**Blackstone Ireland Limited**

**Pillar 3 Disclosures – June 2022**

## 1. Background

Blackstone Ireland Limited ("BIL" or the "Firm") is authorised to conduct its business under the European Communities Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and is subject to the Central Bank of Ireland's ("Central Bank") Corporate Governance Requirements for Investment Firms and Market Operators 2018 (the "Corporate Governance Requirements").

The 2013 Capital Requirements Directive IV ("CRD IV") of the European Union created a revised regulatory capital framework for MiFID firms across Europe based on the provisions of the Basel III Capital Accord. The framework consists of three "pillars":

- Pillar 1 sets out the minimum capital requirements that the Firm is required to meet.
- Pillar 2 requires the Firm, and the Central Bank, to take a view on whether additional capital should be held against risks not adequately covered by Pillar 1; and
- Pillar 3 requires the Firm to publish information on our risk management objectives and policies, capital resources and capital requirements.

From 26 June 2021, a new prudential regime applies to MiFID investment firms across the EU. The changes were introduced by the Investment Firms Regulation ("IFR") and the Investment Firms Directive ("IFD") and replaces the previously applicable CRD IV prudential regime.

The core aim of the IFR/IFD is to introduce more proportionate rules for all MIFID investment firms in relation to capital, liquidity and other risk management requirements, while ensuring a level-playing field between large and systemic financial institutions.

The new framework allows for differentiated regulation of investment firms depending on their classification, with higher impact investment firms being subject to more intensive regulation.

### Scope

The disclosures in this document are made in respect of BIL, its wholly owned subsidiary, Blackstone Ireland Funds Management Limited (("BIFM")), and its EU parent financial holding company Blackstone / GSO Debt Funds Europe (Luxembourg) S.à r.l ("LuxCo" and, together with BIL and BIFM, the "LuxCo Group") which are ultimately owned by Blackstone Inc. ("Blackstone"). The Firm calculates the LuxCo Group's regulatory capital requirement and reports on a solo and a consolidated basis.

As described above, the Firm is subject to MiFID as well as IFR/IFD. It is not authorised to trade on its own account nor hold client assets. BIL's principal business activity is the provision of collateral management services to certain collateralised loan obligation vehicles ("CLOs"). It may also provide portfolio management services to separately managed accounts from time-to-time.

BIFM is an approved Alternative Investment Fund Manager under the European Union (Alternative Investment Fund Managers) Regulations 2013 (the "AIFM Regulations"). BIFM provides investment management functions including portfolio management, risk management, administration, marketing and related activities to its alternative investment funds in accordance with the AIFM Regulations and the conditions imposed by the Central Bank as set out in the Central Bank's alternative investment fund rulebook. BIFM does not carry out fund administration itself but delegates this function to third-party service providers regulated by the Central Bank or another recognised regulatory authority. BIFM delegates portfolio management of certain AIFs to Blackstone Affiliates.

As at 31 December 2021, LuxCo[1] was an unregulated entity and was not subject to supervision by its local regulator. However, as part of the LuxCo Group, it was subject to ancillary supervision by the Central Bank.

## 2. Risk Management

The Firm maintains a risk management framework that facilitates discussion and decision making in respect of risk matters at the appropriate level within the LuxCo Group and Blackstone. The Firm's risk management policies and processes are designed to manage the risks within its business and are comprehensive and proportionate to the nature and scale of the Firm's activities. The Firm has a risk management framework that enables effective and efficient escalation of risk issues.

The board of directors of the Firm (the "Board")[2] is ultimately responsible for the Firm's risk management framework and is supported by the Head of Risk and other business management functions for day-to-day and periodic monitoring and maintenance of risk management controls within the Firm. In addition, the Firm established the Enterprise Risk Management Committee ("ERMC") which oversees the management of all risks of the LuxCo Group and reports to the Board Risk Committee ("BRC"), a committee of the Board. The ERMC provides a forum for senior management to review and discuss the LuxCo Group's risk profile.

The material risk exposures of the LuxCo Group are set out below:

***Regulatory Risk***

Regulatory Risk represents the risk of regulatory sanctions, financial loss, or damage to reputation resulting from failure to comply with laws, regulations, rules, other regulatory requirements, or codes of ethics, and other standards of self-regulatory organizations applicable to the LuxCo Group (applicable rules and standards) as well as non-conformance with prescribed practices, internal policies and

[1] LuxCo was dissolved on 20 October 2022. As a result, BIL has become a "union parent investment firm" for the purposes of IFR/IFD and will be the consolidating entity for the purposes of IFR going forward.

