BNY MELLON

Alcentra Limited

Pillar 3 Disclosure

December 31, 2021

alcentra.com

Executive summary

Capital

Risk

Appendices

1 Article 431 CRR - Scope of disclosure requirements

1.1 Disclosure policy

These Pillar 3 disclosures are published for Alcentra Limited (together 'Alcentra' or 'the Company') in accordance with the Capital Requirements Directive[1] ('CRD IV') and the Capital Requirements Regulation[2] ('CRR'), complementing the annual disclosures of the financial statements.

These disclosures cover the Company and its subsidiary undertakings as at 31 December 2021.

These disclosures were approved for publication by Alcentra's Board of Directors ('the Board') on 25 October 2022. The Board approved the adequacy of Alcentra's risk management arrangements, providing assurance that the risk management systems put in place are adequate with regard to Alcentra's profile and strategy.

Effective as of 1 January 2022 the Company will publish its periodic public disclosures in accordance with the requirements of the Investment Firms Prudential Regime[3] ('IFPR') issued by the Financial Conduct Authority ('FCA'). The first reporting date under this framework will be 31 December 2022.

[1] Directive 2019/878/EU and of the Council of 20 May 2019, amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures.

[2] Regulation (EU) No 2019/876 on prudential requirements for credit institutions and investment firms amending Regulation (EU) No 575/2013, 20 May 2019.

[3] IFPR Prudential Disclosure Rules and Guidance: https://www.fca.org.uk/firms/investment-firms-prudential-regime-ifpr

Pillar 3 disclosures are required for a consolidated group and for those parts of the group covered by CRD IV. When assessing the appropriateness of these disclosures in the application of Article 431(3) in the CRR, Alcentra has ensured adherence to the following principles of:

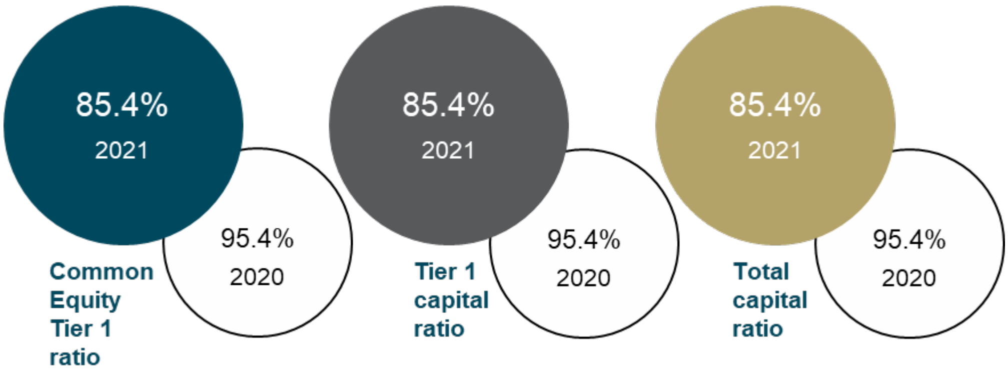
Clarity	Meaningfulness	Consistency over time	Comparability across institutions

The Basel Committee on Banking Supervision ('BCBS') requires these disclosures to be published at the highest level of consolidation. Alcentra has adopted this approach with information presented at a fully consolidated level.

Information in this report has been prepared solely to meet Pillar 3 disclosure requirements of the entity noted, and to provide certain specified information about capital, risks and details about the management of those risks, and for no other purpose. These disclosures do not constitute any form of financial statement of the business nor do they constitute any form of contemporary or forward-looking record or opinion about the business.

This document has been prepared with reference to the specific UK business regulated by the Financial Conduct Authority ('FCA') - Alcentra Limited.

Unless indicated otherwise, information contained within this document has not been subject to external audit.



CET1 ratio	=	CET1 capital / Pillar 1 RWAs
Tier 1 ratio	=	Tier 1 capital / Pillar 1 RWAs
Total capital ratio	=	Total capital / Pillar 1 RWAs

1.2 The Basel III framework

Basel III is the international banking accord intended to strengthen the measurement and monitoring of financial institutions' capital. The Basel III framework was transposed in the EU through CRR and has established a more risk sensitive approach to capital management. It is comprised of three pillars:

Pillar 1 - Minimum capital requirement

Establishes rules for the calculation of minimum capital for credit risk, counterparty credit risk, market risk, operational risk and capital resources requirements.

Pillar 2 - Supervisory review process

Requires firms and supervisors to undertake an internal capital adequacy assessment process to determine whether the financial institution needs to hold additional capital against risks not adequately covered in Pillar 1 and to take action accordingly.

Pillar 3 - Market discipline:

Complements the other two pillars and effects market discipline through public disclosure showing an institution's risk management policies, approach to capital management, capital resources and an analysis of its credit risk exposures.

Wherever possible and relevant, the Board will ensure consistency between Pillar 3 disclosures, Pillar 1 reporting and Pillar 2 content. From January 2022, under the IFPR framework, Pillar 2 will be considered under the Own Funds Threshold Requirement ('OFTR').

1.3 Purpose of Pillar 3

Pillar 3 requires the external publication of exposures and, where applicable, the associated risk-weighted assets and the Pillar 1 capital requirements for the following:

These Pillar 3 disclosures focus only on those risk and exposure types required to be disclosed by the Company at the disclosure date.

The Company includes both quantitative and qualitative disclosures to show the relevant information and describe its approach to capital management, its capital resources and an analysis of its credit risk exposures. The disclosures also include, where appropriate, comparative figures for the prior year and an analysis of the more significant movements to provide greater insight into its approach to risk management.

For completeness, other risks that Alcentra is exposed to, but are not covered above, are also discussed in Appendix 1.

1.4 Article 432 CRR - Non-material, proprietary or confidential information

In accordance with CRD IV, the Board may omit one or more disclosures if the information provided is not regarded as material. The criterion for materiality used in these disclosures is that Alcentra will regard as material any information where 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.

Furthermore, the Board may omit one or more disclosures if the information provided is regarded as proprietary or confidential. Information is regarded as proprietary if disclosing it publicly would undermine its competitive position. It may include information on products or systems, which, if shared with competitors, would render an institution's investment therein less valuable. In such circumstance, the Board will state in its disclosures the fact that specific items of information are not disclosed and the reason for non-disclosure. In addition, it will publish more general information about the subject matter of the disclosure requirement except where these are to be classified as secret or confidential.

Alcentra undertakes no obligation to revise or to update any forward-looking or other statement contained within this report regardless of whether or not those statements are affected as a result of new information or future events.

1.5 Article 433/434 CRR - Frequency and means of disclosure

Disclosure will be made annually based on calendar year-end and will be published in conjunction with the preparation of the Annual Report and Financial Statements. Alcentra will reassess the need to publish some or all of the disclosures more frequently than annually in light of any significant change to the relevant characteristics of its business including disclosure about capital resources and adequacy, and information about risk exposure and other items prone to rapid change.

This will be reassessed periodically and updated in light of market developments associated with Pillar 3.

Disclosures are published on The Bank of New York Mellon Corporation ('BNY Mellon') group and Alcentra Limited's websites which can be accessed using the links below:

BNY Mellon Investor Relations - Pillar 3

See section investor relations, Pillar 3 Disclosures, Additional Country Disclosures.

Alcentra - regulatory information

1.6 Key 2021 and future events

The Board periodically reviews the strategy of Alcentra and the associated products and services it provides to clients.

During 2022, the Company will continue to develop and launch new products within its six core strategies to clients.

The strategic focus of the Company is to develop the business to maximise shareholder value. This will principally be done through the pursuit of organic growth of operations. In the forthcoming year, the directors expect to increase revenues by launching new funds and increasing assets under management within existing funds.

Regulatory change

Alcentra are currently undertaking a large strategic change programme designed to maximise operational efficiently through the optimisation of key processes and system consolidation. The key components to the project are the implementation of a new Front Office Order Management System, improved Performance Measurement and Risk analytics, effective data management and the outsourcing of key back office functions.

Further, the Board received updates on the preparation for IFPR to replace CRD IV from January 2022. IFPR is more suited to Investment Firms and calibrated in a manner proportionate to the best interests of clients and the promotion of the smooth and orderly functioning of the markets.

Geopolitical and other macro-envrionmental risks

The Company is exposed to geopolitical risks associated with political instability, terrorists acts, military conflicts, civil unrests and tensions between countries, which could impact its clients and cause disruption to business operations. In addition, epidemic and pandemic outbreaks are becoming more frequent and severe, and these could cause severe economic impacts on business sectors, economies and societies.

The COVID-19 pandemic continues to remain dynamic and has led to a continued level of uncertainty. To ensure the health and wellbeing of its people and continuing ability to service its clients, the wider BNY Mellon Group moved to a largely working-from-home model during 2020 and 2021, during which period the Company and the BNY Mellon Group implemented enhanced monitoring and oversight controls. A conservative and measured approach continues to be adopted whilst the BNY Mellon Group’s employees return to office as the COVID-19 pandemic subsides. Additionally, the US, the UK and the EU have imposed sanctions and threatened to expand them significantly against Russia in response to an increasing risk with its conflict with Ukraine which, together with any military conflict, could impact global markets as well as the Company and its customers. Management continues to monitor developments and seek to manage the associated impacts on customers, service delivery and business operations.

Coronavirus (“COVID-19”)

Since early 2020, COVID-19 has created significant disruption to global markets and economies. Management recognises that the pandemic presents risks to the Company and has put in place procedures to monitor and mitigate those risks. An assessment of the impact of the uncertainty on the Company’s year-end financial position and operational resilience has been performed and management has concluded that the pandemic will not have a substantial impact on the Company’s ability to continue as a going concern.

The Company continues to carefully monitor and mitigate the risk on an ongoing basis in order to minimise exposure while maintaining a robust balance sheet and sufficient headroom above regulatory capital requirements.

Streamlined Energy and Carbon Reporting (“SECR”)

In accordance with the Companies Regulations 2018, the Company reports its energy use and associated GHG emissions resulting from energy use and employees' business travel.

The methodology used to calculate the Company's GHG is the Greenhouse Gas Protocol. A Corporate Accounting and Reporting Standard Revised Edition, defined by the World Resources Institute/World Business Council for Sustainable Development ("WRI/WBCSD"). The Company has adopted the location-based method which reflects the average emissions intensity of grids on which energy consumption occurs. The Company has applied the latest UK Government conversion factors available at the time of reporting and discloses the results in its annual financial statement.

Alcentra Limited

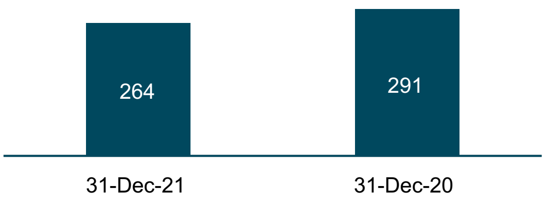
Sale of Alcentra to Franklin Templeton

On 31 May 2022 Franklin Resources Inc., a global investment management organization operating as Franklin Templeton, and BNY Mellon announced that Franklin Templeton has entered into a definitive agreement to acquire BNY Alcentra Group Holdings, Inc. (together with its subsidiaries, 'Alcentra') from BNY Mellon.

1.7 Key metrics

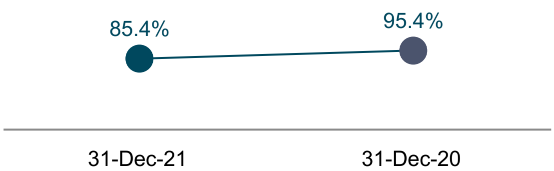
The following risk metrics reflect Alcentra's risk profile:

CET1 capital (£m)



Risk-weighted assets (£m)

CET1 ratio



Total capital ratio

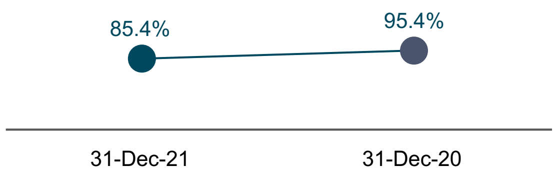
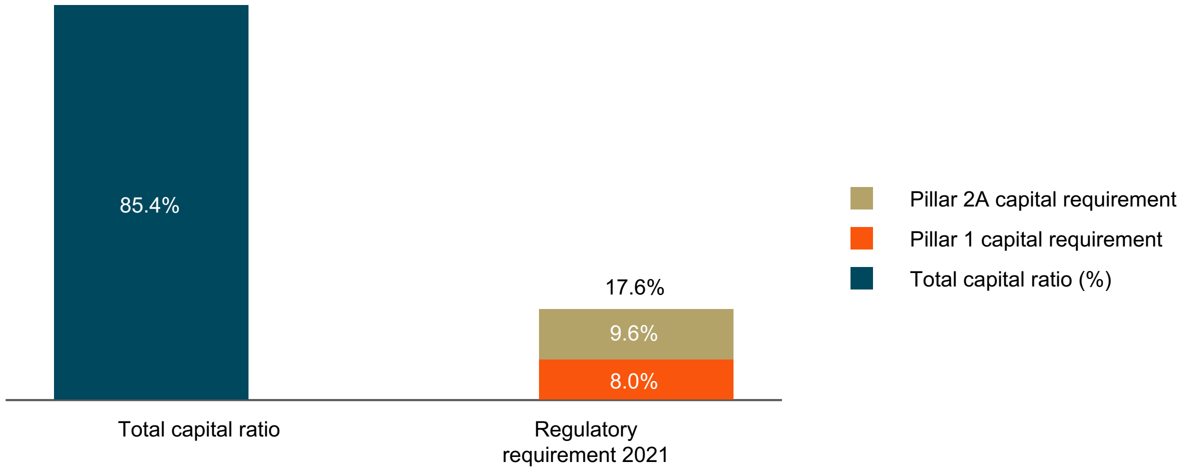


Table 1: KM1 - Key metrics

(£m)	31-Dec-21	31-Dec-20
Available capital		
Common Equity Tier 1 ('CET1') capital	**264**	291
Tier 1 capital	**264**	291
Total capital	**264**	291
Risk-weighted assets		
Total risk-weighted assets ('RWA')	**309**	305
Risk-based capital ratios as a percentage of RWA		
CET1 ratio (%)	**85.4 %**	95.4 %
Tier 1 ratio (%)	**85.4 %**	95.4 %
Total capital ratio (%)	**85.4 %**	95.4 %

Note: Capital is stated after the inclusion of audited profit for the year. RWAs are based on exposures, the total being higher than the Fixed Overhead Requirement ('FOR') for Investment Firms.

2021 consolidated regulatory capital versus regulatory requirement



Thus, the Total Capital ratio remains in excess of the Pillar 1 and Pillar 2A regulatory requirement of 8.0% and 9.6% respectively.

1.8 Article 436 CRR - Scope of application

Alcentra Limited is the only entity within Alcentra Asset Management Limited authorised and regulated by the FCA. It is a subsidiary of Alcentra Asset Management Limited, which is wholly owned by BNY Alcentra Group Holdings Inc., a Delaware (USA) company, ('Alcentra Group Holdings'), owned 100% by BNY Mellon and subsidiary undertakings.

BNY Mellon Group ('BNY Mellon') is a global investments company dedicated to helping its clients manage and service their financial assets throughout the investment lifecycle. Whether providing financial services for institutions, corporations or individual investors, BNY Mellon delivers informed investment management and investment services in 35 countries and more than 100 markets. As of 31 December 2021, BNY Mellon had $46.7 trillion in assets under custody and/or administration, and $2.4 trillion in assets under management. BNY Mellon can act as a single point of contact for clients looking to create, trade, hold, manage, service, distribute or restructure investments. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation (NYSE: BK). Additional information is available on www.bnymellon.com. Follow us on Twitter @BNYMellon or visit our newsroom at www.bnymellon.com/newsroom for the latest company news.

Alcentra Limited is an asset management business focused on sub-investment grade debt capital markets in Europe. As at 31 December 2021 approximately £21.58 billion assets were under management.

Alcentra Limited has regulatory permissions as an investment advisor and discretionary fund manager. Alcentra Limited is considered an IFPRU limited licence firm under Basel III, meaning that it is not authorised to carry out MiFID activities to (1) deal on its' own account (A3); (2) provide the investment services of underwriting or placing financial instruments on a firm commitment basis (A6); or (3) hold client money or assets (B1). For accounting and prudential purposes, Alcentra Limited reports on an individual basis.

Alcentra Limited brings together a depth of knowledge in sub-investment grade corporate debt that covers the entire spectrum of investment possibilities - from Secured Loans and High Yield Bonds to Direct Lending & Mezzanine, Special Situations, Structured Credit and Multi-Strategy.

Alcentra Limited works with investors around the world to help them make the most of the market opportunities. Alcentra Limited's clients gain access through a large range of investment funds and where required we can help them build a portfolio tailored to their own specific needs and requirements.

