Blackstone Ireland Limited

Year End 2023 Pillar 3 Disclosures

1. Background

Blackstone Ireland Limited ("BIL" or the "Firm") is authorised by the Central Bank of Ireland (the "Central Bank") to conduct its business under the European Union (Markets in Financial Instruments) Regulations 2017, as amended, which implement Directive (2014/65/EU) ("MiFID") in Ireland. BIL is also subject to the Central Bank's Corporate Governance Requirements for Investment Firms and Market Operators 2018 (the "Corporate Governance Requirements").

Effective 26 June 2021, BIL is subject to the Investment Firms Regulation ("IFR") and the Investment Firms Directive ("IFD"), a prudential regime for MiFID investment firms across the EU (together, "IFR/IFD"). Under the IFR/IFD framework, BIL is categorised as a Class 2 investment firm.

The IFR/IFD framework provides for differentiated regulation of investment firms depending on their classification and imposes requirements relating to capital and own funds, internal governance, remuneration and disclosure and reporting.

The previous capital requirement "pillars" of the CRD IV are now provided for in the IFD and the IFR:

- Pillar 1 (as covered by the IFR) sets out the minimum capital requirements that the Firm is required to meet;
- Pillar 2 (as covered by the IFR/IFD) 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 (as covered by Part 6 of the IFR) requires the Firm to publish information on our risk management objectives and policies, capital resources and capital requirements.

BIL Group is ultimately owned by Blackstone Inc. ("Blackstone").

2. Scope

BIL and its subsidiary Blackstone Ireland Fund Management Limited ("BIFM") are each subject to supervision by the Central Bank under their respective regulatory regimes. As mentioned above, under IFR/IFD BIL Group (i.e., BIL and BIFM together) is also subject to consolidated supervision by the Central Bank.

BIL 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.

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 AIF 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.

BIL and BIFM are subject to consolidated supervision per Article 1 of IFR and therefore will also be considered as a group for this disclosure (together, "BIL Group"). BIL is a "*union parent investment company*", as defined under IFR/IFD, for this purpose.

3. 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 BIL, the BIL 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")[1] is ultimately responsible for the Firm's risk management framework. The BIL board is supported by a "Three Lines of Defence" model ensuring effective governance of the Company's business activities in pursuit of its strategic and business objectives.

- The First Line of Defence ("FLOD"), generally the business functions, own the risk they generate and are responsible for managing risks in conformity with established risk appetite and policy requirements. Business functions establish risk management and control processes to ensure conformity with risk appetite and policy requirements.

- The Second Line of Defence ("SLOD"), primarily the BIL's Risk and Compliance Functions, helps translate risk appetite and strategy into actionable policies, qualitative statements, and risk thresholds. The SLOD monitors FLOD conformity with risk appetite and policies and provides reporting and escalation of emerging risks and other concerns to Senior Management through the Enterprise Risk Management Committee ("ERMC") and to the Board through the Board Risk Committee ("BRC").

- The Third Line of Defence ("TLOD"), Internal Audit Function, is responsible for providing the Board, Audit Committee and Senior Management with independent assessment and assurance regarding the effectiveness of BIL's governance, risk management, and control processes including

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

alignment with Risk Appetite.

The ERMC and the BRC meet at least four times per year and provide a forum for senior management to review and discuss the BIL Group`s risk profile.

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. The Board, BRC, ERMC and Senior Management are responsible for reassessing risk appetite and risk thresholds regularly, but at least on an annual basis – considering the information provided by the Risk Function or, where relevant, by BIL's Board sub-committees and other executive committees.

The Board has identified, analysed and quantified certain key risks that would have the greatest impact on the BIL Group and incorporated such risks into the Pillar 2 risk assessments.

Key Risks

The Firm has established a process to identify the key risks that will be evaluated under the ICAAP's Pillar 2 capital assessment for BIL Group. The Pillar 2 risk assessment includes the following subset of key risks:

- Insured Legal Risk
- Breach of Laws or Regulations
- Cybersecurity Disruption
- Loss of Key Persons
- Trade Error Risk
- Business Risk
- Counterparty Credit Risk

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.

Counterparty Credit Risk

Counterparty credit risk is the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with BIL Group, or otherwise fail to perform as agreed.

BIL Group's counterparty credit risk derives from the following sources:

- Cash Deposits – BIL and BIFM only hold cash deposits with reputable global banks.

- Third Party Debtors – BIL has fees receivables due from CLOs. The risk of nonpayment is minimal, assuming there are no over-collateralisation breaches in a CLO, putting management fees at risk. BIFM has fees receivables due from the AIFs which are settled monthly in arrears, so there is minimal debtor exposure.

- Intercompany Debtors – both BIL and BIFM have intercompany debtors. The risk of non-payment is considered minimal as intercompany receivables are settled monthly.