[2] References herein to the "Board" include, in the case of BIL, the Board acting in its capacity as the risk committee of that firm in accordance with the Corporate Governance Requirements.

procedures, or ethical standards.

***Financial Crime Risk***

Financial Crime Risk represents the risk of financial penalties or the risk of litigation, regulatory action, or reputational damage arising from violations of, or nonconformance with, relevant laws and regulations; regulatory guidance; prescribed practices; internal policies and procedures; or ethical standards relating to Anti-Money Laundering (AML), Countering the Financing of Terrorism (CFT), relevant sanctions regimes, Anti-Bribery and Corruption (ABC), and Fraud (both internal and external).

***Conduct Risk***

Conduct Risk represents the risk that BIL's conduct, including the means by which it adheres to specific rules, has a detrimental impact with regard to (i) the reasonable wholesale market expectations of counterparties and (ii) market integrity. Conduct is driven by culture and controls.

***Legal Risk***

Legal Risk represents the risk of loss to the LuxCo Group which is primarily caused by a defective transaction, a claim (including a defence to a claim or a counterclaim) being made or some other event occurring which results in a liability for the LuxCo Group or other loss (for example, as a result of the termination of a contract), failing to take appropriate measures to protect assets (for example, intellectual property) owned by the LuxCo Group or change in law.

***Governance Risk***

Governance Risk represents the risk that the LuxCo Group's business activities fails to adhere to the specific rules, controls, policies, and resolutions put in place to dictate corporate behaviour and business activities resulting in a detrimental impact to (i) the reasonable expectations of customers; (ii) counterparties (iii) market perception. Governance is the system by which the LuxCo Group's activities are directed and controlled. It is concerned with structure and processes for decision making, accountability, control and behaviour at management level.

***Information Technology Risk***

Information Technology Risk represents the risk that the LuxCo Group fails to monitor systems' vulnerabilities and threats to the Company resulting in a breach of investor, legal and/or regulatory requirements. Vulnerabilities are scheduled to close in a timely manner, based on risk, and BIL maintains a low tolerance for deviation from these timelines.

***Investment Risk***

Investment risk represents the probability or likelihood of occurrence of losses relative to the expected return on any particular investments managed by BIL.

***Operational Risk***

Operational risk is the risk to earnings and capital resulting from inadequate or failed internal processes, people, systems or from external events. It is multifaceted and impacts various functional areas including IT, legal and compliance, finance, trading, disaster recovery, HR management and outsourcing. The Firm's policy is to operate an effective risk management process, embedded within the governance and management structures of its business. The ERMC is responsible for overseeing material risks, relevant controls and risk mitigation procedures.

***Credit Risk / Counterparty Risk***

Credit risk is the current and prospective risk to earnings and capital arising from a counterparty's failure to meet the terms of any contract with the Firm, or otherwise fail to perform as agreed. The LuxCo Group and Firm's credit risk principally arise from the following:

- Cash deposits - the LuxCo Group holds its cash deposit with reputable global banks.
- Debtors - the LuxCo Group's third-party debtors are mainly management fees due from CLOs and funds. The risk of non-payment from these counterparties is minimal as there is a close working relationship between the investment management teams and the administrators/trustees of these funds that are responsible to ensure that all receivables are settled in a timely manner.

## 3. Environmental, Social and Governance ("ESG") Risk

BIL believes that a key component of being a prudent investor is an active evaluation of the environmental, social, and governance ("ESG") components of its investments to assess the potential economic effects thereof. Our approach is grounded in a responsibility to our investors to be careful stewards of capital.

As related to investment performance, BIL is committed to integrating the assessment and potential mitigation of ESG risks into its investment analysis and decision-making processes from pre-investment diligence to post-investment monitoring. BIL recognizes that incorporating ESG factors in our investment research potentially creates value because it can mitigate risks and enhance long-term performance.

Investment teams within BIL aim to consider ESG factors that may impact investment performance during the due diligence phase of an investment. ESG due diligence will vary on factors which may include (i) the nature of BIL's investment, (ii) the transaction process and timeline, (iii) the level of access to information, specifically as it pertains to ESG factors, and (iv) the target portfolio company's sector or business model.

## 4. Capital Resources

The capital resources of LuxCo Group and BIL as at 31 December 2021 were €80.5 million and €119.7 million, respectively, comprising Core Tier 1 capital.