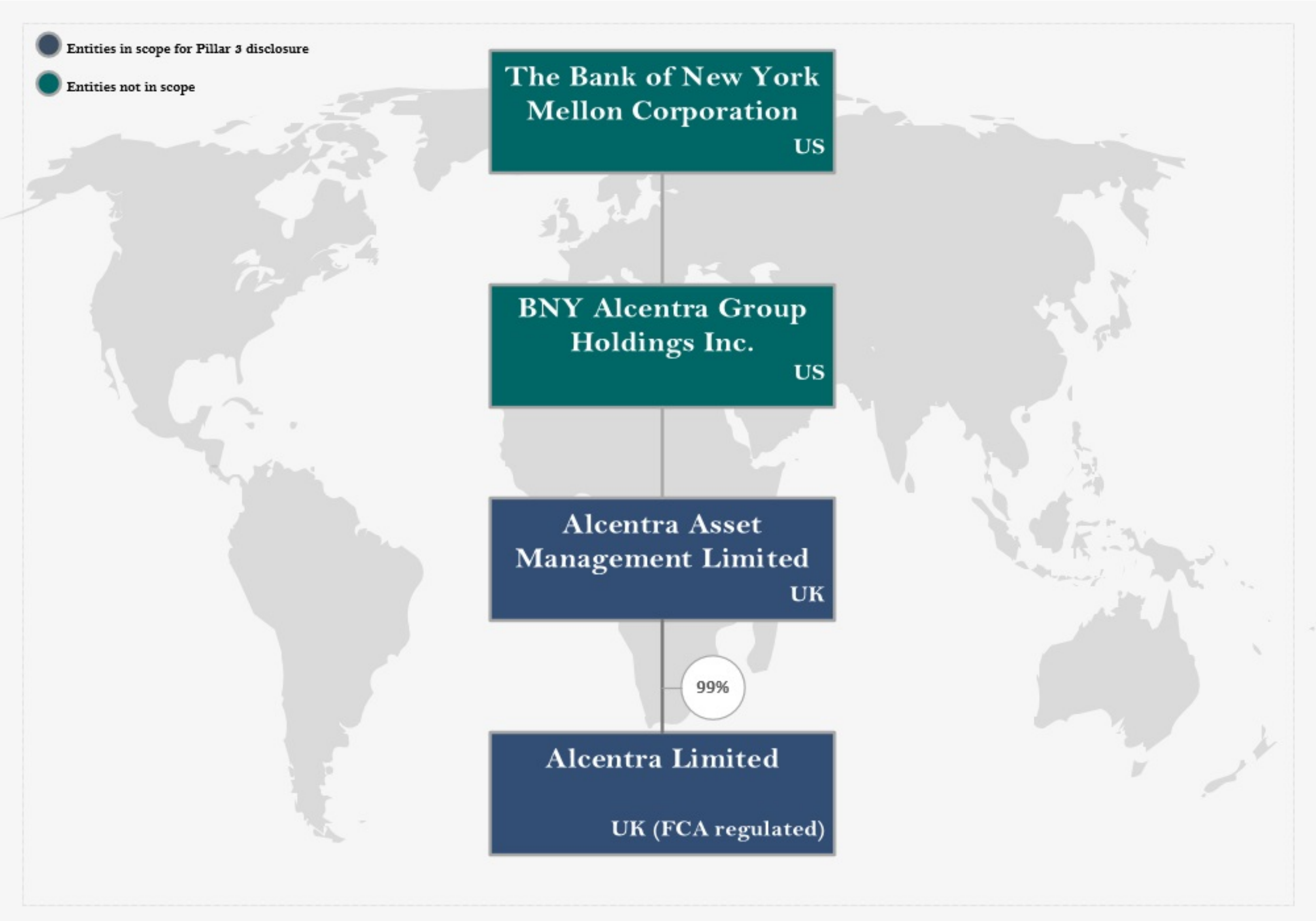
Alcentra Limited builds focused, capacity managed portfolios, offering clients access to its advanced yet transparent investment process through a range of funds. The core components of Alcentra Limited's investment philosophy are a combination of top down investment strategy analysis, credit analysis and detailed on-going monitoring.

The Board is not aware of any material impediments to the transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries.

Alcentra Limited

Figure 1 illustrates the legal entity structure of Alcentra Limited below.

Figure 1: Alcentra simplified legal entity structure at 31 December 2021



Basis of consolidation

Entity name	Consolidation basis	Services provided
Alcentra Asset Management Limited ('AAML')	N/A	A holding company for a group engaged in fund management
Alcentra Limited	Fully consolidated	An asset management business focused on sub-investment grade debt capital markets in Europe

1.9 Core business lines

Since inception, Alcentra has evolved its product mix from a predominantly CLO business, with low staff numbers and high operational leverage, to a broader platform with an all-encompassing sub-investment grade credit suite of products. Alcentra is now able to offer solutions for Senior Secured Loans, High Yield Bonds, Direct Lending, Special Situations, Structured Credit and Multi-Strategy Credit.

Alcentra's core strategy is focused on retaining its market position as one of the leading investment management companies in the sub-investment grade asset market through a strategy of organic growth of its existing client base and product offering. In order to achieve this strategy the business aims to:

- defend its leading CLO franchise by launching new CLOs in Europe to cover the amortisation/call of older vintage CLOs;
- continue to grow AuM in the open ended vehicles: European Loan Funds, Special Situations and Structured Credit strategies;
- grow the Direct Lending business with the launching of additional closed end funds and;
- build on the Multi-Strategy Credit success, offering all of the above global solutions in a single strategy to investors.

Alcentra Limited's clients are the funds themselves, with the underlying investors typically being institutional clients, such as pension funds and insurance companies, or professional investors. CLO fund notes, issued to investors by the fund itself, can be traded in the secondary market and therefore Alcentra Limited is not privy to who the end-investors are. The CLO funds made up over 21.3% of Alcentra's AuM as of 31 December 2021.

Alcentra Limited managed funds typically invest in the following asset classes:

- Leveraged or Secured Loans;
- Structured Credit;
- Direct Lending;
- High Yield Bonds; and,
- Special Situations.

On behalf of the funds it manages Alcentra Limited invests in these assets classes through different investment vehicles, the key ones being:

- Collateralised Loan Obligations;
- Direct Lending Funds;
- Total Return / Credit Funds;
- Separately Managed Accounts; and,
- Multi Strategy Credit Funds.

1.9.1 Risk retention

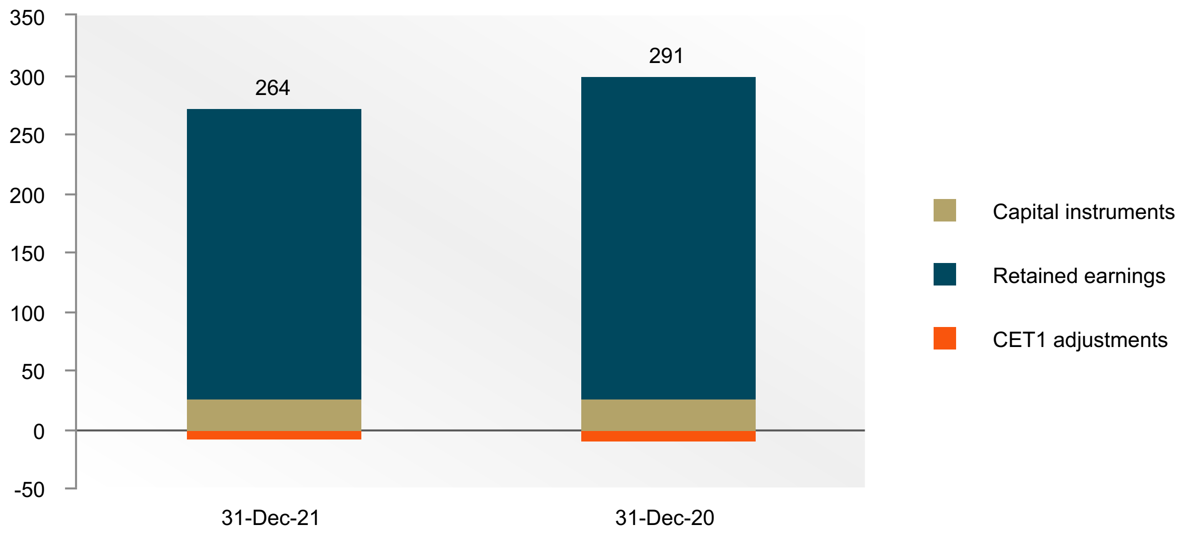
During 2018 Alcentra launched a third party risk retention fund (Viaduct) which now acts as originator for the firm's new CLOs thus removing the requirement for Alcentra to act as originator and the requirement for Alcentra to use its own capital going forward.

2 Article 437 CRR - Own funds

	2021	2020
Total assets	£364m	£401m
Common Equity Tier 1 capital	£264m	£291m
Total own funds	£264m	£291m
Total risk-weighted assets	£309m	£305m

Composition of regulatory capital

This graph shows the composition of regulatory capital in GBP millions including all regulatory adjustments at 31 December 2021 (see Table 5).



This section provides an overview of the regulatory balance sheet and composition of the Company's regulatory capital. There are a number of differences between the Pillar 3 disclosures published in accordance with prudential requirements and balance sheet prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101: Reduced Disclosure Framework ('FRS 101').

Own funds comprise Tier 1 capital less deductions.

The Company's regulatory capital is defined by CRD IV and includes Common Equity Tier 1 capital which is the highest quality form of regulatory capital under Basel III comprising common shares issued and related share premium, retained earnings and other reserves excluding the cash flow hedging reserve, less specified regulatory adjustments.

Table 2: Reconciliation of regulatory own funds

This table shows a reconciliation of Alcentra's balance sheet prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101: Reduced Disclosure Framework ('FRS 101') and the regulatory balance sheet prepared under prudential rules. The regulatory balance sheet forms the basis for the calculation of regulatory capital requirements.

At 31 December 2021 (£m)	Financial statements balance sheet	Regulatory adjustments	Regulatory balance sheet
Assets			
Intangible Assets	7	—	7
Other investments	170	—	170
Debtors	76	(67)	9
Current asset investments	23	(23)	
Cash at bank and in hand	85	—	85
Other assets	3	90	93
Total assets	**364**	**—**	**364**

At 31 December 2021 (£m)	Financial statements balance sheet	Regulatory adjustments	Regulatory balance sheet
Liabilities			
Creditors falling due within one year	83	(83)	—
Creditors falling due after more than one year	9	(9)	—
Deposits by banks	—	33	33
Other liabilities	—	25	25
Accruals and deferred income	—	34	34
Total liabilities	**92**	**—**	**92**
Shareholders' equity			
Called up share capital	26	—	26
Profit and loss account	246	—	246
Equity	**272**	**—**	**272**
Equity and liabilities	**364**	**—**	**364**

Note: The profit and loss account includes 2021 year-end profit. Further, intangible assets differ in the regulatory reporting under Tables 5 and 6 due to rounding.

Table 3: EU LI1 - Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

			Carrying values of items				
At 31 December 2021 (£m)	**Carrying amount**	**Carrying values under scope of regulatory consolidation**	**Subject to the credit risk framework**	**Subject to the CCR framework**	**Subject to the securitisation framework**	**Subject to the market risk framework**	**Not subject to capital requirements or subject to deduction from capital**
Intangible Assets	7	7	—	—	—	7	7
Other investments	170	170	—	—	170	170	—
Debtors	76	9	9	—	—	9	—
Current asset investments	23	—	—	—	—	—	—
Cash at bank and in hand	85	85	85	5	—	85	—
Other assets	3	93	88	—	—	86	
TOTAL ASSETS	**364**	**364**	**182**	**5**	**170**	**357**	**7**
Creditors falling due within one year	83	—	—	—	—	—	—
Creditors falling due after more than one year	9	—	—	—	—	—	—
Deposits by banks	—	33	—	—	—	33	—
Other liabilities	—	25	—	—	—	25	—
Accruals and deferred income	—	34				34	
TOTAL LIABILITIES	**92**	**92**	**—**	**—**	**—**	**92**	**—**

Table 4: EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements

At 31 December 2021 (£m)	Total	Items subject to			
		Credit risk framework	CCR framework	Securitisation framework	Market risk framework
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	357	182	5	170	357
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	—	—	—	—	(92)
Total net amount under the regulatory scope of consolidation	**357**	**182**	**5**	**170**	**265**
Differences due to different netting rules, other than those already included in row 2	—	—	—	—	(252)
Exposure amounts considered for regulatory purposes	**357**	**182**	**5**	**170**	**13**

Carrying values subject to market risk represent all currency balances other than Alcentra's reporting currency (GBP). These amounts can also be included in exposures subject to the other listed frameworks.

The difference in regards to the market risk exposure amount considered for regulatory purposes relates in principle to the methodologies applied in determining the exposure value under Article 325 of CRR. This considers the carrying amounts of currencies on the balance sheet to be either net long or not short positions. The higher of all net long or net short currencies, after exclusion of the reporting currency (GBP), then forms the basis of the regulatory exposure.

Table 5: CC1 - Composition of regulatory capital

This table shows the composition of regulatory capital including all regulatory adjustments.

Own funds	31-Dec-21	31-Dec-20
Common Equity Tier 1 ('CET1')		
Capital instruments	26	26
Retained earnings	246	274
Reserves and others	—	—
CET1 adjustments [1]	(8)	(9)
Total CET1	**264**	**291**
Additional Tier 1 capital ('AT1')		
Total AT1	**—**	**—**
Total Tier 1 ('CET1 + AT1')	**264**	**291**
Tier 2 capital ('T2')		
Total Tier 2 capital	**—**	**—**
Total own funds	**264**	**291**

[1] The balance in 2021 differs in the financial statements under Table 2 due to rounding.

Table 6: TLAC1 - Transitional own funds

The table below shows the transitional own funds disclosure.

Equity instruments, reserves and regulatory adjustments at 31 December 2021 (£m)	Amount
CET1 capital: Instruments and reserves	
Capital instruments and the related share premium accounts	26
of which: ordinary shares	26
Retained earnings	246
Minority Interests (amount allowed in consolidated CET1)	—
CET1 capital before regulatory adjustments	**272**
CET1 capital: regulatory adjustments	
Intangible assets (net of related tax liability) [1]	(8)
Total regulatory adjustments to CET1	**(8)**
CET1 capital	**264**
AT1 capital	**—**
T1 capital	**264**
T2 capital	**—**
Total capital	**264**
Total risk-weighted assets	**309**
Capital ratios and buffers	
CET1 (as a percentage of risk exposure amount)	85.4 %
T1 (as a percentage of risk exposure amount)	85.4 %
Total capital (as a percentage of risk exposure amount)	85.4 %
Amounts below the thresholds for deduction (before risk-weighting)	
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	—

[1] The balance differs in the financial statements under Table 2 due to rounding.

Table 7: CCA - Main features of regulatory capital instruments

This table provides a description of the main features of the regulatory capital instruments issued by Alcentra as at 31 December 2021.

Capital instruments main features [1]	Amount
Issuer	Alcentra Limited
Governing law(s) of the instrument	Law of England and Wales
Regulatory treatment	
Post-transitional CRR rules	Common Equity Tier 1
Eligible at solo/(sub-)consolidated/solo & (sub-) consolidated	Solo
Instrument type	Ordinary shares
Amount recognised in regulatory capital	£26 million
Nominal amount of instrument	£26 million
Issue price	£0.32
Accounting classification	Shareholders' equity
Original date of issuance	12-Aug-94
Perpetual or dated	Perpetual
Original maturity date	No maturity
Issuer call subject to prior supervisory approval	No
Coupons/dividends	
Existence of a dividend stopper	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
Existence of step up or other incentive to redeem	No
Convertible or non-convertible	Non-convertible
Write-down features	No

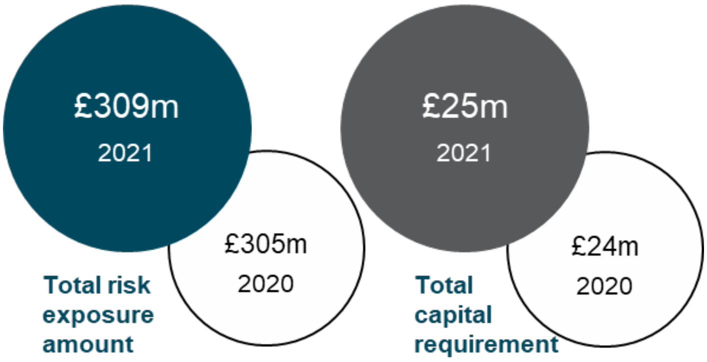
[1] This table is based on Annex II of ITS Regulation (EU) No. 1423/2013. Selected 'not applicable' lines have been omitted.

Capital and reserves

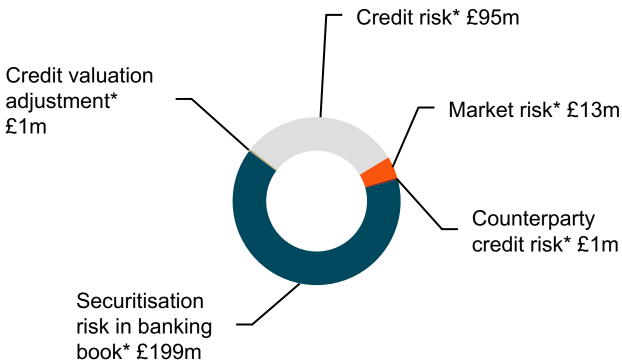
Allotted, called up and fully paid	2021 £000	2020 £000
80,000,000 Ordinary shares of £0.32 each	25,659	25,659

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

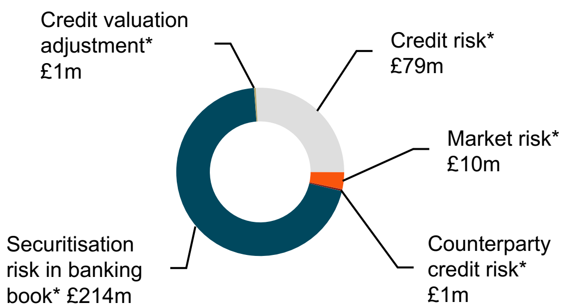
3 Article 438 CRR - Capital requirements



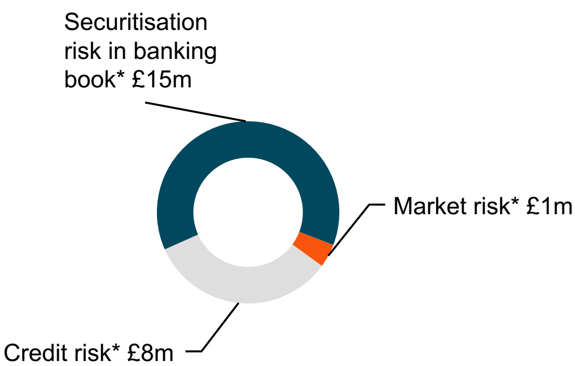
Risk exposure by risk type at 31 December 2021



Risk exposure by risk type at 31 December 2020



Capital requirements by risk type at 31 December 2021



Capital requirements by risk type at 31 December 2020

* Standardised approach

Alcentra's capital plan aims to ensure that an appropriate amount of capital is held to support its business model, allowing for prudent management of the business, given a range of plausible but severe stress scenarios. Potential capital shortfalls are identified over a 5 year period and capital plans adjusted accordingly. The plan is reflective of Alcentra's risk appetite, which details a commitment to a strong balance sheet characterised by strong liquidity and a capital structure which supports the risk taking activities and has the ability to absorb losses.