<u>Environmental, Social and Governance ("ESG") Risk</u>

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.

Further information on BIL's approach to ESG risk is available on the website *https://www.blackstone.com/European-overview/*

4. Capital Adequacy Assessment

4.1. Own Funds [2]

BIL Group's and BIL's Own Funds as at 31 December 2023 were €75.9 million and €66.9 million, respectively. Appendix 1.1 details the composition of Own Funds, comprising Common Equity Tier 1 capital only. There are no restrictions applied to the calculation of the Firm's Own Funds.

4.2. Own Funds Reconciliation

Appendix 1.2 provides a reconciliation of Own Funds to the audited balance sheet of the Firm as at 31 December 2023.

4.3. Minimum Capital Requirement

BIL Group is expected to hold eligible capital of the higher of (a) the Pillar 1 amount, (b) the Pillar 2 amount or (c) the amount required to cover the cost of an orderly wind-down.

The Pillar 1 calculation establishes the BIL Group's minimum capital requirement and is based on pre-determined calculations written within the regulations. Under IFR/IFD, a Class 2 investment firm must hold capital which amounts to the higher of (1) its initial capital or permanent minimum requirement, (2) its fixed overhead requirement ("FOR") or (3) its K-factor requirement, at all times.

[2] Also referred to as the Own Funds Requirement

As at 31 December 2023, BIL Group's

- **Fixed Overhead Requirement**, determined in accordance with Article 13 of IFR, was €4.1 million.
- **K Factor Requirement**, determined in accordance with Article 15 of the Regulations, was €3.9 million.

The Pillar 2 calculation is based on the Board's own view about BIL Group's risk profile and exposure to certain key risks, including operational risks, and the probability of such risks materialising.

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

As at 31 December 2023, BIL Group's minimum regulatory capital requirement was €5.9 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").

For BIFM there are additional requirements which largely vary in accordance with its assets under management ("AUM").

As at 31 December 2023, and at all times throughout the period, BIL Group and all entities within the BIL Group complied with the regulatory capital requirements of the Central Bank.

5. ICAAP Process and Capital Adequacy Assessment

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

The ICAAP describes BIL Group's risk management and capital planning processes, including an assessment of the key risks to the business, as well as the outcome of scenario stress testing. It is also describes the risk management and governance framework relating to BIL Group. BIL Group assesses the impact of certain stress test scenarios on its capital by modelling changes over a 3-year time horizon. For each scenario, the ICAAP considers the impact of the scenario upon the business, and the associated impact on revenues, costs, headcount, financial resources and regulatory capital requirements. In addition to stress testing, reverse stress testing is integrated into the ICAAP process.

BIL Group's assessment of capital, through its annual ICAAP process, has concluded that both BIL 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.

6. Governance and Board of Directors

The Board of BIL monitors the on-going compliance of BIL Group and the Firm with their respective minimum capital requirements and ensures that both BIL 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 considered, such as the ability to fulfil time commitments in the case of non-executive directors.

The number of directorships held by the Board are as follows:

- Number of directorships: 124; of which -
    - Blackstone directorships: 37
    - External directorships: 87

Please refer to Section 3 above for a description of the BRC.

7. Remuneration

Oversight of Remuneration

In accordance with the requirements of the IFD, as transposed into Irish law by way of the IFD Regulations[3], BIL has established a remuneration committee (the "Remuneration Committee"). The Remuneration Committee, with oversight from the board, is responsible for the governance and oversight of the application of the remuneration policy ("Remuneration Policy").

The Blackstone Compensation Process ("BXCP") provides overall oversight over the design and operation of Blackstone's group remuneration process, ensuring that remuneration decisions are consistently taken across Blackstone, with consideration for the overall risk profile and appetite of Blackstone and in accordance with the applicable regional laws and regulation.

Remuneration Policy

The BIL Remuneration Committee and Board is responsible for providing oversight of the implementation of the Remuneration Policy and processes, which includes reviewing the Remuneration Policy at least annually. Senior management of BIL are responsible for the day-to-day implementation of the Remuneration Policy and monitoring compliance and market conduct related risks.

[3] S.I. No. 355 of 2021, European Union (Investment Firms) Regulations 2021

The Remuneration policy reflects inputs from the control functions, HR function, SIG function and Finance function. The Remuneration Committee annually confirms to the Board that the remuneration decisions with respect to BIL are consistent with the Remuneration Policy.

The Remuneration Policy in place for the BIL group applies to all employees and other staff of BIL, including senior management, other individuals whose professional activities have a material impact on BIL's risk profile considered Material Risk Takers ("MRTs") in relation to BIL, and all individuals with an impact, directly or indirectly, on the investment and ancillary services provided by BIL, or on its corporate behaviour (collectively referred to as "Relevant Persons").

