sub-categories



## 5.7 Risk procedures and controls framework

Business line management are responsible for effectively managing their risks within the Board / ExCo's risk appetite. They will use a range of preventative and detective controls to mitigate risk, while maintaining procedures that provide guidance on the activities required to meet the policy / control requirements.

KCAI's Risk and Control Self-Assessment ("Risk Register") process is designed to identify material risks that exist in the business. It is also used to assess the performance of the controls in place to mitigate those risks. Where the control is found to be less than effective, corrective actions are developed to address the deficiency. The firm regularly assesses its' top risks through cross functional discussions and the preparation of the annual Risk register.

## 5.8 Sustainability Risk

KCAI, as a member of KKR Europe, maintains that the thoughtful management of environmental, social, and governance (ESG), including sustainability and climate change issues makes KKR a better investor, and is an essential part of long-term business success in a rapidly changing world. This approach allows KCAI to better manage its own environmental, social and governance risks (including physical risks and transition risks as relevant and appropriate to KCAI).

Companies that carefully manage ESG and stakeholder risk today should be better positioned in the future as diminishing resources, changing consumer demands, evolving norms, and increased regulation are expected to pose greater challenges and opportunities for companies around the world. KKR seeks to reduce risk and enhance value by building a proactive focus on these issues across the investment life cycle, wherever possible. KKR is committed to investing responsibly by:

- Incorporating material ESG, regulatory, geopolitical, and reputational considerations into KKR's investment decision-making and management practices, where relevant. This includes considering key risks and opportunities during the diligence process and, where applicable, then engaging on these issues with the companies in which KKR invests or to which KKR provides financing.
- Communicating KKR's responsible investment approach, progress, and goals transparently to the public, KKR's fund investors, and other stakeholders.
- Advancing consistent and thoughtful responsible investment processes in the financial industry by collaborating with industry peers, standard-setting organizations, and other stakeholders.
- Maintaining KKR's own internal governance and culture to ensure that KKR acts as a good citizen in the communities in which KKR operates.

Further information on the KKR group approach to sustainability risk is available from [the website](#).

## 5.9 Liquidity Risk

Liquidity risk is the risk that the Firm will be unable to meet its financial commitments as they fall due.

The firm had cash balances of €99.8m at 31 December 2023 and this was held with three counterparties, Bank of Ireland, Barclays Wealth and BNY. The Firm considers the most likely liquidity stress to be that one of these counterparties places a short-term restriction on client monies and the firm cannot access the cash held at that bank. Notwithstanding this restriction the firm believes it will continue to be able to meet its financial commitments as they fall due - the firm's budgeted operating costs for 2024 are €51.6m and as cash balances are evenly split between the three counterparty banks the firm believes it will have sufficient access to cash to meet these budgeted costs. Moreover, the firm can also seek additional cash from the KKR group in the form of a short-term loan or capital contribution if required.

## 5.10 Concentration Risk

Concentration risk is defined as any single exposure or group of exposures with the potential to produce losses large enough to threaten the Firm's health or ability to maintain its core operations.

## 5.11 Risk Strategy

The Risk function is responsible for ensuring the consistent application of the RMF to help the business in achieving its strategic objectives. To achieve its mandate, the Risk function provides independent oversight and supports the business by:

- Leading a periodic review of the Risk taxonomy to ensure it continues to provide coverage of all risk exposures,
- Overseeing risk appetite setting, to support the management of material risks within appropriate limits,
- Supporting and challenging the business in ensuring comprehensive risk identification; providing a methodology to document and assess identified risks,
- Implementing and maintaining an appropriate risk governance structure and policy framework which supports the three lines of defence model,
- Independently monitoring risk management and business performance against agreed metrics and escalating issues for Board attention,
- Monitoring the effectiveness of business controls and reporting on deficiencies and potential gaps in the control landscape, and
- Facilitating the embedding of an effective risk culture through specialised training

## 5.12 Risk policies

Risk management policies are established only where the materiality of the risk exposure requires a formalised approach that clearly outlines compliance requirements. Policy documentation owned and maintained by the Risk function includes:

- A risk profile document that represents the funds, special purpose vehicles ("SPV") and Separate Managed Accounts ("SMA") (collectively "the Clients") currently managed by KKR Europe and the regulatory authority under which they are managed.
- A liquidity management policy that outlines the redemption rights and restrictions in place in each fund and the liquidity monitoring methodology. Policy documentation owned and maintained by the Compliance function is set out in the KKR Europe Regulatory Compliance Manual which is separately available.