The plan is developed with input from Finance and the business lines.

Incorporating the projected earnings based on its business plan, Alcentra generates a 5 year forecast, which forms the base foundation for financial modeling and stress testing used as part of the approach to its internal capital assessment (Internal Capital Adequacy Assessment Process ('ICAAP') up to 31 December 2021, replaced by the Internal Capital and Risk Assessment ('ICARA') under the IFPR framework from 2022).

The capital plan effectively incorporates a view of Alcentra's current business model, the risks associated with that model, and an assessment of how those risks contribute to the amount of capital required, as per internal and external regulatory criteria. The capital plan is subject to executive and Board approval.

3.1 Calculating capital requirements

Alcentra defines the risks that it is exposed to, and sets out the associated capital plan which aims to ensure that Alcentra holds an appropriate amount of capital to support its business model, through the economic cycle and given a range of plausible but severe stress scenarios.

Alcentra is classified for regulatory and capital purposes as a limited license firm. Therefore in accordance with FCA requirements, Alcentra calculates the Pillar I capital resource requirements as the larger of Fixed Overhead Requirement ('FOR') and the sum of credit risk and market risk capital resource requirements. Alcentra's FOR is significantly less than the sum of credit and market risk requirements.

As at 31 December 2021, the FOR (including post audit adjustments) for Alcentra was £14.4 million (31 December 2020: £11.4 million, both calculated in accordance with the requirements of CRR). Under the requirements of IFPR effective from 1 January 2022, the FOR is £12.8 million. The FOR has been calculated as equal to one quarter of the fixed expenditure of the company less allowable deductions.

Table 8: EU OV1 - Overview of RWAs

This table shows the consolidated risk-weighted assets using the standardised approach, with their respective capital requirements.

	Risk exposure amount		Capital requirements	
Type of risk (£m)	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
Credit risk*	95	79	8	6
Counterparty credit risk*	1	1	—	—
Securitisation risk in banking book*	199	214	15	17
Market risk*	13	10	1	1
of which: foreign exchange position risk*	13	10	1	1
Credit valuation adjustment*	1	1	—	—
Total	**309**	**305**	**24**	**24**
Total capital			**264**	**291**
Surplus capital			**240**	**267**

*Standardised approach

Alcentra met or exceeded the minimum capital ratios required to maintain a well-capitalised status and to ensure compliance with regulatory requirements at all times. Alcentra sets internal capital target levels higher than the minimum regulatory requirements to ensure there is a buffer which reflects balance sheet volatility. These ratios have been determined to be appropriate, sustainable and consistent with the capital objectives, business model, risk appetite and capital plan.

4 Article 435 CRR - Risk management objectives and policies

Given the critical role that BNY Mellon plays supporting clients and its status as a Global Systemically Important Financial Institution ('G-SIFI'), the financial stability of all of its constituent legal entities, throughout market cycles and especially during periods of market turbulence, is recognised at the Corporation level as an imperative. Clients and market participants need to have confidence that the Corporation's many legal entities will remain strong and continue to deliver operational excellence and maintain an uninterrupted service. Therefore Alcentra, and BNY Mellon Corporation as a whole, is committed to maintaining a strong balance sheet and as a strategic position assumes less risk than many financial services companies.

Whilst BNY Mellon assumes less balance sheet risk than most financial services companies, it does assume a significant amount of operational risk as a result of its business model. As a consequence, BNY Mellon has developed an enterprise risk management program that is designed to ensure that:

- risk limits are in place to govern its risk-taking activities across all businesses and risk types;
- risk appetite principles are incorporated into its strategic decision making processes;
- monitoring and reporting of key risk metrics to senior management and the Board takes place; and,
- there is a capital planning process which incorporates both economic capital modelling and a stress testing programme.

The Board has adopted a conservative risk appetite to maintain a strong capital position and balance sheet throughout all market cycles with strong liquidity, ready access to external funding sources at competitive rates, and a robust capital structure whilst delivering operational excellence to meet stakeholders' expectations.

Risk statement

As a global investment management company, risk is a fundamental characteristic of the Alcentra business and is inherent in every transaction undertaken. As such, the Company's approach to risk taking and how it considers risk relative to reward directly impacts its success. Therefore Alcentra has established limits on the level and nature of the risk that it is willing and able to assume in achieving its strategic objectives and business plans.

The Company's Risk Appetite Statement serves this purpose and guides its decision making processes, including the manner by which it pursues its business strategy and the method by which it manages risk and determines whether the risk position is within appetite.

Alcentra is a source of innovative investment solutions for its clients, where key risks faced are operational, inclusive of the failure to meet fiduciary obligations. Additionally, strategic risk may arise from the failure to remain relevant and competitive and some credit risk and market risk may arise from exposure to foreign exchange or seed capital investments. The Board recognises that reputational risk could arise from shortcomings in any of these areas.

Alcentra is committed to ensuring all business activities are conducted with a clear understanding of the risks, to maintaining a robust risk management framework, delivering excellence, ensuring transparent disclosure and treating customers fairly, and to meet the expectations of major stakeholders, including clients, shareholders, employees and regulators. The Board expects a culture of honesty and openness from all staff with a bias to escalation in case of doubt.

Commensurate with the BNY Mellon organisational structure and the three lines of defence model, the identification, assessment and ongoing management of risk is undertaken primarily within Alcentra. In aggregate, Alcentra's risk tolerances are compatible with the BNY Mellon Investment Management Risk Appetite Statement. The business model provides inherent diversification such that for certain risks, individual business may have higher tolerances; where this is the case, such risks will be monitored in the aggregate as well as at the individual business level.

4.1 Board of Directors

BNY Mellon Corporation Risk Management is coordinated at regional, legal entity and line of business levels. A formal governance hierarchy is in place to ensure effective escalation of issues through the regional and global structure.

Governance of Alcentra is carried out through a regular meeting of the Board. The Board consists of both Executive and Non-Executive members as listed below. The Board is responsible for effective and prudent management and periodically assesses governance arrangements with a view to correcting deficiencies. Members of the Board are selected based on relevant industry knowledge, skills and expertise to achieve this aim. Alcentra recognises the need for diversity in its recruitment policy. Alcentra is a subsidiary of the Bank of New York Mellon Group and complies with the group's policies on Diversity and Inclusion. This policy emphasizes a broad set of qualities and competency to be considered when recruiting.

The Alcentra Board are responsible for the ongoing success and development of the Alcentra business. Objectives are set by the Board and are denoted in the Board's Terms of Reference document. The day-to-day decision-making is the responsibility of the executive directors of Alcentra.

Governance of Alcentra is distinct from the governance of the investment funds for which Alcentra is appointed as investment manager. The fund Boards are responsible for monitoring the performance of Alcentra as an investment manager. The clear segregation of responsibility for the governance of Alcentra as a business entity and the fiduciary responsibility for the funds managed by Alcentra ensures that potential conflicts are managed and that the responsibilities of each Board are clear and distinct.

The Global Risk and Compliance Committee meets on a monthly basis and comprises Alcentra Directors, several senior members of staff at Alcentra and regional representatives from BNY Mellon IM Risk and Compliance. The committee focus is the assessment and evaluation of all business risk. The Risk and Compliance Committee is responsible for the escalation of issues to the Global Board Risk Committee.

The Global Board Risk Committee meets at least quarterly and comprises Alcentra Directors and several senior members of staff at Alcentra. It assists the Board of Alcentra in its oversight of risk management, compliance and internal audit, as well as compliance with statutory and regulatory information.

The Board are satisfied that it has in place adequate risk management systems in relation to the firms or file and strategy.

The main duty and responsibility of the Board is to define the strategy of Alcentra and to supervise the management of Alcentra. Whilst acting autonomously and in accordance with its legal and regulatory requirements, the Board aligns Alcentra's strategy to that of its primary shareholder. The Board has overall responsibility for the establishment and maintenance of Alcentra's risk appetite framework and for the approval of the risk appetite statement, which is developed in collaboration with the Chief Executive Officer ('CEO') and the Alcentra Head of Compliance. The Board must ensure that strategic and business plans are consistent with the approved risk appetite. The Board also has responsibility for:

- holding the CEO accountable for the integrity of the risk appetite framework;
- seeking independent assessment, if deemed necessary, of the integrity and robustness of the risk appetite framework by reference to stakeholder expectations; and,
- understanding how strategic decisions alter the risk profile, and whether the strategic change would cause the risk appetite to be exceeded.

The table on the following pages shows the members of the Board and its committees as of 31 December 2021.

Board member	Function at Alcentra	Name of the other company in which an external function is exercised	Location (country)	Type of activities	Listed company (Y/N)	External mandate (title)	Capital connection with Alcentra (Y/N)
J DeSimone	Chief Executive Officer	Franciscan Children's Hospital	US	Healthcare	N	Director	N
		St. Johns Preparatory School	US	Education	N	Trustee	N
		Concord Academy	US	Education	N	Trustee	N
G Brisk	Chair of Alcentra Limited and Head of Governance, BNYM IM	The Fordham Trust	UK	Activities of religious organisations	N	Director	N
		The St Nicholas Cole Abbey Centre For Workplace Ministry Limited	UK	Activities of religious organisations	N	Director	N
		Distaff Lane Coffee Limited	UK	Unlicensed restaurants and cafes	N	Director	N
		The Littlegate Trust	UK	Activities of religious organisations	N	Director	N
H Smits	CEO of BNYM IM	The Investment Association	UK	Trading body	N	Director	N
		Impetus - The Private Equity Foundation	UK	Social work	N	Director	N
		The Education Endowment Foundation	UK	Education	N	Director	N
C McAnulty	Non-executive Director	Celtica Investments LLP	UK	Limited liability partnership	N	LLP designated member	N
		NORTHERN 2 VCT PLC	UK	Activities of venture and development capital companies	N	Director	N
		Polar Capital Global Financials Trust PLC	UK	Activities of Investment Trusts	N	Director	N

Board member	Function at Alcentra	Name of the other company in which an external function is exercised	Location (country)	Type of activities	Listed company (Y/N)	External mandate (title)	Capital connection with Alcentra (Y/N)
D Ford	Non-executive Director	Oppilotech Limited	UK	Research and experimental development on natural sciences and engineering	N	Director	N
		Oxford Drug Design Limited	UK	Research and experimental development on natural sciences and engineering	N	Director	N
		SomaServe Limited	UK	Research and experimental development on natural sciences and engineering	N	Director	N
		BoobyBiome Limited	UK	Research and experimental development on natural sciences and engineering	N	Director	N
		Cognitant Group Limtied	UK	Business and domestic software development	N	Director	N
		New Atlantis Ventures Ltd	UK	Activities of venture and development capital companies	N	Director	N
		New Atlantis Ventures Nominees Ltd	UK	Activities of venture and development capital companies	N	Director	N
		Arrowfield Capital Nominees Limited	UK	Activities of venture and development capital companies	N	Director	N
J M Nelson [1]	Non-executive Director	Adams Funds (Adams Diversified Equirty Fund and Adams Natural Resources Funds)	US	Activities of Closed-end funds	N	Director	N
		First Eagle Business Development Corporation (FCRD)	US	Asset Management firm	N	Director	N
		1950 Trust of Jesse Metcalf	US	Trust	N	Trustee	N
J R Miller [2]	Director, BNY Mellon						

In accordance with Article 91(4a) of Directive 2013/36/EU, executive or non-executive directorships held within the same group shall count as a single directorship.

[1] Appointed as a Director of Alcentra on 28 September 2021.

[2] Appointed as a Director of Alcentra on 28 September 2021.

D Forbes-Nixon resigned as a Director of Alcentra on 24 February 2021.

D Fabian resigned as a Director and President of Alcentra on 10 February 2021.

The Board is responsible for both the management and the oversight of risks together with the quality and effectiveness of internal controls but has delegated risk management oversight to general management, supported by the risk management committees. The Board is responsible for reviewing, challenging and approving all risk management processes including risk identification and assessment, stress testing and capital adequacy. The various control functions provide further support for the management of risk within the business.

Although the Company is a stand-alone business, as a subsidiary of a larger group the Company's board members and Global Head of Compliance also has the following reporting lines into BNY Mellon. The below information is based on the year end date of 31 December 2021:

- Jon DeSimone, CEO, reports into Hanneke Smits, CEO of BNY Mellon Investment Management;
- James Algar, Global Head of Compliance, reports into Chris Rexworthy, BNYM EMEA, LatAm & Global Firms Head of Compliance.

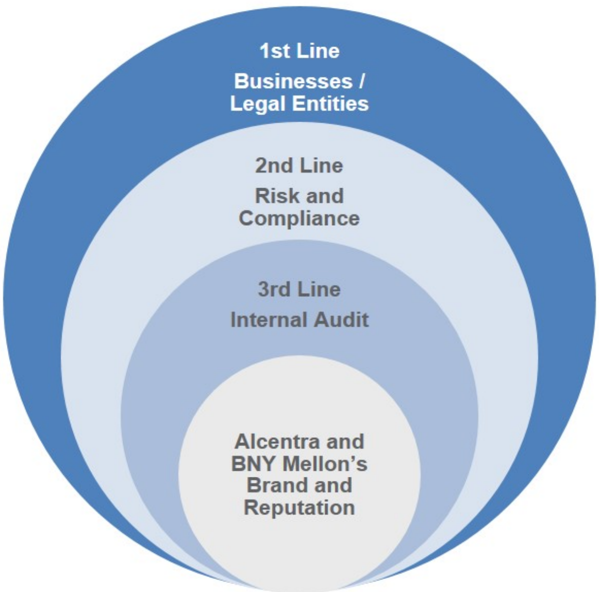
Although continually monitored, there have been no significant changes in the Company's risk forums and risk management operating practices and procedures.

4.2 Risk management framework

In line with global policy, Alcentra has adopted the 'Three Lines of Defence' model in deploying its risk management framework (figure 2 below). The first line of defence ('1LOD') is the business or, in some cases, business partner level. The business takes and owns the risk associated with activities, and it manages the risks and the related control processes and procedures on an operational basis. The Risk Management and Compliance functions are the second line of defence ('2LOD') and own the enterprise-wide risk management framework and provide independent oversight of the 1LOD, ensuring that policies are adhered to and challenged. The third line of defence ('3LOD') is Internal Audit, which independently provides Alcentra Board and senior management with the assurance that the governance structures, risk management and internal controls in place are effective.

BNY Mellon Risk and Compliance policies and guidelines provide the framework for Alcentra's risk identification, internal controls, monitoring, reporting and escalation.

Figure 2: 'Three Lines of Defence' risk management model



Three Lines of Defence

1st Line: Business / Legal Entities

- Owns risks associated with activities
- Each employee understands and manages the risks inherent in their jobs
- Controls and sound business level policies are in place
- Operate within Alcentra Board-defined risk appetite (which aligns with BNY Mellon IM Risk Appetite Statements)
- Issues escalated in a timely manner via governance structure

2nd Line: Risk and Compliance

- Supports the business to successfully achieve its strategy by facilitating the identification, assessment and mitigation of risks
- Consistent corporate level policies and standards
- Issues escalated in a timely fashion
- Reporting to regional BNY Mellon operational risk teams facilitate additional oversight and challenge
- Local oversight of BNY Mellon policies, procedures and satisfying regulatory oversight requirements at the legal entity level
- Embedded Operational Risk and Compliance function

3rd Line: Internal Audit (BNY Mellon)

- Independent from first two lines of defence
- Conducts risk-based audits
- Reports on the company's effectiveness in identifying and controlling risks

4.3 Risk appetite

Alcentra's Risk Appetite Statement is owned and approved by the Board. It describes the level of risk that the Board is willing to accept in its strategy and business activities, given its business objectives and obligations. The statement applies to all subsidiaries and is reviewed at least annually or when the Company's risk profile changes.

Alcentra uses a variety of metrics to measure and monitor its risk taking activities relative to its risk appetite. Articulating risk appetite through its metrics aids important decision-making by determining actions such as pursuing new products and enterprises, exiting businesses, and aligning resources to maximise potential gains given acceptable levels of risk.

Thresholds are established to measure the performance of the business against its risk appetite. The metrics are actively monitored, managed and mitigated through the Alcentra Global Risk & Compliance Committee, the Alcentra Global Board Risk Committee and the BNY Mellon EMEA Investment Management Risk Committee ('IMRC'), to ensure that the performance of business activities remains within risk tolerance levels. Where residual risks remain (which are within Alcentra's risk appetite), Alcentra will allocate capital as provision against potential financial loss.

4.4 Strategic and Emerging risk assessment

Risks are prioritised by key representatives from Alcentra according to the assessment of the inherent risk, quality of controls in place to mitigate risk and reduce the likelihood of each residual risk. Risks are assessed on both an inherent and residual basis as 'High', 'Moderate', and 'Low'. The Strategic and Emerging Risk Assessment forms part of the reporting to risk committees.