## 5. Minimum Capital Requirement

The LuxCo Group is subject to consolidated supervision and is expected to hold minimum capital of the higher of (a) the base capital requirement (b) the Pillar 1 amount, (c) the Pillar 2 amount or (d) the expected amount required for an orderly wind-down on a consolidated group basis.

For BIFM there are additional requirements which largely vary in accordance with its assets under management ("AUM"). LuxCo Group calculates its Pillar 1 minimum capital requirements as the higher of the Fixed Overhead Requirements and the sum of its Credit Risk and Market Risk capital requirements. The Pillar 1 capital calculation is based on pre-determined risk weights applied to LuxCo Group's exposure to credit and market risk.

The Pillar 2 calculation is based on the Board's own view about LuxCo Group's financial exposure to credit risk, market risk and operational risk and the probability of such risks materialising. The Pillar 2 amount is based on a bottom-up approach of LuxCo Group's risk assessment.

The orderly wind-down scenario is an analysis of the financial impact of a complete wind-down of LuxCo Group over a 12-month period.

As at 31 December 2021, LuxCo Group's minimum regulatory capital requirement was €5.5 million. The minimum regulatory capital requirement has been calculated by reference to the Pillar 2 amount, being the higher of the Pillar 1, Pillar 2 or the wind-down scenario. The Pillar 2 amount and wind-down scenario are identified in the Firm's Internal Capital Adequacy Assessment Process ("ICAAP").

## 6. Compliance with Pillar 2 Rule Requirements

The overall approach to assessing the adequacy of the LuxCo Group's internal capital is set out in its ICAAP.

The ICAAP process involves separate consideration of risks to the Firm's capital combined with stress testing using scenario analysis. The Firm assesses the impact by modelling the changes in its income and expenses caused by various potential risks and adverse scenarios over a 3-year time horizon.

LuxCo Group's risk assessment, through its 2022 ICAAP process, has concluded that both LuxCo Group and the Firm have adequate regulatory capital resources and are both forecast to have adequate regulatory capital resources over the planning horizon.

There are no known current or foreseen practical or legal impediments to the prompt transfer of capital resources or repayments of liabilities between Affiliate and subsidiary undertakings and there are no subsidiary undertakings where actual capital resources are less than the required minimum.

## 7. Board of Directors

The Board of BIL monitors the on-going compliance of LuxCo Group and the Firm with their respective minimum capital requirements and ensures that both LuxCo Group and the Firm maintain adequate capital to cover their material risks at all times.

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. Other relevant matters will also be taken into account, such as the ability to fulfil time commitments in the case of non-executive directors.

## 8. Remuneration

The Firm is authorised and regulated by the Central Bank as a MiFID firm and is subject to rules on remuneration outlined in CRD IV. CRD IV includes requirements in relation to total remuneration, both fixed and variable, for certain individuals in the Firm. The Firm offers both a fixed base salary to its employees and variable remuneration, which is dependent on individual and business performance, taking appropriate consideration of financial and non-financial criteria. Our policy is designed to ensure that we comply with CRD IV and our compensation arrangements:

- are consistent with and promote effective risk management;
- do not encourage inappropriate and/or excessive risk taking;
- include measures to avoid conflicts of interest; and
- are in line with the Firm's business strategy, objects, values and long-term interests.

CRD IV requires firms to apply the principle of proportionality when establishing and applying total remuneration policies, having regard to their size, internal organisation, nature, scope, and complexity of their activities. The proportionality principle contained in CRD IV and the guidelines of the European Banking Authority aim to match the remuneration policies and practices with the individual risk profile, risk appetite and the strategy of each institution. Certain firms are entitled to rely on proportionality to disapply specific remuneration rules. BIL falls into this category of firms and is therefore currently disapplying the rules on deferral, non-cash instruments and retention periods.

Blackstone's compensation process ("BXCP") is managed through several functions to provide robust and effective consideration of remuneration matters. The BXCP provides oversight over the design and operation of Blackstone's remuneration process and reviews and approves the Firm's remuneration policy (the "Remuneration Policy") after taking advice from the Board. The Board is responsible for providing oversight of the implementation of the Remuneration Policy and processes, which includes reviewing the Remuneration Policy at least annually. The Remuneration Policy reflects inputs from the relevant control functions including the European Head of HR and the Compliance and Finance functions. Senior management of BIL are responsible for the day-to-day implementation of the Remuneration Policy and monitoring compliance related risks. A cohort of senior management, including the Head of the Compliance and Finance Functions together with certain Board members of BIL review total remuneration data on an annual basis.