## 6. Capital Resources and Capital Adequacy

KCAI'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.

<b>Capital Position as of 31 December 2023</b>	<b>€'M</b>
Ordinary Share Capital	0
Capital Contributions	308,188
Reserves	195,456
Deductions	<b><u>(403,822)</u></b>
Available Tier 1 Capital	<b><u>99,822</u></b>



## 7. Capital Requirement

### 7.2 Minimum Capital Requirements

The Pillar I minimum capital requirement was used as the starting point to consider what additional capital may be required to take account of those risks which are not included or fully captured by the Pillar I minimum capital requirement. This required an assessment first of whether the Pillar I minimum capital requirement fully captures the Pillar I risks (Operational risk, credit risk, FX risk and market risk), and second, how much capital to allocate against the Pillar II risks and external factors. As at 31 December 2023 KCAI's minimum regulatory capital requirement was €10.7M.

<b>Pillar I capital requirement</b>	<b>€M</b>
Permanent Minimum Capital	0.2
Fixed Overhead Requirement	10.7
K-Factor Requirement	3.2
<b>Pillar I capital requirement</b>	<b>10.7</b>

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 the Firm (orderly wind down) and various stressed scenarios.

<b>Pillar II capital requirement</b>	<b>€M</b>
Business & Strategic Risk	0.65
Financial Risk	0.65
Non-Financial Risk	1.9
<b>Total</b>	<b>3.2</b>

### 7.3 Capital Ratio

The Firm's capital ratios as at 31 December 2023 are as follows:

<b>Ratio</b>	
Common Equity tier 1 capital ratio	1027%
Tier 1 capital ratio	1027%
Total capital ratio	1027%

### 7.4 Own Funds reconciliation

Set out in Appendix 1.2 is the reconciliation of Own Funds, Restrictions, and deductions to the audited financial statement balance sheet of the firm.

### 7.5 Fixed Overhead Requirement

The fixed overhead requirement determined in accordance with Article 13 of this Regulation is €10.7m.

## 7.6 K-Factor Requirement

The K-factor approach is risk-based and is designed to capture the on-going impact an investment firm can have on others. K-factors are a series of risk parameters/indicators representing the specific risks investment firms face and the risks they pose to customers/markets. The IFR uses nine K-factors, which fall into three categories: Risk-to-Customer ('RtC') K-factors, Risk-to-Market ('RtM') K-factors and Risk-to-Firm ('RtF') K-factors. Details of the K-factors, their applicability to the Firm and the Capital Requirements are set out in the following table.

K Factor	Name	Meaning	Applicable to KCAI	Capital Requirement bps	Capital Requirement €
<b>Risk to Client</b>					
K-AUM	Assets under management	The value of assets that an investment firm manages for its clients under discretionary portfolio management and non-discretionary arrangements constituting investment advice	Yes	0.0200%	€3.2M
K-CMH	Client money held	The amount of client money that an investment firm holds or controls	N/A No client money held	0.4500%	-
K-ASA	Assets safeguarded and administered	Value of assets that an investment firm safeguards and administers for clients.	N/A No client assets administered	0.0400%	-
K-COH	Client orders handled - Cash and Derivative trades	Value of orders that an investment firm handles for clients, through the reception and transmission of client orders, and through the execution of orders on behalf of clients.	N/A As the firm already calculates K-AUM in respect of clients' investments	0.1000%	-
<b>Risk to Market</b>					
K-NPR	K-Net positions risk requirement	Value of transactions recorded in the trading book. Own Funds requirement for Market Risk Exposure from the Corep at the reporting date	N/A - KCAI does not deal/trade on its own account. FX risk picked up in Pillar II calculation	(8% x Exposure amount)	-
K-CMG	Clearing margin given	Amount of initial margins posted with a clearing member, where the execution and settlement of transactions of an investment firm dealing on its own account take place under the responsibility of a general clearing member	N/A KCAI does not deal/trade on its own account	Highest total amount of the initial margin posted to the clearing member by the investment firm over the preceding three months	-
<b>Risk to Firm</b>					
K-TCD	Trading counterparty default	This is relative to the exposure in the trading book of an investment firm. Exposure value = Max (0; Replacement Cost + Potential Future Exposure – Collateral).	N/A - CLO investments are not subject to K Factors as we are already taking a full deduction for them	Exposure value x risk factor (for credit institutions and investment firms the counterparty risk factor is 1.6%)	-
K-DTF	Daily trading flow - Cash and Derivative trades	Daily value of transactions that an investment firm enters through dealing on own account or the execution of orders on behalf of clients in its own name, excluding the value of orders that an investment firm handles for clients through the reception and transmission of client orders and through the execution of orders on behalf of clients which are already taken into account in the scope of K-COH.	N/A As the firm already calculates K-AUM in respect of clients' investments	0.0100%	-
K-CON	Concentration risk requirement	Relative to the exposures in the trading book of an investment firm to a client, or a group of connected clients, the value of which exceed the limit as set out in IFR Article 36.	N/A KCAI does not trade on its own account	Article 38 of IFR details a table of thresholds. The excess of each threshold will be multiplied by corresponding factors	-