4.5 Stress testing

Capital Stress testing is undertaken at Alcentra to monitor and quantify risk exposures and capital requirements to ascertain whether or not there are sufficient capital resources on a forward-looking basis. The process involves developing stressed scenarios that identify an appropriate range of adverse circumstances of varying nature, severity and duration relevant to Alcentra's risk profile and business activities. Scenarios are derived from current, emerging, and plausible future risks and strategy, and reviewed, discussed and agreed by Alcentra's risk management and the Board (see section 4.7 below for further information).

4.6 Escalation of risks and issues

A robust framework exists for monitoring and escalation of issues and risks. If a material risk issue occurs, the EMEA Governance Guide for reporting and escalation of material issues and risks is followed. Business management is required to notify senior management, which includes Alcentra Board members, soon after determination. Risk management is responsible for supporting the business lines in achieving the following:

- identifying and documenting all material risks, assessing the effectiveness of control design, and ensuring that control gaps are closed;
- developing and implementing standards and policies appropriate for the business that conform to the principles and guidelines established by BNY Mellon and the internal Alcentra Risk team;
- elevating, reporting and investigating operating errors, losses and near misses, identifying root causes and implementing corrective actions;
- reviewing key indicators for coverage and effectiveness, identifying root causes for red and amber conditions and ensuring implementation of corrective actions;
- reviewing the impact of changes in business processes on inherent risks and controls such as reorganisations, new products or processes, system conversions and acquisitions, etc.; and
- ensuring that processes, risks and controls are continually reassessed for appropriateness and completeness.

4.7 Internal capital assessment

An ICAAP document was produced at least annually for Alcentra on a consolidated basis, including its subsidiaries, up to December 2021. This will be replaced by the ICARA, which is produced on a solo basis, from January 2022. The process and document is owned by the Alcentra Board. The purpose of the internal capital assessment is to:

- ensure the ongoing assessment and monitoring of the Company's risks and the approaches used to mitigate those risks, such that they remain within the Risk Appetite established by the Board;
- determine the capital requirement for the residual risk exposure at the point when the assessment is made and also over the Company’s five-year planning horizon, both under baseline and internally assessed stressed conditions;
- document the capital adequacy assessment process both for internal stakeholders and for prudential supervisors;
- provide the necessary information so that senior management, including the Board, can make decisions about the amount of capital that is required and the approach to risk management;
- provide on-going assessment and monitoring of Alcentra’s capital risks such that they remain within the risk appetite established by the Board;
- determine how much capital is likely to be necessary to support those risks at the moment the assessment is made and also over the firm’s five-year planning horizon, both under baseline and stressed conditions; and
- provide the necessary information so that senior management and the Board can make decisions about the amount of capital that is required and the approach to risk management that should be adopted.

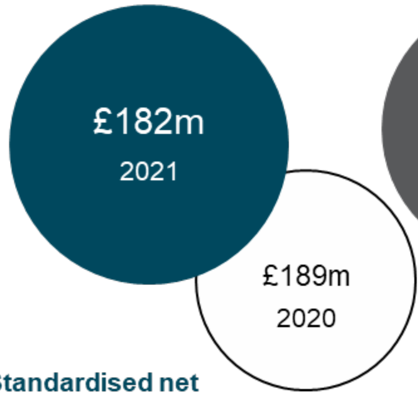
In addition to ensuring that there is sufficient capital to cover Economic Risk and to meet capital requirements under internally assessed stressed conditions, the Company's objective is also to maintain capital in excess of its Risk Appetite.

4.8 Recovery and resolution planning

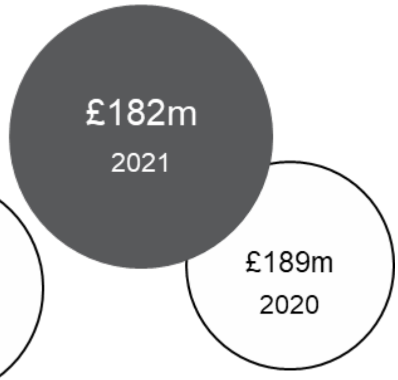
Alcentra forms part of Asset Management, a core business line of BNY Mellon for the purposes of its global Recovery and Resolution Planning. Every two years, BNY Mellon submits its Title I Resolution Plan as prescribed by supervisory policy. Further, as an indirect subsidiary of The Bank of New York Mellon Corporation, Alcentra is included within BNY Mellon's Single Point of Entry Resolution Strategy. For more information, please refer to the public section of BNY Mellon's 2021 Resolution Plan, available on the FDIC website

https://www.federalreserve.gov/supervisionreg/resolution-plans/bk-ny-mellon-3g-20210701.pdf

5 Article 442 CRR - Credit risk adjustments

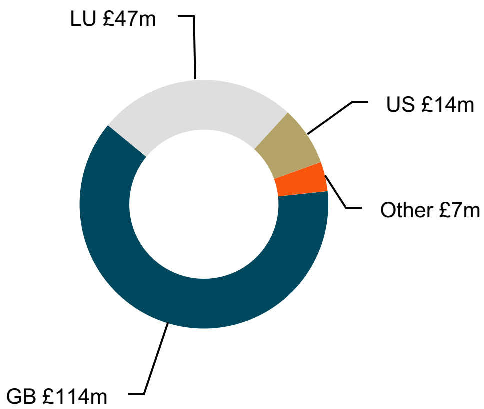


Standardised net credit exposure amount

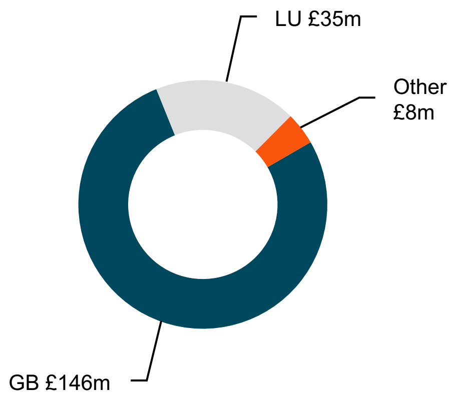


Total on and off-balance sheet exposures

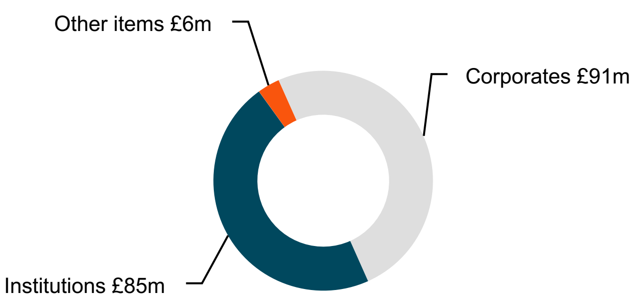
Standardised net credit exposure by country at 31 December 2021



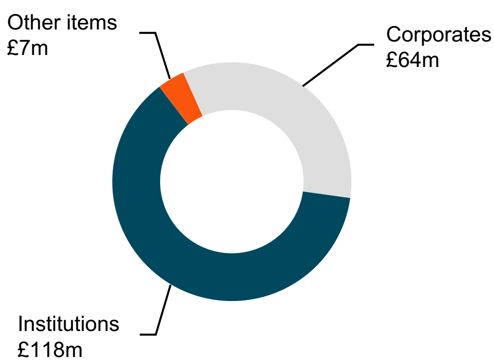
Standardised net credit exposure by country at 31 December 2020



Standardised net credit exposure by counterparty at 31 December 2021



Standardised net credit exposure by counterparty at 31 December 2020



5.1 Definition and identification

Credit risk is the risk of default from counterparties or clients for deposits, loans, commitments, securities and other assets where the realisation of the value of the asset is dependent on their ability to perform. As at 31 December 2021 the credit risk profile for Alcentra is limited to the risk of default from inter-company counterparties, management fees derived from the funds (clients) which Alcentra manages and the seed capital investments. The Company does not have a trading book.

5.2 Credit risk management framework

The Finance team in conjunction with the Global Operations team monitors Alcentra's exposure to management fee receivables on a day-to-day basis. Management fees are embedded in Global Operations procedures relating to oversight of the various fund's waterfall payments on an ongoing basis. Fees are tracked and if the risk of non-payment is identified this is immediately escalated to the Finance Team.

In relation to inter-company credit risk, Alcentra's Finance team is responsible for monitoring all inter-company receivables/payables reviewing reconciliation and aging of these balances on a monthly basis.

Alcentra holds investments relating to Risk retention holdings within some of the CLO deals it manages. Alcentra invests 5% of the total CLO fund size with a vertical strip. Alcentra has opted for this option to satisfy the ECB rules as opposed to investing in a horizontal strip in order to take advantage of the lower risk associated to the vertical strip c.80% of the investment will be in BBB rated paper and above.

5.3 Analysis of credit risk

Alcentra's credit risk exposure is managed between Finance and Global Operations. Any seed investments require an initial approval by the BNY Mellon Seed Capital Committee before the investments are made. The CLO investments are a vertical strip of the underlying notes.

Established operational policies, procedures and controls exist around the collection of receivables and identification and follow-up of at-risk balances.

The probability of default from inter-company receivables balance is minimal.

The metrics supporting the management of credit risk are monitored on a monthly basis and reported to senior management. Reporting was undertaken throughout 2021.

5.4 Monitoring and reporting

Credit risk exposure is computed under the standardised approach which uses external credit assessment institution ratings and supervisory risk weights supplied by external credit assessment agencies. The following credit risk exposure tables summarise the credit exposure for Alcentra in accordance with the CRD IV requirements.

The definitions below are used in the following tables:

- **Exposure at Default ('EAD')** is defined as the amount expected to be outstanding, after any Credit Risk Mitigation, if and when a counterparty defaults. Exposure reflects drawn balances as well as allowance for undrawn amounts of commitments and contingent exposures over a one-year time horizon. As such, exposure in this context may differ from statutory IFRS accounting balance sheet carrying values;
- **Credit Conversion Factor ('CCF')** converts the amount of a free credit line and other off-balance sheet transactions (with the exception of derivatives) to an EAD amount;
- **Credit Risk Mitigation ('CRM')** is defined as a technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantees and credit protection;
- **Geographic area** is based on the country location for the counterparty; and
- **Residual maturity** is defined as the period outstanding from the reporting date to the maturity or end date of an exposure.

Table 9: EU CRB-B - Total and average net amount of exposures

The following tables show the total and average credit risk exposure pre-conversion factors by class for the Company using the standardised approach.

At 31 December 2021 (£m)	Net value at the end of the period	Average net value over the period
Corporates	91	81
Institutions	85	73
Other items	6	6
Total	**182**	**160**

Table 10: Securitisation exposure as sponsor

This table shows securitisation exposure as sponsor using the standardised approach by risk-weight.

	Exposure		Risk-weight amount		Capital requirement	
Securitisation exposures (£m)	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
20%	90	108	18	22	2	2
30%	5	—	1	—	—	—
40%	12	24	5	10	—	1
50%	4	—	2	—	—	—
65%	6	13	4	9	—	1
90%	2	—	2	—	—	—
100%	22	22	22	22	2	2
105%	5	11	5	12	—	1
140%	2	—	3	—	—	—
180%	7	10	13	18	1	1
225%	2	—	5	—	—	—
340%	2	—	7	—	1	—
420%	3	5	12	21	1	2
1,250%	8	8	100	100	8	8
Total	**170**	**201**	**199**	**214**	**15**	**18**

Table 11: EU CRB-C - Geographical breakdown of exposures

This table shows post CRM exposure by class and by geographic area of the counterparty.

At 31 December 2021 (£m)	GB	LU	US	Other	Total
Corporates	23	47	14	7	91
Institutions	85	—	—	—	85
Other items	6	—	—	—	6
Total	**114**	**47**	**14**	**7**	**182**

At 31 December 2020 (£m)	GB	LU	Other	Total
Corporates	21	35	8	64
Institutions	118	—	—	118
Other items	7	—	—	7
Total	**146**	**35**	**8**	**189**

As of 31 December 2021, exposures to US represent greater than 5% of total exposures.

Table 12: EU CRB-D - Concentration of exposures by counterparty types

This table shows the credit exposure post CRM classified by class and by counterparty type.

At 31 December 2021 (£m)	General governments	Credit institutions	Other financial corporations	Various balance sheet items	Total
Corporates	—	—	91	—	91
Institutions	—	85	—	—	85
Other items	—	—	—	6	6
Total	**—**	**85**	**91**	**6**	**182**

Table 13: EU CRB-E - Maturity of exposures

This table shows exposure post credit risk mitigation, classified by credit exposure class and residual maturity.

At 31 December 2021 (£m)	On demand	Less than 1 year	Less than 5 years	More than 5 years	Total
Corporates	23	68	—	—	91
Institutions	85	—	—	—	85
Other	—	1	5	—	6
Total	**108**	**69**	**5**	**—**	**182**

5.5 Analysis of past due and impaired exposures

An aspect of credit risk management relates to problem debt management, which entails early problem identification through to litigation and retrieval of cash where there is no realistic potential for recovery.

The following tables provide an analysis of past due and impaired exposures using the following definitions:

- **past due** exposure is when a counterparty has failed to make a payment when contractually due; and,
- **impaired exposure** is when the entity does not expect to collect all the contractual cash flows when they are due.

As at 31 December 2021, Alcentra had no material impaired assets for which a specific or general provision was required. There were no material assets past due greater than 90 days. Alcentra did not incur any material write-offs of bad debts or make any recovery of amounts previously written off during the year.

Table 14: EU CR1-A - Credit quality of exposures by exposure class and instrument

This table provides a comprehensive picture of the credit quality of on- and off-balance sheet exposures.

	Exposures		Credit risk adjustments				
At 31 December 2021 (£m)	**Defaulted**	**Non-defaulted**	**Specific**	**General**	**Accumulated write-offs**	**Credit risk adjustment charges of the period**	**Net Values**
Corporates	—	91	—	—	—	—	91
Institutions	—	85	—	—	—	—	85
Other items	—	6	—	—	—	—	6
Total	**—**	**182**	**—**	**—**	**—**	**—**	**182**

	Exposures		Credit risk adjustments				
At 31 December 2020 (£m)	**Defaulted**	**Non-defaulted**	**Specific**	**General**	**Accumulated write-offs**	**Credit risk adjustment charges of the period**	**Net Values**
Corporates	—	64	—	—	—	—	64
Institutions	—	118	—	—	—	—	118
Other items	—	7	—	—	—	—	7
Total	**—**	**189**	**—**	**—**	**—**	**—**	**189**

The increase in exposures to Corporates primarily relates to an increase in trade debtors, namely in regards to performance fees.

Table 15: EU CR1-B - Credit quality of exposures by industry

This table shows the credit quality of Alcentra's on- and off-balance sheet credit risk exposures by industry type.

	Exposures		Credit risk adjustments				
At 31 December 2021 (£m)	**Defaulted**	**Non-defaulted**	**Specific**	**General**	**Accumulated write-offs**	**Credit risk adjustment charges of the period**	**Net values**
Financial and insurance activities	—	179	—	—	—	—	179
Other services	—	3	—	—	—	—	3
Total	**—**	**182**	**—**	**—**	**—**	**—**	**182**

	Exposures		Credit risk adjustments				
At 31 December 2020 (£m)	**Defaulted**	**Non-defaulted**	**Specific**	**General**	**Accumulated write-offs**	**Credit risk adjustment charges of the period**	**Net values**
Financial and insurance activities	—	185	—	—	—	—	185
Other services	—	4	—	—	—	—	4
Total	**—**	**189**	**—**	**—**	**—**	**—**	**189**

Table 16: EU CR1-C - Credit quality of exposures by geography

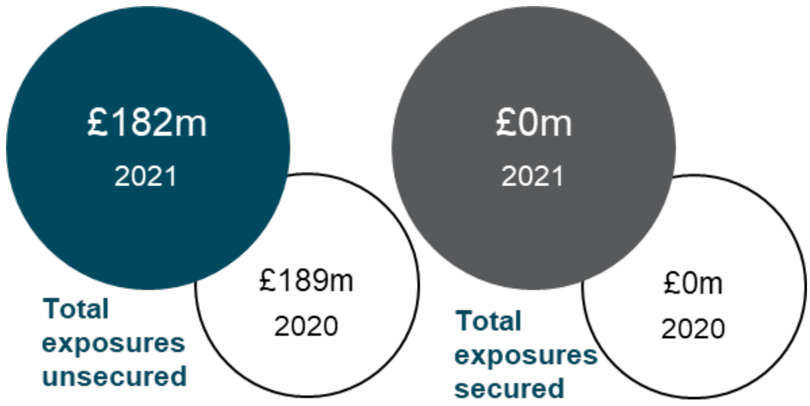
This table shows an analysis of Alcentra's credit risk exposures past due, impaired and allowances by country using the IFRS methodology.

At 31 December 2021 (£m)	Exposures		Credit risk adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
GB	—	114	—	—	—	—	114
LU	—	47	—	—	—	—	47
US	—	14	—	—	—	—	14
Other	—	7	—	—	—	—	7
Total	**—**	**182**	**—**	**—**	**—**	**—**	**182**

At 31 December 2020 (£m)	Exposures		Credit risk adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
GB	—	146	—	—	—	—	146
LU	—	35	—	—	—	—	35
Other	—	8	—	—	—	—	8
Total	**—**	**189**	**—**	**—**	**—**	**—**	**189**

As of 31 December 2021, exposures to US represent greater than 5% of total exposures.

6 Article 453 CRR - Credit risk mitigation



Alcentra manages credit risk through a variety of credit risk mitigation strategies including collateral, master netting agreements and netting arrangements.