The Remuneration Policy is designed to seek to ensure that BIL's compensation arrangements:

- Are consistent with and promote sound and effective risk management;
- Do not encourage inappropriate risk taking or risk taking that exceeds the level of risk (including, without limitation, compliance and market conduct risk) tolerated by BIL;
- Include measures to mitigate or avoid conflicts of interest in the relationships with clients in the short, medium and long term;
- Are in line with BIL's business strategy, risk strategy and risk culture, including environmental, social and governance ("ESG") related risk objectives and risk factors, objectives, values and long-term interests;
- Encourage responsible business conduct and the fair treatment of clients; and
- Are gender neutral and respect the principle of equal pay for male and female workers for equal work or work of equal value.

Components of Remuneration

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.

BIL pays employees a fixed base salary, taking into account the relevant employee's experience and due consideration of BIL's market competitors. The fixed remuneration 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.

In addition to the base salary all employees are entitled to receive standard benefits. Benefits and benefit amounts vary by seniority of the employee and are in line with the global policies set by Blackstone.
Variable remuneration is awarded based on performance against a number of financial and non- financial metrics (including, but not limited to, compliance with applicable regulations, the fair treatment of clients

and quality of client service), in each case taking appropriate consideration of regulatory guidance bearing in mind the functions of the relevant employee, performance in excess of that required to fulfil the employee's job description as part of the terms of employment and the impact of the actions of that employee on the risk profile of BIL. Performance is assessed over a full year and certain bonus schemes include the concept of deferral.

BIL operates a fully flexible policy on variable remuneration including the possibility of paying no variable remuneration by ensuring that fixed remuneration represents a sufficiently high proportion of total remuneration. A balance between fixed and variable remuneration is maintained at all times to ensure that the interests of BIL and that of its Relevant Persons are not favoured against the interests of any client.

BIL aims to set an appropriate ratio between the variable and the fixed components of total remuneration, taking into account business activities, the risks and the impact of the staff on the risk profile of BIL as well as the incentives for staff to act in the best interest of BIL and the need to maintain cost flexibility in light of changes of profits and losses over time.

Variable remuneration is subject to risk adjustment mechanisms arising out of performance or risk related factors and may be reduced, forfeited or repayable to reflect actual risk outcomes or the contribution of an MRT to subdue or negative financial performance, fraud or other conduct with intent or severe negligence which led to significant losses.

Deferral and vesting

BIL operates a fully flexible policy on variable remuneration including the possibility of paying no variable remuneration by ensuring that fixed remuneration represents a sufficiently high proportion of total remuneration. A balance between fixed and variable remuneration is maintained at all times to ensure that the interests of BIL and that of its Relevant Persons are not favoured against the interests of any client.

BIL aims to set an appropriate ratio between the variable and the fixed components of total remuneration, taking into account business activities, the risks and the impact of the staff on the risk profile of BIL as well as the incentives for staff to act in the best interest of BIL.

A portion of variable remuneration awards above a specified total compensation threshold is subject to deferral. The percentage of variable remuneration deferred is higher for more highly compensated staff and is at least 40% for individuals identified as a Material Risk Taker ("MRT"). Deferred awards vest over a multi-year period of at least three years.

Malus and Clawback

Both malus and clawback arrangements will apply to up to 100% of variable remuneration. In both instances, the provisions apply where the identified individual has participated in or been responsible for conduct which results in significant losses to BIL or he/she fails to meet appropriate standards of fitness and propriety. The criteria that BIL applies here includes:

- Evidence of misconduct or serious error by the staff member (e.g., breach of code of conduct and other internal rules, especially concerning risks);
- Whether BIL and/or the business unit subsequently suffers a significant downturn in its financial performance;
- Whether 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; and
- 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.

Material Risk Takers

An MRT is defined as a member of staff who has a material impact on the institution's risk profile, so called "Identified Staff".

The list of identified MRTs is reviewed and approved annually by BIL management and the Board (or duly authorised members of the Board). Blackstone's Global Head of HR and Global Head of Strategic Incentives Group are notified of the identified MRTs. The process for identifying MRTs is documented separately in the BIL MRT Analysis document which forms part of the overall remuneration framework for BIL.

The analysis details the individuals identified as an MRT following the application of the qualitative and quantitative criteria for identifying MRTs contained in the:

- IFD / the IFR; and
- Commission Delegated Regulation on the identification of material risk takers of 13 August 2021.

BIL does not benefit from a derogation laid down in Article 32(4)(a) of IFD / Regulation 29(8)(a) of the Irish

IFD Regulations.