Set out in Appendix 2 is the K-factor requirements calculated, in accordance with Article 15 of the Regulations, in aggregate form for Risk to Market, Risk to Firm and Risk to Client, based on the sum of the applicable K-factors (K - AUM).

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

## 7.7 Oversight

As at the 31 December 2023 the Firm had adequate capital resources to meet its ongoing regulatory and business requirements. The Board retains ultimate responsibility and oversight for all delegated activities and for all activities carried out by committees which it has appointed or on which it places reliance. From time to time the Board may consider it appropriate to delegate the execution of certain documents to a committee of the Board. This is only permitted where the Board has previously reviewed the subject matter of such documents, and where execution is by an authorised signatory of KCAI, as defined within KCAI's Signing Authority.

## 8. Internal Capital Adequacy Assessment Process (“ICAAP”)

This annual process was designed to incorporate significant senior management involvement in the ICAAP which reflects both challenge and testing of the ICAAP. Accordingly, senior management is involved each year from inception to final adoption and on a continuing basis as the ICAAP is embedded into the Firm's processes.

This process is designed to test and challenge the identified and potential new and emerging risks, both from the perspective of the business and from the perspective of the independent Risk, Finance and Compliance support functions.

The CEO, Board, Risk and Legal & Compliance teams are responsible for the ICAAP and for its implementation within the business on a day-to-day basis, including adherence to KCAI's risk appetite statements and risk management framework and reporting obligations.

The ICAAP, including its risk appetite statements, is a key reference document for monitoring and reporting on business risks throughout the year and for assessing new business or financial risks that may arise e.g. due to business changes or events.

Based on the forecasted financials, the regulatory capital calculations are prepared to analyse the regulatory capital movements through the cycle as below.

Capital Requirements	Base Case			
	2023 Actual €M	2024 Budget €M	2025 Projection €M	2026 Projection €M
<b>Pillar I Risks</b>				
<i>Pillar I Expenditure Requirement</i>	10.7	13.2	12.9	14.2
<i>K-Factor Requirement</i>	3.1	3.2	3.5	3.9
<i>Initial Capital Requirement</i>	0.2	0.2	0.2	0.2
<b>Pillar I Capital Requirement (Highest)</b>	<b>10.7</b>	<b>13.2</b>	<b>12.9</b>	<b>14.2</b>
<b>Pillar II Risks</b>				
Business & Strategic risk	0.6	0.7	0.6	0.7
Financial Risk	0.6	0.7	0.6	0.7
Non-Financial Risk	1.9	2.0	1.9	2.1
Total	3.2	3.3	3.2	3.5
Total Capital Requirement - P1 and P2	13.9	16.5	16.1	17.7
Own Funds (net of deductions)	125.1	65.9	66.0	58.6
Excess over Capital requirement	111.2	49.4	49.9	40.9
Capital Ratio	900%	400%	409%	331%

## 9. Remuneration Policy

### 9.2 Remuneration Objectives

KCAI's principal remuneration objective is to ensure remuneration policies and practices for all staff are in line with the firm's business strategy, objectives, risk appetite, culture and values and long-term interests. KCAI offers competitive remuneration and appropriate reward and incentivisation schemes, to attract and retain individuals with suitable qualifications, experience and skills. The Board and Senior Management of KCAI considers it is important that staff be compensated in a manner that motivates them to excel and encourages them to remain with KCAI.

Further, the Firm intends to align the interests of staff with those of the wider KKR Group and its shareholders by encouraging the fostering of relationships amongst colleagues and divisions for sourcing business opportunities,

developing and maintaining client and investor relationships, and promoting the success of KKR Group as a whole for the benefit of its stakeholders.