6.1 Netting

International Swaps and Derivatives Association ('ISDA') Master Agreements and netting are used to mitigate counterparty credit risk. The ISDA Agreement incorporates schedules that allow the contracting parties to customise the terms and conditions to their mutual satisfaction to cover termination events, netting arrangements, security and other matters.

Netting may take two different forms, close-out netting and settlement netting. Close-out netting refers to an agreement between Alcentra and a counterparty that, in the event of a default, the non-defaulting party can require that:

- all open derivative contracts be marked-to-market and summed;
- a single net payment will be made as final settlement to whichever party holds the overall profit from the contracts; and,
- collateral be liquidated (if held).

Settlement netting requires that all foreign exchange obligations payable on the same settlement date, be netted to produce a single payment obligation for each currency traded.

6.2 Collateral valuation and management

Alcentra can receive collateral from a counterparty which can include guarantees, cash and both equity and debt securities, and has the ability to call on this collateral in the event of a default by the counterparty.

Collateral amounts would be adjusted on a daily basis to reflect market activity to ensure they continue to achieve an appropriate mitigation of risk value. Securities would be marked-to-market daily and haircuts are applied to protect Alcentra in the event of the value of the collateral suddenly reducing in value due to adverse market conditions. Customer agreements can include requirements for the provision of additional collateral should valuations decline.

As at the reporting date this was not applicable to Alcentra.

6.3 Wrong-way risk

Alcentra takes particular care to ensure that wrong-way risk between collateral and exposures does not exist. Wrong-way risk results when the exposure to the counterparty increases when the counterparty’s credit quality deteriorates.

6.4 Credit concentration risk

Ongoing assessments of credit concentration risk are performed as part of the Pillar 2 risk assessment process up to December 2021. From January 2022 the assessment of concentration risk will be in accordance with the requirements of MIFIDPRU 5 under the IFPR framework.

Credit Concentration risk within Alcentra originates mostly through Alcentra's corporate banking activities. Alcentra has an appetite to place funds only with institutions having an internal rating of 7 or better (equivalent to Moody's/ S&P/ Fitch external rating of A3/ A-/ A- respectively). Whilst this approach undoubtedly constrains the number of eligible placement counterparties as well as the deposit spread, it also ensures that exposures are well controlled and less likely to default.

In addition, to ensure compliance with the Large Exposures and Shadow Banking Regime, Credit Risk limits placements to individual banks to EUR 150m or to connected groups and shadow banking entities to a maximum of 25% of regulatory capital, in line with CRR requirements.

Table 17: EU CR3 - Credit risk mitigation techniques - overview

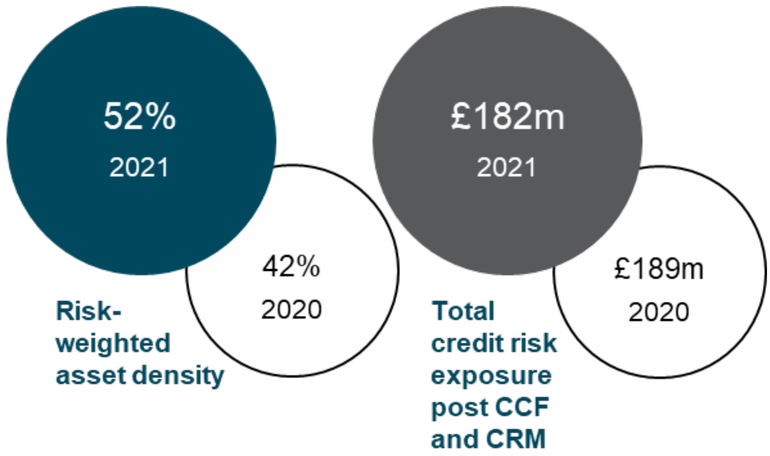
This table shows the extent of credit risk mitigation techniques of all exposures utilised by Alcentra.

At 31 December 2021 (£m)	Exposures unsecured: carrying amount	Total exposures secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Corporates	91	—	—	—	—
Institutions	85	—	—	—	—
Other items	6	—	—	—	—
Total exposures	**182**	**—**	**—**	**—**	**—**
Of which defaulted	—	—	—	—	—

Financial and other eligible collateral can include cash, debt securities, equities or gold, and their values are taken into account for the purposes of calculating the risk-weighted exposure amount of the underlying exposure.

There are no exposures covered by guarantees or credit derivatives at 31 December 2021. Using guarantees has the effect of replacing the risk weight of the underling exposure with that of the institution providing the credit protection. Guarantors are primarily rated as investment grade.

7 Article 444 CRR - External credit rating assessment institutions



The standardised approach requires Alcentra to use risk assessments prepared by External Credit Rating Assessment Institutions ('ECAIs') to identify a Credit Quality Step ('CQS') and thus determine the risk-weightings applied to rated counterparties. Alcentra uses S&P Global Ratings, Moody's and Fitch Ratings as its chosen ECAIs. There has been no change to these ECAIs during the year.

ECAI risk assessments are used for each exposure class except eligible retail exposures that are assigned a risk-weight of 75%. In accordance with the regulations, institutions with a residual maturity of three months or less denominated and funded in the national currency of the borrower shall be assigned a risk-weight different to institutions with a risk-weight of more than three months.

When calculating the risk-weighted value of an exposure using the ECAI risk assessments, Alcentra identifies the customer, the maturity of the transaction, and the relevant credit quality step to determine the risk-weight percentage.

Alcentra applies the standard association of prescribed risk-weights associated with the CQS by exposure class.

Table 18: EU CR4 - Credit risk exposure and credit risk mitigation ('CRM') effects

This table shows the effect of the standardised approach on the calculation of capital requirements for Alcentra. Risk-weighted exposure amount ('RWA') density provides a synthetic metric on the riskiness of each portfolio.

	Exposures before CCF and CRM		Exposures post CCF and CRM			
	Balance sheet amount		Balance sheet amount			
At 31 December 2021 (£m)	**On**	**Off**	**On**	**Off**	**RWA**	**RWA density**
Corporates	91	—	91	—	72	79 %
Institutions	85	—	85	—	17	20 %
Other items	6	—	6	—	6	100 %
Total	**182**	**—**	**182**	**—**	**95**	**52 %**

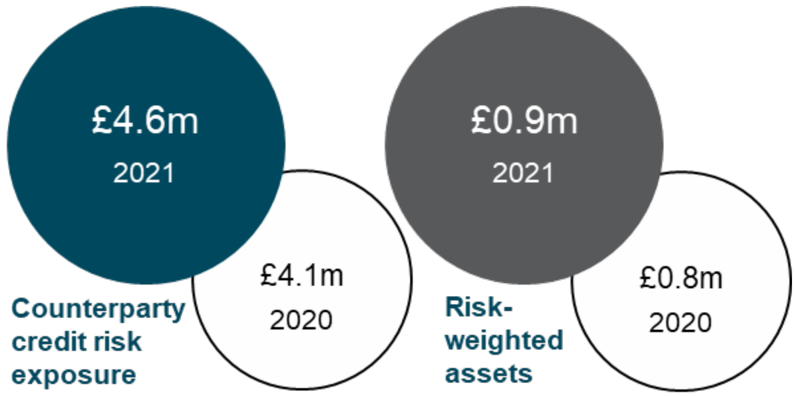
Table 19: EU CR5 - Credit risk exposure by risk-weight post CCF and CRM

This table shows the breakdown of exposures after the application of both conversion factors and risk mitigation techniques.

At 31 December 2021 (£m)	0%	20 %	100 %	150 %	250 %	Other	Total
Corporates	—	23	68	—	—	—	91
Institutions	—	85	—	—	—	—	85
Other items	—	—	6	—	—	—	6
Total	**—**	**108**	**74**	**—**	**—**	**—**	**182**

At 31 December 2020 (£m)	0%	20 %	100 %	150 %	250 %	Other	Total
Corporates	—	20	44	—	—	—	64
Institutions	—	118	—	—	—	—	118
Other items	—	—	7	—	—	—	7
Total	**—**	**138**	**51**	**—**	**—**	**—**	**189**

8 Article 439 CRR - Exposure to counterparty credit risk



Counterparty credit risk is the risk of a counterparty to a contract (recorded in either the trading book or non-trading book) defaulting before fulfillment of cash-flow obligations. The size of the potential loss could be reduced by the application of netting or collateral agreements with the counterparty.

Concentration risk covers the risk that a high proportion of business volume is represented by a disproportionate number of clients.

Alcentra does business with small number of large clients and high-value underlying investors. Concentration in these types of clients carries inherent risk but is in keeping with business strategy. However, this risk is mitigated by the cash flows arising within client funds and the ability of the manager to receive payment at regular interval from these cash flows.

Table 20: EU CCR1 - Analysis of the counterparty credit risk exposure by approach

This table shows a comprehensive view of the methods used to calculate counterparty credit risk regulatory requirements and the main parameters used within each method.

Counterparty credit risk (£m)		
Derivatives - Mark-to-market method	**31-Dec-21**	**31-Dec-20**
Replacement cost/ current market value	3.0	2.3
Potential future credit exposure	1.6	1.8
Netting benefits	—	—
Net current credit exposure	**4.6**	**4.1**
Collateral held notional value	—	—
Net derivatives credit exposure	**4.6**	**4.1**
Risk-weighted assets	**0.9**	**0.8**
SFT - under financial collateral comprehensive method	**31-Dec-21**	**31-Dec-20**
Net current credit exposure	—	—
Net SFT credit exposure	—	—
Risk-weighted assets	—	—
Counterparty credit risk exposure	**4.6**	**4.1**

Note: SFT (Securities Financing Transactions)

8.1 Credit valuation adjustment

The credit valuation adjustment ('CVA') is the capital charge for potential mark-to-market losses resulting from the credit quality deterioration of a counterparty. The standardised approach uses the external credit rating of each counterparty and includes the effective maturity and exposure at default.

Table 21: Credit valuation adjustment capital charge

This table shows the credit valuation adjustment using the standardised approach.

Portfolio at 31 December 2021 (£m)	Exposure value	RWA
All portfolios subject to the Standardised Method	4.6	0.9
Total subject to the CVA capital charge	**4.6**	**0.9**

Table 22: EU CCR3 - CCR exposures by regulatory portfolio and risk

This table shows the breakdown of counterparty credit risk exposures by exposure class and risk-weight attributed according to the standardised approach.

At 31 December 2021 (£m)	0%	20 %	50 %	100 %	250 %	Other	Total
Corporates	—	—	—	—	—	—	—
Institutions	—	4.6	—	—	—	—	4.6
Other items	—	—	—	—	—	—	—
Total	**—**	**4.6**	**—**	**—**	**—**	**—**	**4.6**

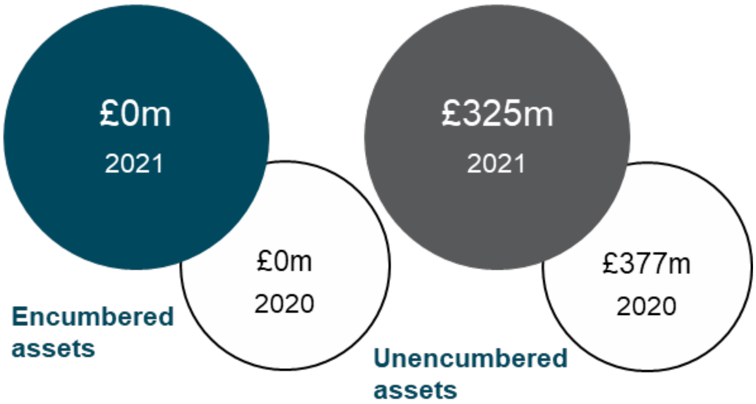
At 31 December 2020 (£m)	0%	20 %	50 %	100 %	250 %	Other	Total
Corporates	—	—	—	—	—	—	—
Institutions	—	4.1	—	—	—	—	4.1
Other items	—	—	—	—	—	—	—
Total	**—**	**4.1**	**—**	**—**	**—**	**—**	**4.1**

Table 23: EU CCR5-A - Impact of netting and collateral held on exposure values

This table provides an overview of the collateral held on counterparty credit risk exposures.

At 31 December 2021 (£m)	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	4.6		4.6	—	4.6
Total	**4.6**	**—**	**4.6**	**—**	**4.6**

9 Article 443 CRR - Asset encumbrance



Alcentra does not have any encumbered assets due to the nature of its business. The majority of assets relate to group balances or investments required to meet regulatory requirements.

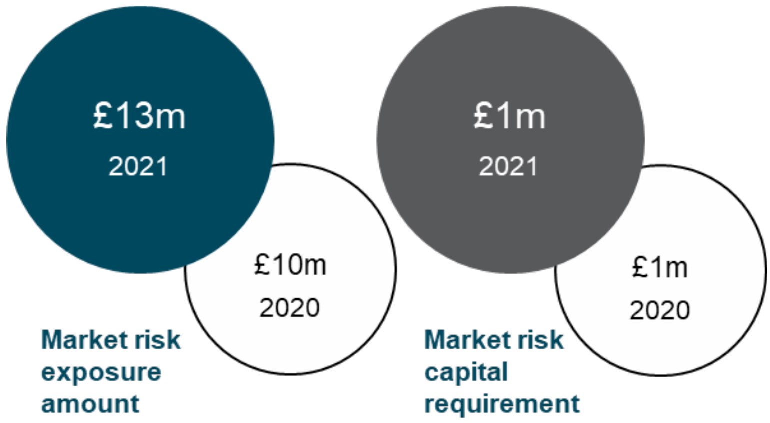
Table 24: AE-A - Encumbered assets

The carrying and fair value of encumbered assets by type, based on median values in 2021, are as follows:

	Encumbered assets		Unencumbered assets	
31 December 2021 (£m)	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Assets of the reporting institution	**—**		**325**	
Equity instruments	—		29	29
Debt securities	—	—	151	151
of which: issued by financial corporations	—	—	151	151
Other assets	—		154	

Note: HQLA: High Quality Liquid Assets / EHQLA: Extremely High Quality Liquid Assets

10 Article 445 CRR - Exposure to market risk



Market risk is the risk to a company's financial condition arising as a result of adverse movements in the markets, such as foreign currency exchange rates. The only source of market risk facing Alcentra is from foreign exchange exposure resulting from the retranslation of non-functional currency balances held on the balance sheet. There is no trading book risk.

The foreign exchange exposure is derived from the predominance of:

- EUR and USD based receivables;
- risk retention holdings in the CLOs; and,
- cash and inter-company balances which revalue each month.

Alcentra's foreign exchange hedging process is managed by The Bank of New York Mellon Corporation Hedging function. Alcentra's seed capital portfolio (the risk retention holding in the CLOs) is hedged by 90 day forward agreements. There is no upfront cash movement at the commencement of a forward agreement; these hedges are placed with a 90 day horizon and are marked-to-market during the period to maturity; on Day 89 a spot trade is placed in order to close the hedge and then a new 90 day hedge is placed. The net P&L of the forward is settled at the end of the 90 days. The seed capital portfolio is monitored during this time for any disposals or new investments - if this occurs additional 90 day hedges are created in order to manage the change in exposure.

Foreign Exchange ('FX') exposures outside of the seed capital portfolio (including but not limited to EUR management fee receivables and intercompany receivables and payables) are monitored. Any exposures are then hedged through Alcentra's bank accounts with BNY Mellon. To cover a long exposure cash is sold in that currency to mitigate the exchange rate exposure.

Table 25: EU MR1 - Market risk

This table shows components of the capital requirements and risk-weighted assets for market risk using the standardised approach.

Market risk components at 31 December 2021 (£m)	Risk-weighted assets	Capital requirements
Foreign exchange risk	13	1
Total	**13**	**1**

11 Article 446 CRR - Interest rate risk in the banking book

Interest rate risk ('IRR') is the risk to a company's earnings or capital arising from adverse movements in interest rates.

Alcentra has no material assets and liabilities subject to IRR, does not run a trading book and seeks to match its interest rate risk on its non-trading book. Its IRR exposure for both on-balance sheet and off-balance sheet assets and liabilities mainly arises from movements in domestic and foreign interest rate.

Table 26: Net interest income sensitivity by currency

This table shows the net interest income sensitivity by Alcentra's major transactional currencies.

Currency (000s)	**+ 100 basis points**	**- 100 basis points**	**+ 100 basis points**	**- 100 basis points**
	31-Dec-21	**31-Dec-21**	**31-Dec-20**	**31-Dec-20**
GBP	696	(696)	1,265	(1,265)
USD	(24)	24	(52)	52
EUR	(296)	296	(278)	278
Other currencies	—	—	—	—
Total	**376**	**(376)**	**935**	**(935)**
As percentage of net interest income	(7.0)%	7.0 %	(16.0)%	16.0 %

12 Article 446 CRR - Operational risk

Operational risk is the risk of loss resulting from people, systems, inadequate or failed internal processes or from external events (including legal risk but excluding strategic and reputational risk). Operational risk may arise in a variety of ways, including:

- operational errors during trade execution;
- breaches of its fiduciary obligations;
- failures in internal product governance processes;
- internal or external fraud; and
- legal or regulatory actions as a consequence of non-compliance with regulatory requirements, prudent ethical standards or contractual obligations.

In addition to the above examples, Alcentra considers the impact of outsourcing and technology provision as part of its Operational risk profile. At present, the Company uses two main technology platforms, acquired directly from the vendors and used to input trades and monitor fund portfolios - Wall Street Office and Everest. However, Alcentra is currently in the process of outsourcing its middle and back office activities as part of a strategic change project aimed at reducing operational risk and complexity.

Alcentra aligns its Corporate Risk Policy and Framework to that of BNY Mellon, and leverages the skills, expertise and systems of the wider organisation to perform its key risk management practices. The Policy outlines the key risk management practices performed by the business, which in turn allows the Board to identify the principal risks to the business and monitor against them to ensure they remain within the risk appetite set by the Board through its Risk Appetite Statement. The ongoing performance of risk management practices also informs the key risks that must be considered during the quantification of operational risk capital during the internal capital assessment.