The Firm recognises the need to motivate, attract and retain highly skilled employees through a policy that delivers sustainable and superior business performance. Remuneration is made up of fixed and variable elements. Fixed remuneration is made up of base salary and standard benefits based on the individual's role and primarily reflects relevant professional experience and organisational responsibility, as set out in the relevant employee's job description as part of the terms of employment. Certain individuals receive a role-based allowance based on their role and responsibilities. Variable remuneration is discretionary and dependent on both the Firm and the individual's performance against a number of financial and non-financial metrics, in each case taking appropriate consideration of regulatory guidance, the business function of the relevant employee and the potential impact of an employee's actions on the risk profile of the Firm. Performance is assessed over a full year. Variable remuneration is paid in cash and, in certain cases, in common equity units of Blackstone and could be subject to deferral. Senior management and members of staff whose actions have a material impact on the risk profile of the Firm ("Identified Staff") are subject to the cap on variable pay of 200% of fixed pay. This cap was increased from 100% by BIL's parent, LuxCo on 28 June 2017. Identified Staff may also subject to malus and clawback provisions relating to variable remuneration in the following circumstances:

- evidence of misconduct or serious error by the Identified Staff member (e.g., breach of code of conduct and other internal rules, especially concerning risks);
- where BIL and/or the business unit subsequently suffers a significant downturn in its financial performance;
- where BIL and/or the business unit in which the Identified Staff member works suffers a significant failure of risk management;
- significant increases in BIL's or business unit's economic or regulatory capital base;

any regulatory sanctions where the conduct of the Identified Staff member contributed to the sanction. Compensation payable is based on an assessment of a sustainable and risk adjusted performance of the business. Appropriate consideration is given to all regulatory guidance, including the rules on guaranteed bonuses and termination payments and the impact employee actions may have on the risk profile of the Firm.

The independence of the control functions is safeguarded by ensuring that the remuneration of relevant individuals who carry out control functions is not linked directly to the performance of the business area they control, is in accordance with objectives linked to their functions and is determined by the relevant global heads of such control functions who make recommendations to the BXCP, independent of the individual business group heads.

The Identified Staff group is reviewed on an ongoing basis. The application of remuneration policies and variable remuneration in respect of Identified Staff as defined in and in accordance with CRD IV and applicable local regulations.

**Quantitative remuneration disclosures**

The following tables set out aggregate quantitative information on the remuneration of Identified Staff for BIL's 2021 financial year. BIL has not broken down the information by business area as it has only one business area. In addition, the disclosure has not been broken down by senior management and other Identified Staff on the basis that it could result in disclosure of personal data linked to identifiable person(s) and cause prejudice to the individual(s) through infringing their right to privacy. Similarly, the disclosure under Articles 450(1)(h)(v), 450(1)(h)(vi) and 450(1)(i) of the CRR have been omitted on the basis that it could result in disclosure of personal data linked to identifiable person(s) and cause prejudice to the individual(s) through infringing their right to privacy. The information is available to the Central Bank upon request.

- Amounts of remuneration split into fixed and variable remuneration, and the number of beneficiaries

| | **Identified Staff** |
|---|---|
| **Fixed remuneration** | EUR 1.31m |
| **Variable remuneration** | EUR 1.61m |
| **Number of Beneficiaries** | 9 |

- Amounts and forms of variable remuneration split into cash, shares, share-linked instruments and other types

| | **Identified Staff** |
|---|---|
| **Variable remuneration** | EUR 1.61m |
| **Cash** | EUR 0.93m |
| **Shares** | EUR 0.67m |
| **Other types** | EUR 0m |

- Amounts of outstanding deferred remuneration, split into vested and unvested portions

| | **Identified Staff** |
|---|---|
| **Outstanding deferred remuneration** | EUR 0.67m |
| **Vested at end of 2020 financial year** | EUR 0m |
| **Unvested at end of 2021 financial year** | EUR 0.67m |

- Amounts of deferred remuneration awarded, paid out and reduced through performance adjustments

| | **Identified Staff** |
|---|---|
| **Deferred remuneration awarded during 2021 financial year** | EUR 0.67m |
| **Paid out during 2021 financial year** | EUR 0m |
| **Reduced through performance adjustment during 2021 financial year** | EUR 0.67m |

- During the 2021 financial year, no sign-on payments were awarded.