The Firm is committed to ensuring remuneration policies are appropriate to the nature, scale and complexity of the risks inherent in the business model and activities of KCAI. The remuneration policies of the firm are considered appropriate to the risk profile of the firm, the investments managed and the promotion of sound risk management.

KKR Group believes in a culture of meritocracy and fairness. Individual remuneration is not based on the success of specific transactions, investments, commissions, fees, profits or other income generated in connection therewith. Remuneration is based on the performance of each member firm of KKR Group individually and as a whole, and on an individual's contributions to KCAI, as well as to KKR Group.

### **9.3 Remuneration Framework and Regulatory Compliance**

KCAI is subject to the remuneration requirements under the IFR/D Regulatory Regime and as such, all staff of KCAI are subject to the regime's basic remuneration obligations.

As a Class 2 Firm, KCAI's material risk takers ("MRTs") are also subject to the requirements of the IFR/D Regulatory Regime. MRTs are members of staff whose professional activities have a material impact on the risk profile of KCAI or of the risk profile of the assets that the firm manages. The Firm is responsible for reviewing and approving the list of MRTs annually.

The KCAI framework is documented within KKR Group's European Regulatory Remuneration Policy Statement (RPS"). The purpose of the RPS is to set out the remuneration policies and practices for affiliates of KKR Group which are authorised and regulated in the UK or European Union as investment firms. As such, the RPS applies to all staff of KCAI, which includes employees, officers and members.

KCAI in line with the RPS, offers a fixed base salary to its employees and a variable remuneration, which is dependent on individual and business performance. The level of variable remuneration to be granted takes into account:

- KCAI's overall profitability.
- The performance of the business in which the executive works.
- The executive's individual performance and contributions to the management, leadership, culture and values of KKR.

The RPS is reviewed, amended (if necessary) and approved annually by the KCAI in order to:

- Not encourage excessive risk taking;
- Cover all aspects of remuneration within the scope of the IFR/D Regulatory Regime for all staff;
- Be clear and documented;
- Be appropriate and proportionate to the nature, scale and complexity of the risks inherent in the business model;
- Be consistent with and promote sound and effective risk management;
- Be in line with the KCAI's business strategy, objectives and interests;
- Include measures to avoid conflicts of interest; encourage responsible business conduct and fair treatment of clients;
- Include measures to avoid conflict of interest; and
- Comply with all applicable regulatory remuneration disclosure and regulatory reporting requirements for the relevant performance period.

### **9.4 Oversight of Remuneration**

Individual remuneration is set and approved in conjunction with the Firm's Remuneration Committee and Senior Leadership of KKR.

The Remuneration Committee directly oversees the remuneration of KCAI's support and control function directors, senior managers and MRTs, with input from the relevant Global Heads of the KKR Group Support and Control Functions.

The Firm is also responsible for commissioning, at least annually, a central and independent internal review to assess whether the Remuneration policies and practices implemented comply with the remuneration policies and practices that they have adopted. KKR Group Internal Audit conducted a central and independent review in Q2 2022.

### **9.5 Remuneration Award Setting**

The KKR Group bonus pool, incentive pools and strategic guidelines for their implementation are set by the Senior Leadership Team of KKR. The Senior Leadership Team has overall responsibility for administering the KKR reward schemes, including making the adjustments referred to in further detail below, and ensuring that remuneration decisions, bonus pools and incentive scheme allocations take into account implications for risk and risk management and the long-term interests of stakeholders as a whole.

The Board has overall responsibility for KCAI's prudential matters, including compliance and risk management, and is therefore suitably positioned to ensure that staff and MRT remuneration decisions and awards are consistent with the RPS, encourage responsible business conduct, avoid conflicts of interest, promote risk awareness and prudent risk taking and do not exceed the firm's level of tolerated risk or financial resources, or impact the maintenance of a sound capital base.

In relation to variable remuneration, the Firm ensures:

- The total amount of the variable remuneration is based on a combination of the assessment of the performance of the individual; the business unit concerned; and the overall results of the firm; and
- The assessment of performance is part of a multi-year framework that ensures the assessment of performance is based on longer-term performance; and,
- The payment of performance-based remuneration is spread over a period that takes account of the business cycle of the firm and its business risks; including the investment risks and redemption policy for the relevant funds/AIFs managed as applicable.