Alcentra's approach ensures risks are continually measured and managed through the ongoing performance and reporting of:

- Key Risk Indicators;
- Risk and Control Self-Assessment ('RCSA');
- Strategic and Emerging Risk Assessment;
- Operational error and breach investigation and reporting;
- Tracking of open actions relating to identified control weaknesses; and
- Identification and monitoring of conflicts of interest.

To supplement the above risk management practices, Alcentra also performs compliance monitoring reviews which are overseen by the Alcentra Head of Compliance. These reviews cover all aspects of the business, with particular focus on regulatory compliance and fiduciary responsibilities of the business. Any risks that arise are escalated to the Alcentra Head of Compliance, the EMEA, LatAm & Global Firms Head of Compliance, the Risk and Compliance Committee and, where necessary, the Board.

Up to and including December 2021, the ICAAP Working Group ('IWG') delegated responsibility for overseeing the performance of the operational loss scenario analysis which informs the quantification of operational risk capital under Pillar 2. This will be renamed as the ICARA Working Group from January 2022 giving consideration to the OFTR under IFPR.

12.1 Operational risk management framework

As a company with a limited licence there is no own funds regulatory capital requirement for operational risk, as per CRR Article 95(2)a.

Alcentra has a robust management oversight infrastructure, which ensure policies and procedures are regularly reviewed and updated to reflect the development of the business and changes in industry best practice. Nonetheless, as a small business, some reliance is placed on manual controls and processes and the skills/ capabilities of a small number of employees which can give rise to operational risks. Augmenting this are oversight service functions such as Compliance, Internal Audit, IT Security and Risk Management of parent companies.

The Operational Risk Management Framework ('ORMF') provides the processes and tools necessary to manage risk through a culture of risk awareness, a clear governance structure, well defined policies, procedures and reporting and suitable tools for reporting and monitoring to effectively identify, manage, mitigate, monitor and report the risks in an organised way to the appropriate governance bodies.

The ORMF defines roles and responsibilities through the global policy, using the Three Lines of Defence model as a foundation. Thus, responsibility for the management of Operational Risk sits first and foremost with the business and functions.

The first line is principally the businesses and business process owners, who are responsible for identifying and managing the risks inherent in the products, activities, processes and systems for which they are accountable throughout the course of their business activities.

The second line of defence, the independent Risk Management function, is responsible for reviewing and challenging the risks identified, assessed and managed by the first line of defence. EMEA Risk Management, including the Alcentra Head of Compliance and the Operational Risk Officer, is also responsible for building and maintaining the ORMF framework and partnering the first line of defence to enable them to embed it.

The third line of defence is Internal Audit (organisationally independent from both the first and second line of defence). A key responsibility of the third line as it pertains to the Operational Risk Management Framework is to opine on the adequacy of the framework and governance process.

Therefore, the monitoring and reporting of operational risks occurs within Alcentra and BNY EMEA-region risk oversight functions as well as decision-making forums such as new business and risk committees.

Alcentra uses the ORMF to capture, analyse and monitor its operational risks. The tools used to manage the operational risks of the business are outlined below. These activities are prescribed through the enterprise operational risk program, assessment systems and related processes, including but not limited to:

Risk Appetite

BNY Mellon defines Risk Appetite as the aggregate level of risk a legal entity is willing to assume after considering topics such as its strategic business objectives and business plan, the major risks facing the legal entity and its risk capacity. Alcentra has, in line with the Enterprise Risk policy for Risk Appetite, set a Risk Appetite Statement which recognises the inherent nature of operational risk and the reliance on the ORMF to mitigate it.

Risk and Control Self-Assessments ('RCSA')

A comprehensive policy to identify risks associated with key business processes, identifying and assessing the quality of controls in place to mitigate risk and assigning accountability for the effectiveness of those controls in place to mitigate that risk.

Operational Risk Events ('ORE')

A standard for the capture, notification and reporting of Operational Risk Events. The collection of internal loss data provides information for assessing the entity's exposure to Operational Risk. Analysis of loss events provides insight into the root cause and information on whether a control weakness is isolated or potentially more systemic. Information on operational risk event losses or gains exceeding USD10,000 are analysed to understand root cause(s) and to identify improvements needed in order to reduce the recurrence and/or magnitude of future events. All ORE are reviewed for root cause and possible mitigating actions. Reporting on ORE are provided to the Risk & Compliance Committee on a monthly basis.

Key Risk Indicators ('KRI')

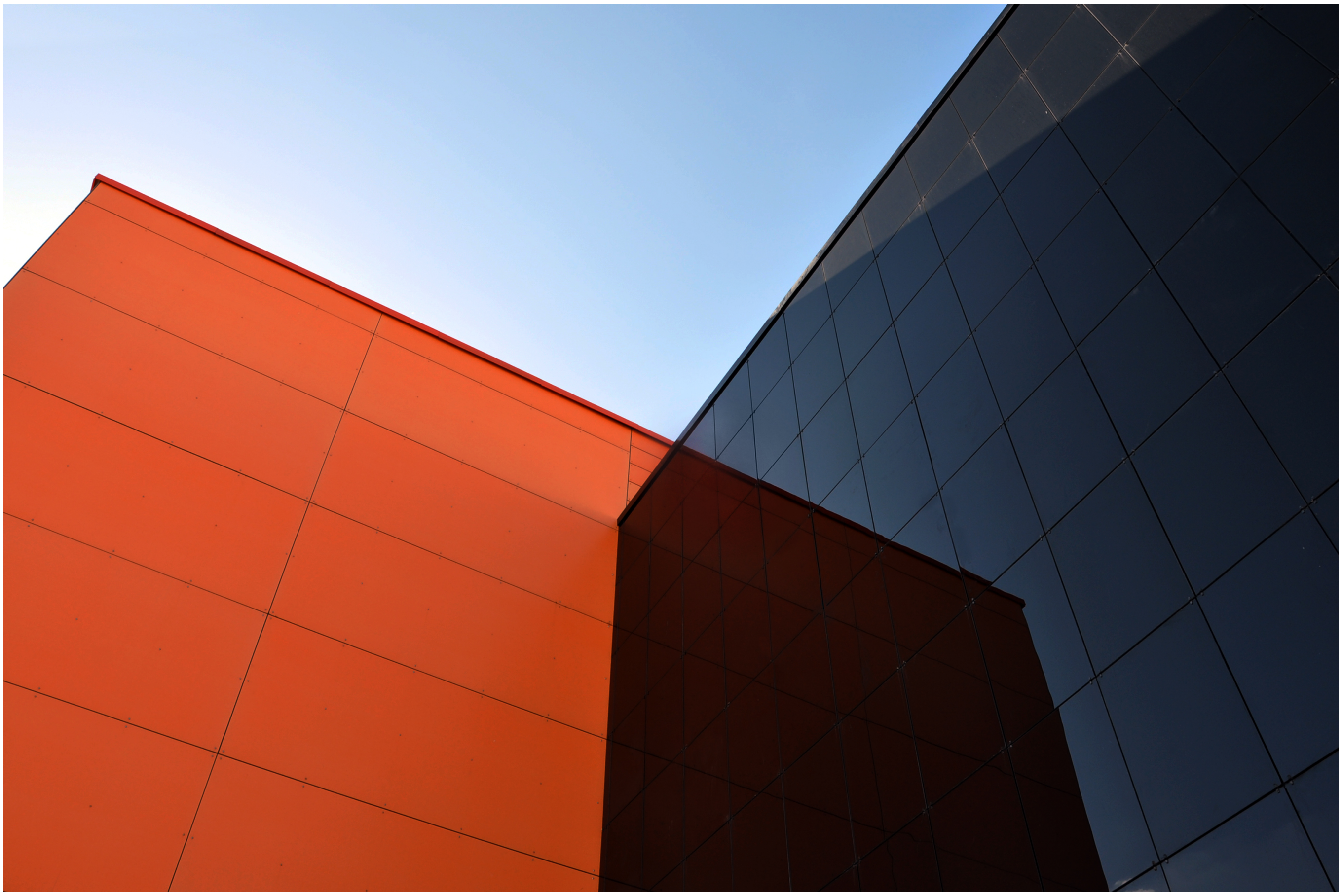
Key risk metrics designed to monitor activities which could cause financial loss or reputational damage to the legal entity. Periodic and consistent monitoring of KRI ensures that deviations from predetermined standards can be identified.

Operational Risk Scenario Analysis ('ORSA')

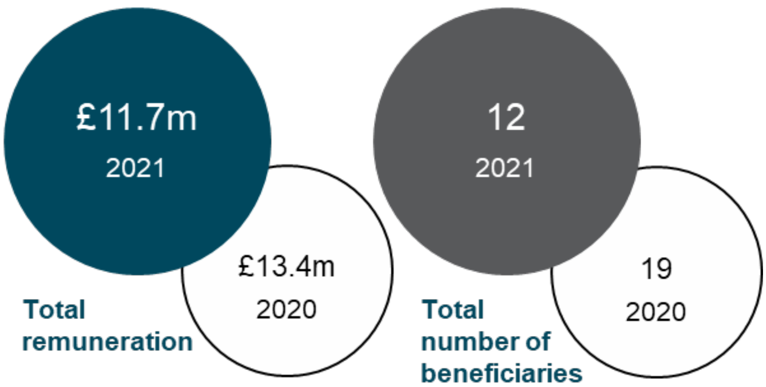
Operational Risk Scenario Analysis is used by Alcentra to identify and assess plausible, high impact, low probability operational risk loss events using a combination of the operational risk data and expert management judgement. Scenario analysis provides a broad perspective of risks faced globally based on the expertise of senior business and risk managers and supports an understanding of how significant operational losses could occur. Scenario analysis also supports, directly or indirectly, the calculation of operational risk capital by using the output of scenario analysis (frequencies and severities) as an input for Pillar 2A operational risk capital modelling.

13 Article 451 CRR - Leverage

The leverage ratio by is calculated by dividing Tier 1 Capital by a total exposure measure which is comprised of a defined sum of asset exposure values and off-balance items. Alcentra is an IFPRU €50k limited licence firm and, in line with CRR requirements, is not required to disclose its leverage ratio.



14 Article 450 CRR - Remuneration policy



Note: The numbers and values presented represent the Company's Identified Material Risk Takers.

14.1 Governance

The governance of remuneration matters for BNY Mellon and its group entities, including the Company, which is the FCA regulated subsidiary of Alcentra, is overseen by four committees, each with separate responsibilities in respect of remuneration as summarised below:

Human Resources and Compensation Committee of BNY Mellon ('HRCC') is responsible for overseeing BNY Mellon's employee compensation and benefits policies and programmes globally. It reviews and is responsible for the compensation plans, policies and programs in which the senior officers participate and has general oversight for the other incentive, retirement, welfare and equity arrangements for all employees globally. The members of the HRCC are non-executive members of the BNY Mellon's Board of Directors, acting on behalf of the BNY Mellon Board of Directors.

Investment Management Compensation Oversight Committee of BNY Mellon ("IM COC") is responsible for ensuring compensation plans are based on sound risk management, it provides governance and risk oversight and advises the HRCC on any compensation risk issues. The members of the IM COC are senior members of BNY Mellon Investment Management, including the Chief Executive Officer of BNY Mellon Investment Management; Global Head of Human Resources for Investment Management, Employee Relations, and HR Governance & Internal Controls; Head of Governance, BNY Mellon Investment Management; the Chief Financial Officer, BNY Mellon Investment Management; and the Global Head of Compensation, BNY Mellon Investment Management. All new material incentive plans, material changes to existing incentive/sales plans and funding accrual decisions are subject to the review and approval by the IM COC.

Incentive Compensation Review Committee ('ICRC') is the coordinating body of senior executives responsible for the oversight of the process of evaluating and recommending compensation reductions for all employees. These decisions are based on feedback regarding risk, compliance, audit and legal outcomes as well as situations of an employee engaged in fraud or who has directly or indirectly contributed to a financial restatement or other irregularity. The ICRC is a management-level committee that reports its recommendations to the HRCC. Ex ante adjustments are recommended by the employee's management for review and approval by the committee and ex post adjustments are formulated by the committee. The Chief Human Resources Officer chairs the committee supported by the Global Head of Compensation and Benefits. Voting members include the Chief Executive Officer, Chief Risk Officer, Chief Compliance Officer, Chief Auditor, Chief Financial Officer and General Counsel.

Alcentra Remuneration Committee ('Alcentra RemCo') has delegated responsibility for remuneration matters from the Board of Alcentra Limited, which in consultation with the IM COC, is responsible for remuneration policy decisions and the approval of year-end compensation awards for its respective regulated staff members. This process includes formal input from Risk and Compliance functions when determining the amount of any variable incentive awards.

In accordance with the FCA regulatory remuneration requirements, the responsibility for overseeing the development and implementation of the firm's remuneration policies and practices in relation to prescribed FCA Senior Managers, is held by the Chairman of Europe. This accountability is accomplished through oversight of policies and practices and delegation of key control processes to the Global Head of Compensation, BNY Mellon Investment Management.

14.2 Aligning pay with performance

The Alcentra businesses align their compensation philosophy with BNY Mellon and offer a total compensation opportunity that supports its values; passion for excellence, integrity, strength in diversity and courage to lead, which pays for performance, both at the individual and entity level. The businesses value individual and team contributions and rewards based on how both contribute to business results. In support of this philosophy, variable compensation is regularly used as a means of recognising performance.

Through the compensation philosophy and principles, the interests of the Company's employees and shareholders are aligned by encouraging actions that contribute to superior financial performance and long-term shareholder value, by rewarding success and by ensuring that its compensation arrangements do not encourage employees to take unnecessary or excessive risks that threaten the value of the Alcentra businesses and BNY Mellon or benefit individual employees at the expense of shareholders or other stakeholders. The compensation structures are comprised of an appropriate mix of fixed and variable compensation that is paid over time. They aim to ensure that both fixed and variable compensation are consistent with business and market practice, fixed compensation is sufficient to provide for a fully flexible variable compensation program, and variable compensation is in the form of annual and/or long-term incentives, and where appropriate granted over equity to align employee remuneration with that of shareholder growth.

14.3 Fixed remuneration

Fixed remuneration is composed of (i) salary and (ii) any additional non-performance related amounts paid as a result of contractual obligations or applicable law, or as a result of market practice.

The fixed remuneration of an employee is determined by the job performed, its level of complexity and responsibility, and the remuneration paid in the market for that type of job. It is set for all staff, at a rate to be at all times sufficient to provide for full flexibility with regard to any variable remuneration element, including zero variable remuneration.

Employees who have accepted to be a director of another of BNY Mellon's legal entities are not remunerated in their capacity as a director. Independent directors of BNY Mellon only receive fixed remuneration, as disclosed in the annual Proxy Statement to shareholders.

14.4 Ratio between fixed and variable pay

Alcentra is regulated by the FCA and complies with all applicable remuneration requirements. Alcentra is an IFPRU €50k limited licence firm and is also a proportionality level three firm. CRD IV extends the remuneration requirements of CRD III and includes additional provisions governing remuneration which are applied by the firm in line with the guidance on proportionality outlined in SYSC 19D.

14.5 Variable compensation funding and risk adjustment

Alcentra's staff are eligible to be awarded variable compensation, but have no entitlement to such awards which are discretionary in nature.

In general the total compensation pool for each of the Alcentra businesses, including any variable incentive pool, is based on the profitability of the business with the potential for adjustment by BNY Mellon and the IM COC on the basis of a number of factors including risk management.

Typically the pools are determined primarily based on pre-tax income, which is a profit based rather than revenue based measure. These pools are subject to discretionary adjustment by BNY Mellon, the IM COC and HRCC based on factors in assessing the earnings including (but not limited to) significant non-recurring activity, market conditions, interest and currency rates.

The incentive pools for business partner groups which support the Alcentra businesses are based on a management approved fixed pool adjusted by a number of factors, including corporate performance and risk management.

Variable compensation may consist of both upfront cash and deferred components and is determined by the functional hierarchy of the business or function to which the individual staff member belongs, and in accordance with the terms and conditions of the incentive compensation plan that is applicable for the business or business partner service.

The deferred component is intended to align a portion of the variable compensation award with the management of longer-term business risk. The deferred compensation component is generally awarded in the form of either BNY Mellon restricted stock units, deferred cash invested in an appropriate vehicle, Alcentra business equity or any combination determined appropriate from time to time.

To ensure effective risk adjustment, BNY Mellon requires employees who receive variable remuneration awards (both upfront and deferred) to agree to forfeiture and clawback of such awards in the event of fraud, misconduct or actions contributing to the detriment of business interests, including competing with the business and soliciting employees or clients. Where required by regulations, awards to Material Risk Takers ('MRTs') are subject to more stringent risk adjustment, including, but not limited to, forfeiture and clawback in the event of employee misbehaviour, material error, material downturn in business unit performance or a material failure of risk management.

14.6 Deferral policy and vesting criteria

For more senior-level employees, a portion of variable compensation will be deferred, under ordinary circumstances for a period of at least three years (albeit such compensation may be deferred on a pro-rata basis for alternative periods), and will be subject to the performance of either (or both) BNY Mellon or the respective business. The deferred component of the variable compensation award is usually delivered as either deferred cash award invested in an appropriate vehicle, Alcentra business equity or any combination determined appropriate from time to time. The proportion of the variable compensation award to be deferred depends on the level of the position, regulatory requirements and the amount of the award.