Quantitative remuneration disclosures

The following tables set out aggregate quantitative information on the remuneration of Identified Staff for BIL's 2023 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 Regulation 51(c)(vi) and Regulation 51(c)(vii) 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, including a description of the fixed components, and variable remuneration, and the number of beneficiaries

	Identified Staff
Fixed remuneration	EUR 2.30m
Variable remuneration	EUR 2.13m
Number of Beneficiaries	7

- Amounts and forms of variable remuneration split into cash, shares, share-linked instruments and other types for the part paid upfront and for the deferred part

	Identified Staff
Variable remuneration	EUR 2.13m
Cash	EUR 0.94m
Shares	EUR 1.18m
Other types	EUR 0m

- Amounts of outstanding deferred remuneration, awarded for previous performance periods, split into the amount due to vest in the financial year and the amount due to vest in subsequent years

	Identified Staff
Outstanding deferred remuneration	EUR 1.18m
Vested at end of 2022 financial year	EUR 0m
Unvested at end of 2023 financial year	EUR 1.18m

- Amounts of deferred remuneration due to vest in the financial year that is paid out during the financial year, and that is reduced through performance adjustments

	Identified Staff
Deferred remuneration awarded during 2023 financial year	EUR 1.18m
Paid out during 2023 financial year	EUR 0m
Reduced through performance adjustment during 2023 financial year	EUR 0m

- The guaranteed variable remuneration awards during the financial year and the number of beneficiaries of those awards

	Number of beneficiaries
Guaranteed variable remuneration awarded during 2023 financial year	None

APPENDIX 1: Own Funds Disclosures

INVESTMENT FIRMS DISCLOSURE			
Template number	Template code	Name	Legislative reference
		OWN FUNDS	
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 Composition of regulatory own funds

(€ in thousands)

		(a) Amounts	(b) Source based on reference numbers/letters of the balance sheet in the audited financial statements
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	**OWN FUNDS**	75,929	Sum formula
2	**TIER 1 CAPITAL**	75,929	Sum formula
3	**COMMON EQUITY TIER 1 CAPITAL**	75,929	Sum formula
4	Fully paid up capital instruments	0	Template EU IF CC2 Equity Row 1 Column a
5	Share premium	223	Template EU IF CC2 Equity Row 2 Column a
6	Retained earnings[1]	75,706	Template EU IF CC2 Equity Row 3 Column a
12	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	0	
28	**ADDITIONAL TIER 1 CAPITAL**	0	
40	**TIER 2 CAPITAL**	0	

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

(€ in thousands)

		(a) Balance sheet as in published/audited financial statements As at period end	(b) Under regulatory scope of consolidation As at period end	(c) Cross reference to EU IF CC1
Assets - *Breakdown by asset classes according to the balance sheet in the published/audited financial statements*				
1	Property, plant and equipment	2,085	No difference in the firm's scope of accounting consolidation and regulatory consolidation	
2	Cash at bank	103,678	as above	
3	Accrued receivables	12,491	as above	
4	Intercompany	1,310	as above	
5	Other debtors	1,216	as above	
31/12/2023	**Total Assets**	**120,780**	as above	
Liabilities - *Breakdown by liability classes according to the balance sheet in the published/auditied financial statements*				
1	Accrued Compensation	5,761	as above	
2	Intercompany	1,027	as above	
3	Other payables	1,634	as above	
4	Taxation accrual	190	as above	
31/12/2023	**Total Liabilities**	**8,612**	as above	
Shareholders' Equity				
1	Called up share capital presented as equity	0.225	as above	Template EU IF CC1 Row 4 Column a
2	Share premium account	223	as above	Template EU IF CC1 Row 5 Column a
3	Retained Earnings and other	75,706	as above	Template EU IF CC1 Row 6 Column a
4	Profit for the year	36,238	as above	
31/12/2023	**Total Shareholders' equity**	**112,167**	as above	

Appendix 1.3 Own funds: main features of own instruments issued by the Firm

		(a) Free text
1	Issuer	Blackstone Ireland Limited
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 shares
6	Amount recognised in regulatory capital (as of most recent reporting date)	225
7	Nominal amount of instrument	225
8	Issue price	€1.00 per share
9	Redemption price	€1.00 per share
10	Accounting classification	Shareholders' equity

Appendix 2 K-factor Requirement Calculations

(€ in thousands)

Rows	Item	Factor amount 0010	K-factor requirement 0020
0010	**TOTAL K-FACTOR REQUIREMENT**		3,898
0020	**Risk to client**		3,898
0030	Assets under management	19,490,989	3,898
0040	Client money held - Segregated	0	0
0050	Client money held - Non - segregated	0	0
0060	Assets safeguarded and administered	0	0
0070	Client orders handled - Cash trades	0	0
0080	Client orders handled - Derivatives Trades	0	0
0090	**Risk to market**	0	0
0100	K-Net positions risk requirement	0	0
0110	Clearing margin given	0	0
0120	**Risk to firm**	0	0
0130	Trading counterparty default	0	0
0140	Daily trading flow - Cash trades	0	0
0150	Daily trading flow - Derivative trades	0	0
0160	K-Concentration risk requirement	0	0