## 9.6 Components of Remuneration

The types of remuneration awards by KCAI, together with the categorisation of this remuneration between fixed and variable and any conditions relating to them are stated below:

Component	Settled in	Vesting Criteria	Market Performance Conditions	Malus and Clawback (to MRTs)
Fixed	Cash	No	No	No
Variable	Cash	No	No	Yes
Variable	Equity	Yes	No	Yes
Variable	Equity	Yes	Yes	Yes

## 9.7 Fixed and Variable Remuneration

Remuneration consists of fixed and variable elements:

**Fixed Remuneration:** A staff member's fixed remuneration is generally defined as their base salary and other fixed contractual benefits. Remuneration is considered fixed where the following conditions are satisfied and the award and its amounts are based on predetermined criteria, are non-discretionary, reflect the level of professional experience, seniority and organisational responsibility as set out in their particular role description, are transparent with respect to the individual amount awarded to the individual staff member, are permanent, i.e. maintained over a period tied to the specific role and organisational responsibilities, are non-revocable, the permanent amount is only changed via collective bargaining or following renegotiation in line with national criteria on wage setting, cannot be reduced, suspended or cancelled by the firm, do not provide incentives for risk assumption, and do not depend on performance.

The extent to which a staff member's fixed remuneration will be subject to periodic review is set out in the agreement governing their employment or appointment. In general, however, KCAI will be under no obligation following a review to award any increase and any increase in fixed remuneration will only be awarded if it is sustainable according to the financial situation of KCAI or the wider KKR group.

In compliance with the Firm, fixed remuneration represents a sufficient level of total remuneration to ensure the possibility of paying lower, or no, variable remuneration in any particular year.

The Firm believes that the fixed remuneration of certain key executive officers should typically not be the most significant component of total remuneration.

**Variable remuneration:** A staff member's variable remuneration is generally defined as remuneration that is based on performance; or in exceptional cases other conditions. Where based on performance the variable remuneration reflects the long-term performance of the staff member as well as performance in excess of the staff member's role description and terms of employment or appointment.

The application of performance adjustments could lead to the payment of no variable remuneration to a particular employee in a particular year.

KCAI sets the ratio at a level deemed to not promote taking risks beyond the firm's risk appetite.

The KCAI ratio is reviewed and approved by the Firm annually. The ratio set for a performance year reflects the highest amount of variable remuneration that can be awarded in the most positive scenario and that doesn't affect KCAI's ability to ensure a sound capital base.

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 KCAI, which may be subject to a deferral process.

As at 31 December 2023, there were 14 personnel who were classified as holding senior management roles and/or whose actions have a material impact on the risk profile of the firm.

As at 31 December 2023, total remuneration awarded to Senior Management who spend the majority of their time involved in the KCAI business and members of staff who have a material impact on the risk profile of the Firm was €20.8M (€7.2M fixed and €13.6M variable compensation including €12.1M of which is deferred over 3 to 5 years).

The total aggregate remuneration for KCAI staff is disclosed in the firm's FY 2023 Report and Audited Financial Statements.

### 9.8 Remuneration Design

Appropriate measures are taken to ensure that support and control function 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 KCAI CEO, the support and control function 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 function employee remuneration.

There are a number of specific areas which make up KCAI's remuneration design. They are as follows:

**Guaranteed remuneration:** KCAI can, in limited circumstances, award guaranteed variable remuneration to staff. "Make-whole" awards are discretionary replacement awards, when new joiners lose a bonus entitlement from a previous employer. KCAI makes such payments in order to treat new joiners fairly.

**Severance awards:** KCAI may be obligated to make payments to staff should their contract be terminated early. Such payments would reflect performance whilst being employed by the firm and would not reward failure, excessive risk taking or misconduct. When making such payments, account is taken of relevant factors applying to the individual, such as tenure, notice period and their participation, if any, in long-term incentive plans and pension schemes, unused annual leave and any incremental costs incurred by the employee as a result of termination.

**Adjustments to Variable Remuneration:** The allocation of variable remuneration components takes into account all current and future risks. To do this, KCAI will determine the level of seniority and responsibility adjustments should apply to, which risk adjustment techniques and measures are most appropriate and consider both financial and non-financial risks.

Ex-ante performance adjustments are included in determining the initial allocation or award of variable remuneration. This would include consideration of the member of staff's impact on the future business of the firm and the level of risk inherent in their role.