14.7 Variable remuneration of control function staff

The variable compensation awarded to control function staff (for example; audit, compliance and risk) is dependent on performance that is assessed according to the achievement of objectives specific to their functional role that are independent of the activities they oversee. Remuneration is benchmarked against the market level and funded independently of individual business lines and adjusted based on BNY Mellon's overall annual financial performance.

14.8 Quantitative disclosures

The tables below provide details of the aggregate remuneration of senior management[1] and MRTs for Alcentra for the year ended 31 December 2021.

For completeness, this group of staff is limited to those identified as MRTs. The remuneration amounts are presented on a gross basis, regardless of the time spent by BNY Mellon staff in respect of the Alcentra businesses to reflect the full reporting period.

Table 27: REM1 - Aggregate remuneration expenditure by business

This table shows the aggregate remuneration expenditure for MRTs by business in 2021.

	Investment Management
Total remuneration (£000s)	11,710

Note: Includes base salary and other cash allowances, plus any incentive awarded for full year 2021. Pension contribution is not included.

Table 28: REM2 - Aggregate remuneration expenditure by remuneration type

This table shows the aggregate remuneration expenditure for MRTs by remuneration type.

	Investment Management		
	Senior management [1]	Other MRTs	Total
Number of beneficiaries	5	7	12
Aggregate fixed remuneration (£000s) [2]	1,127	1,457	2,584
Total variable remuneration (£000s)	5,015	4,111	9,126
Variable cash (£000s)	3,144	2,672	5,816
Variable shares (£000s)	1,871	1,439	3,310
Total deferred remuneration paid out during the financial year (£000s)	4,702	317	5,019
Total deferred remuneration reduced through performance adjustments (£000s)	—	—	—

[1] Senior Management is comprised of MRTs categorised as "Senior Managers" who carry out a senior management function as determined by the relevant regulators.

[2] Fixed remuneration includes base salary and any cash allowances. Pension contribution is not included.

Table 29: REM3 - Deferred variable remuneration

This table shows the total deferred remuneration for MRTs outstanding from previous years.

	Investment Management		
	Senior management	Other MRTs	Total
Number of beneficiaries	5	7	12
Total deferred variable remuneration outstanding from previous years (£000s)	5,788	4,383	10,171
Total vested (£000s) [3]	1,996	85	2,081
Total unvested (£000s) [4]	3,792	4,298	8,090

[3] Includes total vested cash and equity. Equity portion is valued as at 31 December 2021.

[4] Total unvested equity is valued as at 31 December 2021.

Table 30: New sign-on and severance payments

There were no new sign-on and severance payments made during 2021.

Table 31: Number of individuals being remunerated EUR 1 million or more

This table shows the number of individuals who were remunerated €1m or more during 2021.

Remuneration	Total number of individuals
EUR 1m – EUR 1.5m	6
EUR 3.5m – EUR 4m	1

Appendix 1 - Other risks

Concentration risk

Concentration Risk is the risk of loss related to credit activities and any other significant interrelated asset or liability exposures which in cases of distress in some markets/sectors/countries or areas of activity may threaten the soundness of the institution.

Traditionally analysed in relation to credit activities, concentration risk arises from exposures that may arise within or across different risk types, including intra-risk concentration where exposure concentration exists within a single risk type, and inter-risk concentration arising from interactions between different risk exposures across different risk categories connected by a common risk factor (e.g. counterparties, vendor, economic sector, geographic region, and/or financial instrument/product type).

Alcentra manages concentration risk as part of its credit, market, operational and liquidity management policies.

Reputational risk

Reputational risk relates to the risk of damage to the Company's brand and existing or future relationships.

Alcentra is at risk of reputational damage arising from a variety of sources with the potential to cause direct damage to the Company. In extreme circumstances such damage could result in a wind-down exercise being triggered. Alcentra uses various risk management strategies to mitigate associated risks.

Group risk

Group risk is the risk that the financial position of the Company may be adversely affected by its relationships (financial or non-financial) with other entities in the Group or by risks which may affect the financial position of the Group as a whole - for example reputation contagion or parent default.

Group risk in relation to Alcentra is the risk of failure of either the BNY Mellon Group or the Alcentra Group and the impact that this will have on the Company's ability to meet its financial and / or regulatory obligations and continue to service its clients.

This risk is primarily mitigated by the BNY Mellon Boutique Strategy. Each Boutique is branded separately which reduces the risk of cross-contamination should another Boutique encounter difficulties.

The Company does not rely on the Alcentra Group for any services. Alcentra is well capitalised and has its own self-sufficient liquid capital reserves – it is not reliant on either BNY Mellon or the Alcentra Group for its financial resources.

Alcentra recognise that Group risk could arise owing to a group system failure or centralised cyber-attack; however a robust system of policies and procedure mitigate this risk. There is a strong governance structure and risk management system surrounding shared corporate technology solutions. These include but are not limited to:

- strict user access management controls;
- controls relating to system architecture and application development; and
- extensive back-up and recovery procedures.

Business risk

Business risk is the risk of loss caused by unexpected changes in the external macro environment, client behaviour or events that impact earnings including contracting markets, reduced margins from competitive pressure, adverse customer selection, and business concentration.

Business risk could arise from exposure to a wide range of macro-economic, geopolitical, industry, regulatory, client behaviour, inappropriate management actions, and other external risks that might deflect from desired strategy and business plans.

Pension obligation risk

Pension obligation risk is the risk to the Company caused by its contractual or other liabilities to or with respect to a pension scheme. It also means the risk that the Company will make payments or other contribution to or with respect to a pension scheme because of a moral obligation, or because the Company considers that it needs to do so for some other reason.

Alcentra only operates a defined contribution pension scheme for its staff, and has no defined benefit pension scheme; as such it is not exposed to the pension obligation risk.

Residual risk

Residual risk may result from exposure due to partial performance or failure of credit risk mitigation techniques for reasons that are unconnected with their intrinsic value. This mainly relates to credit risk and could result from ineffective documentation, a delay in payment or the inability to realise payment from a guarantor in a timely manner.

The Company does not consider this to be a significant risk as there is no Trading Book and therefore no significant Residual Credit Risk on the Balance Sheet.

Legal risk

Alcentra considers its exposure to Legal risk to be in respect of fines, penalties and damages resulting from client and vendor disputes and employee actions.

This risk category is already covered under Operational risk, particularly with respect to dealing with employee safety, discrimination and the Company being sued by clients over disputes with regards to investment advisory services provided by the Company.

In order to mitigate this risk, Alcentra works closely with several external law firms in relation to the structuring of all the investment vehicles for which it acts as Investment Manager, and its own regulatory, corporate and contractual obligations. On an ongoing basis the Company benefits from expert legal analysis provided by internal and external legal counsel with various specialisms in relation to any developments that might affect the Company. Alcentra also employs two permanent in house lawyers and receives legal assistance provided by the central BNY Mellon Legal function, which is equivalent to approximately two additional lawyers.

Liquidity risk

Liquidity risk is the risk that the Company, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost.

Alcentra's short-term liquidity demands arise mainly from staff salaries and general expenses of the business - such as rent, subscriptions and travel costs. Cash inflows are generated from the management fees derived from each fund. Alcentra funds typically pay quarterly. The debtors are monitored monthly for aging and are billed regularly.

Regulatory risk

Regulatory risk is the risk resulting from non-compliance with, violations of, or non-observance with applicable rules, regulations, laws, ethical standards and related policies and procedures. The inability or failure to fully implement changes to applicable rules and regulations would also constitute Regulatory risk.

The way that Alcentra conducts its business is governed by a series of rules and principles defined by our principle regulator, the Financial Conduct Authority. These are subject to change, often as a consequence of European directives, which once passed are subsequently transposed into national Law.

Whilst Alcentra is well aware of the current regulatory obligations, should regulations change, new requirements could be introduced which may alter the risk profile of the Company.

Regulatory risk is mitigated as the Company has a diversified product base and assesses the impact of new legislation in conjunction with an effective compliance function.

Model risk

Model risk is defined as the estimation or measurement error resulting from the inherent limitations in the financial models used in assessing and managing risk.

Given the reliance on the quantitative models used to assess capital adequacy via the internal capital assessment, the risk remains whether these models are robust and reliable. Alcentra uses the Loss/Scenario-Based Hybrid Operational Risk Capital Model 2.0 for its quantification of operational risk capital up to and including December 2021. The model is subject to BNY Mellon Enterprise Model Risk Management Policy and governance processes. This includes periodic model validation exercises and the model risk assessment process. In addition to this, an Enterprise Model Risk Management Committee provides governance and oversight across all BNY Mellon entities, including Alcentra. The Committee is chaired by the Head of Model Risk Management and reports to the BNY Mellon Senior Risk Management Committee.

Appendix 2 - Glossary of terms

The following acronyms are a range of terms which may be used in BNY Mellon EMEA Pillar 3 disclosures:

Acronym	Description
ABS	Asset-Backed Securities
ACPR	Autorite de Controle Prudentiel et de Resolution
AFR	Available Financial Resources
AIF	Alternative Investment Fund
ALCO	Asset and Liability Committee
AML	Anti-Money Laundering
AS	Asset Servicing
AT1	Additional Tier 1
AUC	Assets Under Custody
BAC	Business Acceptance Committee
BAU	Business as usual
BaFin	Federal Financial Supervisory Authority / Bundesanstalt fur Finanzdienstleistungsaufsicht
BDAS	Broker-Dealer and Advisory Services
BDF	Banque De France
BEMCO	Belgium Management Council
BI	Banca D'Italia
BNY Mellon	The Bank of New York Mellon Corporation
BNY Mellon SA/NV	The Bank of New York Mellon SA/NV
BNY Mellon TDUKL	BNY Mellon Trust & Depositary (UK) Limited
BNYIFC	BNY International Financing Corporation
BNY Mellon KG	BNY Mellon Service Kapitalanlage-Gesellschaft mbH
BRC	Business Risk Committee
CASS	Client Asset Sourcebook Rules
CBI	Central Bank of Ireland
CCF	Credit Conversion Factor
CEO	Chief Executive Officer
CEF	Critical Economic Function
CET1	Common Equity Tier 1
CGB	CASS Governance Body
CIS	Collective Investment Scheme

Acronym	Description
CLO	Collateralized loan obligation
COC	Compensation Oversight Committee
COOC	CASS Operational Oversight Committee
COREP	Common Reporting
CQS	Credit Quality Steps
CRD	Capital Requirements Directive
CRM	Credit Risk Mitigation
CRO	Chief Risk Officer
CROC	Credit Risk Oversight Committee
CRR	Capital Requirements Regulation
CSD	Client Service Delivery
CSRSFI	Committee for Systemic Risks and System-relevant Financial Institutions
CSSF	Commission de Surveillance du Secteur Financier
CSTC	Capital and Stress Testing Committee
CT	Corporate Trust
CTS	Client Technology Solutions
DB	Deutsche Bank
DNB	De Nederlandsche Bank
DVP	Delivery versus Payment
EAD	Exposure at default
EC	European Commission
ECL	Expected Credit Losses
ECAP	Economic Capital
ECB	European Central Bank
CGB	CASS Governance Body
CIS	Collective Investment Scheme
ECM	Embedded Control Management
EEC	EMEA Executive Committee
EHQLA	Extremely High Quality Liquid Assets
EMEA	Europe, Middle East and Africa
ERGC	EMEA Remuneration Governance Committee
ESRMC	EMEA Senior Risk Management Committee
EU	European Union

Acronym	Description
EUR	Euro
EWI	Early Warning Indicators
ExCo	Executive Committee
FCA	Financial Conduct Authority
FMUs	Financial market utilities
FoP	Free of payment
FRS	Financial Reporting Standard
FSMA	Financial Services and Markets Authority
FX	Foreign Exchange
G-SIFI	Global Systemically Important Financial Institution
GCA	Global Custody Agreement
GSP	Global Securities Processing
HLA	High-level Assessment
HQLA	High Quality Liquid Assets
HRCC	Human Resources Compensation Committee
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICA	Internal Capital Assessment
ICAAP	Internal Capital Adequacy Assessment Process
ICARA	Internal Capital and Risk Assessment
ICRC	Incentive Compensation Review Committee
IFPR	Investment Firm Prudential Regime
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
ILG	Individual Liquidity Guidance
IRRBB	Interest Rate Risk on Banking Book
IMMS	International Money Management System
ISDA	International Swaps and Derivatives Association
ISM	Investment Services and Markets
ILG	Individual Liquidity Guidance
IRRBB	Interest Rate Risk on Banking Book
IMMS	International Money Management System
ISDA	International Swaps and Derivatives Association
ISM	Investment Services and Markets

Acronym	Description
IT	Information Technology
IWG	ICAAP working group
JFSC	Jersey Financial Services Commission
KRI	Key Risk Indicator
KYC	Know your customer
LAB	Liquidity Asset Buffer
LCR	Liquidity Coverage Ratio
LERO	Legal Entity Risk Officer
LOB	Line of Business
LOD	Line of Defense
MiFID II	Markets in Financial Instruments Directive II
MNA	Master Netting Agreements
MRMG	Model Risk Management Group
MRT	Material Risk Taker
MtM	Mark-to-market
NAV	Net Asset Value
NBB	National Bank of Belgium
NoCo	Nomination Committee
NSFR	Net Stable Funding Ratio
O-SII	Other systemically important institution
OCI	Other Comprehensive Income
OEICs	Open-ended Investment Companies
ORE	Operational risk event
ORMF	Operational Risk Management Framework
ORSA	Operational Risk Scenario Analysis
OTC	Over the counter
P/L	Profit and Loss
PFE	Potential Future Exposure
PRA	Prudential Regulatory Authority
RCoB	Risk Committee of the Board
RCSA	Risk and Control Self-Assessment
RM	Risk Manager
RMP	Risk Management Platform
RRP	Recovery and Resolution Planning
RW	Risk-weight
RWA	Risk Weighted Assets
SA	Standardised Approach
SFT	Security Financing Transaction

Acronym	Description
SLD	Service Level Description
SREP	Supervisory review and evaluation process
SRO	Senior Risk Officer
T&D	Trust & Depositary
T1 / T2	Tier 1 / Tier 2
TCR	Total Capital Requirements
TRC	Technology Risk Committee
TLAC	Total Loss-Absorbing Capacity
UCITS	Undertakings for Collective Investment in Transferable Securities
VaR	Value-at-Risk

The following terms may be used in this document:

Ad valorem: Method for charging fees according to the value of goods and services, instead of by a fixed rate, or by weight or quantity. Latin for, [according] to the value

Basel III: The capital reforms and introduction of a global liquidity standard proposed by the Basel Committee on Banking Supervision ('BCBS') in 2010

BIPRU: Prudential sourcebook for banks, building societies and investment firms

Brexit: The United Kingdom's referendum decision to leave the EU

CRD IV: On 27 June 2013, the European Commission published, through the Official Journal of the European Union, its legislation for a Capital Requirements Directive ('CRD') and Capital Requirements Regulation ('CRR'), which together form the CRD IV package. Amendments published on 30 November 2013 were made to the Regulation. The package implements the Basel III reforms in addition to the inclusion of new proposals on sanctions for non-compliance with prudential rules, corporate governance and remuneration. CRD IV rules apply from 1 January 2014 onwards, with certain requirements set to be phased in

Capital Requirements Directive ('CRD'): A capital adequacy legislative package issued by the European Commission and adopted by EU member states

Capital Requirements Regulation ('CRR'): Regulation that is directly applicable to anyone in the European Union and is not transposed into national law

Common Equity Tier 1 capital: The highest quality form of regulatory capital under Basel III comprising common shares issued and related share premium, retained earnings and other reserves excluding the cash flow hedging reserve, less specified regulatory adjustments

Core Tier 1 capital: Called-up share capital and eligible reserves plus equity non-controlling interests, less intangible assets and other regulatory deductions

Credit risk mitigation ('CRM'): A technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantees and credit protection

Derivatives: A derivative is a financial instrument that derives its value from one or more underlying assets, for example bonds or currencies

Exposure: A claim, contingent claim or position which carries a risk of financial loss

Exposure at default ('EAD'): The amount expected to be outstanding, after any credit risk mitigation, if and when a counterparty defaults. EAD reflects drawn balances as well as allowance for undrawn amounts of commitments and contingent exposures over a one-year time horizon

Financial Conduct Authority ('FCA'): The Financial Conduct Authority regulates the conduct of financial firms and, for certain firms, prudential standards in the UK. It has a strategic objective to ensure that the relevant markets function well

High-level Assessment ('HLA'): An assessment of the quality of controls in place to mitigate risk and residual risk. Residual risk is assessed as high, moderate to high, moderate, moderate to low and low with direction anticipated

Institutions: Under the Standardised Approach, institutions are classified as credit institutions or investment firms

Internal Capital Adequacy Assessment Process ('ICAAP'): The group's own assessment of the levels of capital that it needs to hold through an examination of its risk profile from regulatory and economic capital viewpoints under the CRD framework

Internal Capital and Risk Assessment ('ICARA'): The group's own assessment of the levels of capital that it needs to hold through an examination of its risk profile from regulatory and economic capital viewpoints under the IFPR framework

ISDA Master Agreement: A document that outlines the terms applied to a derivatives transaction between two parties. Once the two parties have agreed to the standard terms, they do not have to renegotiate each time a new transaction is entered into

Key Risk Indicator ('KRI'): Key Risk Indicators are used by business lines to evaluate control effectiveness and residual risk within a business process

Master Netting Agreement: An agreement between two counterparties that have multiple contracts with each other that provides for the net settlement of all contracts through a single payment in the event of default or termination of any one contract

Pillar 3: The part of Basel III that sets out information banks must disclose about their risks, the amount of capital required to absorb them and their approach to risk management. The aim is to encourage market discipline and improve the information made available to the market