Ex-post performance adjustments are considered as a method to adjust variable remuneration allocated or awarded to staff after a reasonable period that has allowed risks to materialise and be measured against the parameters set out in the risk management framework. This would include consideration of the staff member's adherence to KCAI's risk management framework and policies, involvement in any operational loss events, breaches of regulations or laws and quality of engagement with third parties (including clients).

Ultimately, in the event that the financial performance of KCAI is subdued, the Firm must ensure the firm's total variable remuneration is appropriately contracted, including through malus or clawback arrangements as explained further below.

### 9.9 Material Risk Takers

KCAI has identified 14 MRTs on the basis of being at least one of the following:

- A member of the Board.
- A member of the senior management for the purposes of the Regulatory Regime.
- Responsible for business units carrying out KCAI's activities permitted by the CBI.
- Responsible for activities of a Control Function, the prevention of money laundering and terrorist financing.
- Responsible for managing a material risk.
- Responsible for managing information technology, information security, outsourcing of critical or important functions, taking decisions approving or vetoing the introduction of new products and economic analysis.

Subject to regulatory approval, the quantitative criteria do not apply where the firm determines that the staff member, or the category of staff to which they belong, has no material impact on the risk profile of KCAI or the assets it manages.

The remuneration of these MRTs is subject to the malus and clawback (explained below) requirements of the RemCode as applied to both remuneration paid in a year and deferred awards.

### 9.10 Malus and Clawback

The Remuneration Rules require that KCAI sets out malus and clawback arrangements in relation to MRTs. These are arrangements that could result in adjustments to remuneration.

The key difference between malus and clawback is whether the award has already been paid or not.

- Malus provisions allow a firm, in certain situations, to reduce or cancel a cash bonus or share award before it has been paid out (or the shares issued or transferred).

- Malus provisions can also be applied to deferred remuneration e.g., to a share award that has been deferred and is not yet vested.
- Clawback provisions allow a firm to recover a bonus or share award, after it has been paid out.

The in-year adjustment, malus and clawback arrangements cover situations where the relevant MRT:

- Participated in or was responsible for conduct such as fraud or severe negligence which resulted in significant financial losses to the firm; and/or
- Failed to meet appropriate standards of fitness and propriety including material instances of misconduct, misbehaviour or material error.
- If the Firm or the relevant business unit suffers a material failure of risk management due to actions of the MRT.

Malus may be applied to a MRTs variable remuneration until the award has vested in its entirety.

The minimum malus and clawback period is three years. This allows sufficient time for any potential risks to crystallise. Different periods may be set for different categories of MRTs. The clawback period will span at least the combined length of any Deferral Periods and Retention Periods. Clawback will be applied at the minimum, in cases of fraud or other conduct with intent or severe negligence, which led to financial losses.

### 9.11 Quantitative Information on Remuneration

As required under Article 51(c) IFR, The information below relates to the financial year ending 31 December 2023. The MRT aggregates are shared below.

Year		Total
		€K
2023	Fixed Remuneration	7,247
	Variable Remuneration	13,597
	Total Remuneration	20,845
	Number of Staff	14

The amounts and forms of variable remuneration are shown below.

Year		Total
		€K
2023	Cash	1,430
	Shares	12,167

Information on deferred remuneration awarded for previous performance periods is shown below.

Deferred remuneration (all figures in €'000)	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Cash	0	0	0	0	0	0	0
Shares	14,479	2,154	12,325	0	0	0	2,484
<b>Total amount</b>	<b>14,479</b>	<b>2,154</b>	<b>12,325</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,484</b>

## **10. Investment Policy**

KCAI is not required to disclose an investment policy as the proportion of voting rights that KCAI directly or indirectly holds falls below the threshold of 5% of all voting rights attached to the shares issued by companies in which they hold voting rights during the period.



## Appendix 1 Disclosure on own funds templates

INVESTMENT FIRMS DISCLOSURE			
Template number	Template code	Name	Legislative reference
		<b>OWN FUNDS</b>	
1	IF CC1	COMPOSITION OF REGULATORY OWN FUNDS	Art 49(1)(c)
2	IF CC2	OWN FUNDS RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS	Art 49(1)(a)
3	IF CCA	OWN FUNDS MAIN FEATURES	Art 49(1)(b)

## Appendix 1.1 Template EU IF CC1.03 - Composition of regulatory own funds (Group capital test)

		(a)	(b)
		Amounts €M	Source based on reference numbers/letters of the balance sheet in the audited financial statements
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>			
1	<b>OWN FUNDS</b>	99	Sum formula
2	<b>TIER 1 CAPITAL</b>	99	Sum formula
3	<b>COMMON EQUITY TIER 1 CAPITAL</b>	99	Sum formula
4	Fully paid up capital instruments	0	Template EU IF CC2 Equity Row 1 Column a
5	Share premium		
6	Retained earnings	195	Sum formula
7	Previous years retained earnings	145	Template EU IF CC2 Equity Row 2 Column a
8	Profit or loss eligible	50	Template EU IF CC2 Equity Row 2 Column a
9	Accumulated other comprehensive income		Template EU IF CC2 Equity Row 2 Column a
10	Other reserves	308	Template EU IF CC2 Equity Row 3 Column a
11	Adjustments to CET1 due to prudential filters		
12	Other funds	(0)	
13	(-) <b>TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1</b>	(404)	Sum formula
14	(-) Own CET1 instruments		
15	(-) Losses for the current financial year		
16	(-) Goodwill		
17	(-) Other intangible assets		
18	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities		
19	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds		
20	(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds		
21	(-) CET1 instruments of financial sector entities where the institution does not have a significant investment		
22	(-) Defined benefit pension fund assets		
23	(-) Other deductions	(404)	Regulatory capital deduction
24	CET1: Other capital elements, deductions and adjustments		
25	<b>ADDITIONAL TIER 1 CAPITAL</b>	-	

### Notes

- Total capital resources comprise share capital, share premium and audited retained earnings as per the 2023 audited financial statements of KKR Credit Advisors (Ireland) Unlimited Company.
- A deduction is made in respect of CLO Investments and Intercompany transaction which do not qualify for regulatory capital purposes.

**Appendix 1.2 Template EU IFCC2: Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements**

		a	b	c
		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross reference to EU IF CC1
		As at period end	As at period end	
<b>Assets - Breakdown by asset classes according to the balance sheet in the published/audited financial statements</b>				
<b>€M</b>				
1	Tangible assets	3	No difference in the firm's scope of accounting consolidation and regulatory consolidation	
2	Held to Maturity investments	337	As above	
3	Investments in LLPs and Subsidiary Companies	2	As above	
4	Debtors	27	As above	
5	Cash at bank and in hand	100	As above	
31/12/2022	<b>Total Assets</b>	469	As above	
<b>Liabilities - Breakdown by liability classes according to the balance sheet in the published/audited financial statements</b>				
1	Creditors (Amount falling due within one financial year)	7	As above	
31/12/2022	<b>Total Liabilities</b>	7	As above	
<b>Shareholders' Equity</b>				
1	Called up share capital presented as equity	0	As above	Template EU IF CC1 Row 4 Column a
2	profit and loss account	151	As above	Template EU IF CC1 Row 6 Column a + Template EU IF CC1 Row 9 Column a
3	Capital Contribution	311	As above	Template EU IF CC1 Row 10 Column a
31/12/2022	<b>Total Shareholders' equity</b>	462	As above	

**Appendix 1.3 Template EU IF CCA: Own funds: main features of own instruments issued by the firm**

		a
		<i>Free text</i>
1	Issuer	KKR Credit Advisors (Ireland) Unlimited Company
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Public or private placement	Private
4	Governing law(s) of the instrument	Ireland
5	Instrument type (types to be specified by each jurisdiction)	Ordinary share
6	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	€1
7	Nominal amount of instrument	N/A
8	Issue price	€0.01
9	Redemption price	€0.01
10	Accounting classification	Shareholders' equity

## Appendix 2 K-factor requirement calculations

		Factor amount	K-factor requirement
Rows	Item	0010	0020
		€M	€M
0010	<b>TOTAL K-FACTOR REQUIREMENT</b>		3.2
0020	<b>Risk to client</b>	15,543	3.2
0030	Assets under management	15,543	3.2
0040	Client money held - Segregated		
0050	Client money held - Non - segregated		
0060	Assets safeguarded and administered		
0070	Client orders handled - Cash trades		
0080	Client orders handled - Derivatives Trades		
0090	<b>Risk to market</b>		
0100	K-Net positions risk requirement		
0110	Clearing margin given		
0120	<b>Risk to firm</b>		
0130	Trading counterparty default		
0140	Daily trading flow - Cash trades		
0150	Daily trading flow - Derivative trades		
0160	K-Concentration risk requirement		