Prudential Regulation Authority ('PRA'): The statutory body responsible for the prudential supervision of banks, building societies, credit unions, insurers and major investment firms in the UK. The PRA is a subsidiary of the Bank of England

Residual maturity: The period outstanding from the reporting date to the maturity or end date of an exposure

Risk appetite: A definition of the types and quantum of risks to which the firm wishes to be exposed

Risk and Control Self-Assessment ('RCSA'): Risk and Control Self-Assessment is used by business lines to identify risks associated with their key business processes and to complete a detailed assessment of the risk and associated controls

Risk Governance Framework: The risk governance framework has been developed in conjunction with BNY Mellon requirements. Key elements of the framework are:

- Formal governance committees, with mandates and defined attendees
- Clearly defined escalation processes, both informally (management lines) and formally (governance committees, board, etc.)
- A clear business as usual process for identification, management and control of risks
- Regular reporting of risk issues

Risk and Compliance Committee: A committee which meets monthly to provide governance on risk related items arising from the business of the group

Risk-weighted Assets ('RWA'): Assets that are adjusted for their associated risks using weightings established in accordance with CRD IV requirements

Standardised Approach ('SA'): Method used to calculate credit risk capital requirements using the Basel III, CRD IV, CRR model supplied by the BCBS. The SA model uses external credit assessment institution ratings and supervisory risk weights supplied by external credit assessment agencies

Tier 2 capital: A component of regulatory capital under Basel III, mainly comprising qualifying subordinated loan capital, related non-controlling interests and eligible collective impairment allowances

Value-at-Risk ('VaR'): A measure of the potential loss at a specified confidence level from adverse market movements in an ordinary market environment

Appendix 3 - CRD IV reference

CRR ref.	Requirement summary	Compliance ref. applicable at 31 December 2021	Page ref.
Scope of disclosure requirements			
431 (1)	Institutions shall publish Pillar 3 disclosures	BNY Mellon publishes Pillar 3 disclosures	N/A
431 (2)	Firms with permission to use specific operational risk methodologies must disclose operational risk information	N/A	N/A
431 (3)	Institutions shall adopt a formal policy to comply with the disclosure requirements	BNY Mellon has a dedicated Pillar 3 policy	N/A
431 (4)	Explanation of ratings decision upon request	N/A	N/A
Non-material, proprietary or confidential information			
432 (1)	Institutions may omit disclosures if the information is not regarded as material (except Articles 435(2)(c), 437 and 450)	1.4 Article 432 CRR - Non-material, proprietary or confidential information	6
432 (2)	Institutions may omit information that is proprietary or confidential if certain conditions are respected		
432 (3)	Where 432 (1) and (2) apply this must be stated in the disclosures, and more general information must be disclosed	N/A	N/A
432 (4)	Paragraphs 1, 2 & 3 are without prejudice to the scope of the liability for failure to disclose material information	N/A	N/A
Frequency of disclosure			
433	Institutions shall publish the disclosures required at least on an annual basis, in conjunction with the date of the publication of the financial statements	1.5 Article 433/434 CRR - Frequency and means of disclosure	6
Means of disclosure			
434 (1)	Institutions may determine the appropriate medium, location and means of verification to comply effectively	Single Pillar 3 disclosure	N/A
434 (2)	Disclosures made under other requirements (e.g. accounting) can be used to satisfy Pillar 3 if appropriate	Any cross-references to accounting or other disclosures are clearly signposted in this document	N/A
Risk management objectives and policies			
435 (1)	Institutions shall disclose their risk management objectives and policies	Section 4 Art 435 CRR - Risk management objectives and polices	21
435 (1) (a)	Strategies and processes to manage those risks	Section 4 Art 435 CRR - Risk management objectives and polices	21
435 (1) (b)	Structure and organisation of the risk management function	Section 4.1 Board of Directors	22
435 (1) (c)	Scope and nature of risk reporting and measurement systems	Section 4 Art 435 CRR - Risk management objectives and polices	21
435 (1) (d)	Policies for hedging and mitigating risk	Section 4 Art 435 CRR - Risk management objectives and polices	21
435 (1) (e)	Approved declaration on the adequacy of risk management arrangements	Section 4 Art 435 CRR - Risk management objectives and polices	21
435 (1) (f)	Approved risk statement describing the overall risk profile associated with business strategy	Section 4 Art 435 CRR - Risk management objectives and polices	21
435 (2) (a)	Number of directorships held by directors	Section 4.1 Board of Directors	22
435 (2) (b)	Recruitment policy of Board members, their experience and expertise	Section 4.1 Board of Directors	22
435 (2) (c)	Policy on diversity of Board membership and results against targets	Section 4.1 Board of Directors	22
435 (2) (d)	Disclosure of whether a dedicated risk committee is in place, and number of meetings in the year	Section 4.1 Board of Directors	22
435 (2) (e)	Description of information flow on risk to Board	Section 4.1 Board of Directors	22

Scope of application			
436 (a)	The name of the institution to which the requirements of this Regulation apply	Section 1.1 Disclosure policy	4
436 (b) 436 (b) (i) 436 (b) (ii) 436 (b) (iii) 436 (b) (iv)	Outline the differences in the basis of consolidation for accounting and prudential purposes, with a brief description of the entities therein, explaining whether they are: fully consolidated; proportionally consolidated; deducted from own funds; neither consolidated nor deducted	Section 1 Art 431 CRR - Scope of disclosure requirements	4
436 (c)	Current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries	N/A	N/A
436 (d)	Aggregate amount by which the actual Own Funds are less than required in all subsidiaries not included in the consolidation, and the name or names of such subsidiaries	N/A - Entities outside the scope of consolidation are appropriately capitalised	N/A
436 (e)	If applicable, the circumstance of making use of the provisions laid down in Articles 7 & 9	N/A	N/A
Own funds			
437 (1)	Requirements regarding capital resources table	Section 2 Art 437 CRR - Own funds	12
437 (1) (a)	Full reconciliation of Common Equity Tier 1 (CET1) items	Table 2: CC2 - Reconciliation of regulatory capital	13
437 (1) (b)	Description of the main features of the CET1 and Additional Tier 1 and Tier 2 instruments	Table 5: CC1 - Composition of regulatory capital	16
437 (1) (c)	Full terms and conditions of all CET1, Additional Tier 1 and Tier 2 instruments	Table 7: CCA - Main features of regulatory capital instruments	16
437 (1) (d) (i) 437 (1) (d) (ii) 437 (1) (d) (iii)	Each prudent filter applied Each deduction made Items not deducted	Table 6: TLAC1 - Transitional own funds	13
437 (1) (e)	Description of all restrictions applied to the calculation of Own Funds	N/A - no restrictions apply	N/A
437 (1) (f)	Explanation of the basis of calculating capital ratios using elements of Own Funds	N/A - Capital ratios calculated on basis stipulated in the regulations	N/A
437 (2)	EBA to publish implementation standards for points above	BNY Mellon follows the implementation standards	N/A
Capital requirements			
438 (a)	Summary of institution’s approach to assessing adequacy of capital levels	Section 3 Art 438 CRR - Capital requirements	19
438 (b)	Result of ICAAP on demand from authorities	N/A	N/A
438 (c)	Capital requirement amounts for credit risk for each standardised approach exposure class	Table 8: EU OV1 - Overview of RWAs	20
438 (d) 438 (d) (i) 438 (d) (ii) 438 (d) (iii) 438 (d) (iv)	Capital requirements amounts for credit risk for each Internal Ratings Based Approach exposure class	N/A - internal ratings based approach is not used	N/A
438 (e)	Own funds requirements for market risk or settlement risk, or large exposures where they exceed limits	N/A	N/A
438 (f)	Own funds amounts for operational risk, separately for the basic indicator approach, the standardised approach, and the advanced measurement approaches as applicable	Table 8: EU OV1 - Overview of RWAs	20
438 (endnote)	Requirement to disclose specialised lending exposures and equity exposures in the banking book falling under the simple risk weight approach	N/A	N/A
Exposure to counterparty credit risk (CCR)			
439 (a)	Description of process to assign internal capital and credit limits to CCR exposures	Section 8 Art 439 CRR - Exposure to counterparty credit risk	39
439 (b)	Discussion of process to secure collateral and establishing reserves	6.2 Collateral valuation and management	39
439 (c)	Discussion of management of wrong-way exposures	6.3 Wrong-way risk	39
439 (d)	Disclosure of collateral to be provided (outflows) in the event of a ratings downgrade	N/A - a credit ratings downgrade is managed at the BNY Mellon Corp level	N/A
439 (e)	Derivation of net derivative credit exposure	Table 20: EU CCR1 - Analysis of the counterparty credit risk exposure by approach	39

439 (f)	Exposure values for mark-to-market, original exposure, standardised and internal model methods	Section 8 Art 439 CRR - Exposure to counterparty credit risk	39
439 (g)	Notional value of credit derivative hedges and current credit exposure by type of exposure	N/A - BNY Mellon does not have credit derivative transactions	N/A
439 (h)	Notional amounts of credit derivative transactions for own credit, intermediation, bought and sold, by product type	N/A - BNY Mellon does not have credit derivative transactions	N/A
439 (i)	Estimate of alpha, if applicable	N/A	N/A
Capital buffers			
440 (1) (a)	Geographical distribution of relevant credit exposures	N/A	N/A
440 (1) (b)	Amount of the institution specific countercyclical capital buffer	N/A	N/A
440 (2)	EBA will issue technical implementation standards related to 440 (1)	N/A	N/A
Indicators of global systemic importance			
441 (1)	Disclosure of the indicators of global systemic importance	N/A	N/A
441 (2)	EBA will issue technical implementation standards related to 441 (1)	N/A	N/A
Credit risk adjustments			
442 (a)	Disclosure of bank's definitions of past due and impaired	Section 5.5 Analysis of past due and impaired exposures	32
442 (b)	Approaches for calculating credit risk adjustments	Section 5.5 Analysis of past due and impaired exposures	32
442 (c)	Disclosure of total and average net amount of exposures	Table 9: EU CRB-B - Total and average net amount of exposures	31
442 (d)	Geographical distribution of disclosures	Table 11: EU CRB-C - Geographical breakdown of exposures	31
442 (e)	Distribution of disclosures by industry or counterparty type	Table 12: EU CRB-D - Concentration of exposures by counterparty types	32
442 (f)	Residual maturity breakdown of all the exposures	Table 13: EU CRB-E - Maturity of exposures	32
442 (g) 442 (g) (i) 442 (g) (ii) 442 (g) (iii)	Breakdown of impaired, past due, specific and general credit adjustments, and impairment charges for the period, by exposure class or counterparty type	Table 14: EU CR1-A - Credit quality of exposures by exposure class and instrument	33
442 (h)	Impaired, past due exposures, by geographical area, and amounts of specific and general impairment for each geography	Table 16: EU CR1-C - Credit quality of exposures by geography	34
442 (i) 442 (i) (i) 442 (i) (ii) 442 (i) (iii) 442 (i) (iv) 442 (i) (v)	Reconciliation of changes in specific and general credit risk adjustments	Section 5.5 Analysis of past due and impaired exposures	32
442	Specific credit risk adjustments recorded to income statement are disclosed separately	Section 5.5 Analysis of past due and impaired exposures	32
Unencumbered assets			
443	Disclosures on unencumbered assets	Section 9 Art 443 CRR - Asset encumbrance	41
Use of ECAIs			
444 (a)	Names of the ECAIs used in the calculation of standardised approach RWAs, and reasons for any changes	Section 7 Art 444 CRR - External credit rating assessment institutions	37
444 (b)	Exposure classes associated with each ECAI		
444 (c)	Explanation of the process for translating external ratings into credit quality steps		
444 (d)	Mapping of external rating to credit quality steps		
444 (e)	Exposure value pre and post-credit risk mitigation, by credit quality step	Table 18: EU CR4 Credit risk exposure and CRM effects	37
Exposure to market risk			
445	Disclosure of position risk, large exposures exceeding limits, FX, settlement and commodities risk	Section 10 Art 445 CRR - Exposure to market risk	42

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Operational risk			
446	Disclosure of the scope of approaches used to calculate operational risk, discussion of advanced methodology and external factors considered	Section 12 Art 446 CRR - Operational risk	44
Exposure in equities not included in the trading book			
447 (a)	Differentiation of exposures based on objectives	N/A: no non-trading book exposure in equities	N/A
447 (b)	Recorded and fair value, and actual prices of exchange traded equity where it differs from fair value	N/A: no non-trading book exposure in equities	N/A
447 (c)	Types, nature and amounts of the relevant classes of equity exposures	N/A: no non-trading book exposure in equities	N/A
447 (d)	Realised cumulative gains and losses on sales over the period	N/A: no non-trading book exposure in equities	N/A
447 (e)	Total unrealised gains/losses, latent revaluation gains/ losses, and amounts included within Tier 1 capital	N/A: no non-trading book exposure in equities	N/A
Exposure to interest rate risk on positions not included in the trading book			
448 (a)	Nature of risk and key assumptions in measurement models	Section 11 Art 446 CRR - Interest rate risk in the banking book (the Company has no significant exposure to interest rate risk)	43
448 (b)	Variation in earnings or economic value, or other measures used by the bank from upward and downward shocks to interest rates, by currency	Table 26: Net interest income sensitivity by currency	43
Exposure to securitisation positions			
449	Exposure to securitisations positions	N/A: no exposure to securitisation risk	N/A
Remuneration disclosures			
450	Remuneration disclosure regarding remuneration policy and practices	Section 14 Art 450 CRR - Remuneration policy	47
450 (1) (a)	Information concerning the decision-making process used for determining the remuneration policy	Section 14.1 Governance	47
450 (1) (b)	Information on link between pay and performance	Section 14.2 Aligning pay with performance	48
450 (1) (c)	Important design characteristics of the remuneration system	Section 14 Art 450 CRR - Remuneration policy	47
450 (1) (d)	Ratios between fixed and variable remuneration	Section 14.4 Ratio between fixed and variable pay	49
450 (1) (e)	Information on the performance criteria on which the entitlement to shares, options and variable components of remuneration is based	Section 14.6 Deferral policy and vesting criteria	50
450 (1) (f)	Main parameters and rationale for any variable component scheme and any other non-cash benefits	Section 14.7 Variable remuneration of control function staff	50
450 (1) (g)	Aggregate quantitative information on remuneration by business area	Table 27: REM1 - Aggregate remuneration expenditure by business	50
450 (1) (h) 450 (1) (h) (i) 450 (1) (h) (ii) 450 (1) (h) (iii) 450 (1) (h) (iv) 450 (1) (h) (v) 450 (1) (h) (vi)	Aggregate quantitative information on remuneration, broken down by senior staff management and members of staff whose actions have a material impact on the risk profile	Table 28: REM2 - Aggregate remuneration expenditure by remuneration type	50
450 (1) (i)	Number of individuals being remunerated £1 million or more per financial year	Table 31: Number of individuals being remunerated EUR 1 million or more	51
450 (1) (j)	Total remuneration for each member of the management body upon demand from the Member State or competent authority	Available upon request	N/A
450 (2)	For institutions that are significant in terms of their size, internal organisation and the nature, scope and the complexity of their activities, the quantitative information above shall be made available to the public at the level of members of the management body of the institution	N/A	N/A
Leverage			
451 (1) (a)	Leverage ratio	Section 13 Art 451 CRR - Leverage	46
451 (1) (b)	Breakdown of total exposure measure	N/A	N/A
451 (1) (c)	Derecognised fiduciary items	N/A	N/A
451 (1) (d)	Description of the process used to manage the risk of excessive leverage	N/A	N/A

451 (1) (e)	Description of the factors that had an impact on the leverage ratio	N/A	N/A
451 (2)	EBA to publish implementation standards for points above	BNY Mellon follows the implementation standards	N/A
Use of the IRB approach to credit risk			
452	Risk-weighted exposure under the IRB approach	N/A	N/A
Use of credit risk mitigation techniques			
453 (a)	Use of on- and off-balance sheet netting	Section 6.1 Netting	35
453 (b)	How collateral valuation is managed	Section 6.2 Collateral valuation and management	35
453 (c)	Description of types of collateral used	N/A	N/A
453 (d)	Types of guarantor and credit derivative counterparty, and their creditworthiness	N/A - BNY Mellon's EMEA entities do not enter into credit derivative transactions	N/A
453 (e)	Disclosure of market or credit risk concentrations within risk mitigation exposures	Section 6.4 Credit concentration risk	36
453 (f)	For exposures under either the Standardised or Foundation IRB approach, disclose the exposure value covered by eligible collateral	N/A	N/A
453 (g)	Exposures covered by guarantees or credit derivatives	Table 17: CR3 - Credit risk mitigation techniques - overview	36
Use of the Advanced Measurement Approaches to operational risk			
454	Description of the use of insurance or other risk transfer mechanisms to mitigate operational risk	N/A - Pillar 1 : standardized approach, Pillar 2 : self-assessment approach	N/A
Use of internal market risk models			
455	Institutions calculating their capital requirements using internal market risk models	N/A	N/A
Commission Implementing Regulation (EU) No 1423/2013			
Article 1	Specifies uniform templates for the purposes of disclosure	N/A	N/A
Article 2	Full reconciliation of own funds items to audited financial statements	Section 2 Art 437 CRR - Own funds	12
Article 3	Description of the main features of CET1, AT1 and Tier 2 instruments issued (Annex II and III)	Table 7: CCA - Main features of regulatory capital instruments	18
Article 4	Disclosure of nature and amounts of specific items on own funds (Annex IV and V)	Table 6: TLAC1 - Transitional own funds	17
Article 5	Disclosure of nature and amounts of specific items on own funds during transitional period (Annex VI and VII)	Table 6: TLAC1 - Transitional own funds	17
Article 6	Entry into force from 31 March 2014	Noted	N/A

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