2013 PILLAR 3 DISCLOSURE

BNY MELLON INVESTMENT MANAGEMENT EUROPE HOLDINGS LIMITED

BNY MELLON

Pillar 3 Disclosure

Pillar 3 disclosures are published in accordance with the requirements of the Prudential Regulation Authority (PRA)/Financial Conduct Authority ('FCA') Prudential Sourcebook for Banks, Building Societies and Investment Firms, BIPRU 11 (Pillar 3).

The Investment Management Association's Pillar 3 working party, comprised of a number of industry members has published guidelines for preparation of Pillar 3 disclosures to better align content, definitions and approaches and to drive compatibility and consistency wherever possible. These disclosures have been produced with reference to the outcome of this Working Party. Where necessary, footnotes have been added to the data tables to explain content. However, whilst disclosures are intended to provide transparent information on a common basis, different assumptions may apply to other Investment Managers especially outside the UK so a reader must understand the basis of each firm's disclosures before making comparisons.

Policy and Approach

These disclosures have been approved by BNY Mellon Investment Management Europe Holdings Limited's Board of Directors who has verified that they are consistent with formal policies adopted regarding production and validation.

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

Wherever possible and relevant, the Board will ensure consistency between Pillar 3 disclosures, Pillar 1 reporting and Pillar 2 ICAAP content e.g. disclosure about risk management practices and capital resources at year end.

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

Disclosure will be made annually based on calendar year end and will be published as soon as practicable after publication of the consolidated annual accounts. The company 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.

Disclosures will be published on The Bank of New York Mellon group website (www.bnymellon.com), see section Investor relations, Financial reports, other regulatory filings on the Company's website.

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 the firm 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.

The Board may omit one or more disclosures if the information provided is regarded as confidential. In this circumstance, the Board will state in its disclosures the fact that specific items of information are not disclosed and the reason for non-disclosure, and will publish more general information about the subject matter of the disclosure requirement except where these are to be classified as secret or confidential.

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

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

Table of Contents

1. Introduction

The Bank of New York Mellon (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 at December 31 2013, BNY Mellon had $27.6 trillion in assets under custody and/or administration, and $1.58 trillion in assets under management.

These Pillar 3 disclosures relate to BNY Mellon Investment Management Europe Holdings Limited and its subsidiary undertakings (together the 'group') as at 31 December, 2013 and are published in accordance with the requirements of the Financial Conduct Authority ('FCA') Prudential Sourcebook for Banks, Building Societies and Investment Firms, BIPRU 11 (Pillar 3). Pillar 3 disclosures are made in respect of the consolidation group headed by BNY Mellon Investment Management Europe Holdings Limited.

The IMEH group forms EMEA arm of BNY Mellon's global asset management business. In common with the global strategy, it operates the 'multi-boutique' model. Under this model each of the firms acquired or established operates with a significant degree of operational autonomy. The strategy of the various subsidiaries is decided by the individual Boards. Through the appointment of senior management to the individual Boards, the Group have input into the on-going development and assessment of that strategy.

These disclosures were approved for publication by the BNY Mellon Investment Management Europe Holdings Limited Board of Directors (hereafter the 'Board') on 18 August 2014.

1.1 Purpose of Pillar 3

The Capital Requirements Directive (CRD) establishes a risk sensitive approach to capital management and is comprised of three pillars:

- **Pillar 1** establishes rules for the calculation of minimum capital for credit risk, market risk and Fixed Overhead Requirement.
- **Pillar 2 i**s an internal discipline to evaluate the adequacy of the regulatory capital requirement under Pillar 1 and other non-Pillar 1 risks. This pillar requires the FCA to undertake a supervisory review to assess the robustness of IMEH's internal assessment.
- **Pillar 3** complements the other pillars by effecting market discipline through public disclosure. Expanded disclosure about capital and risk enables interested parties to gauge the capital adequacy and risk profile of individual banks and companies.

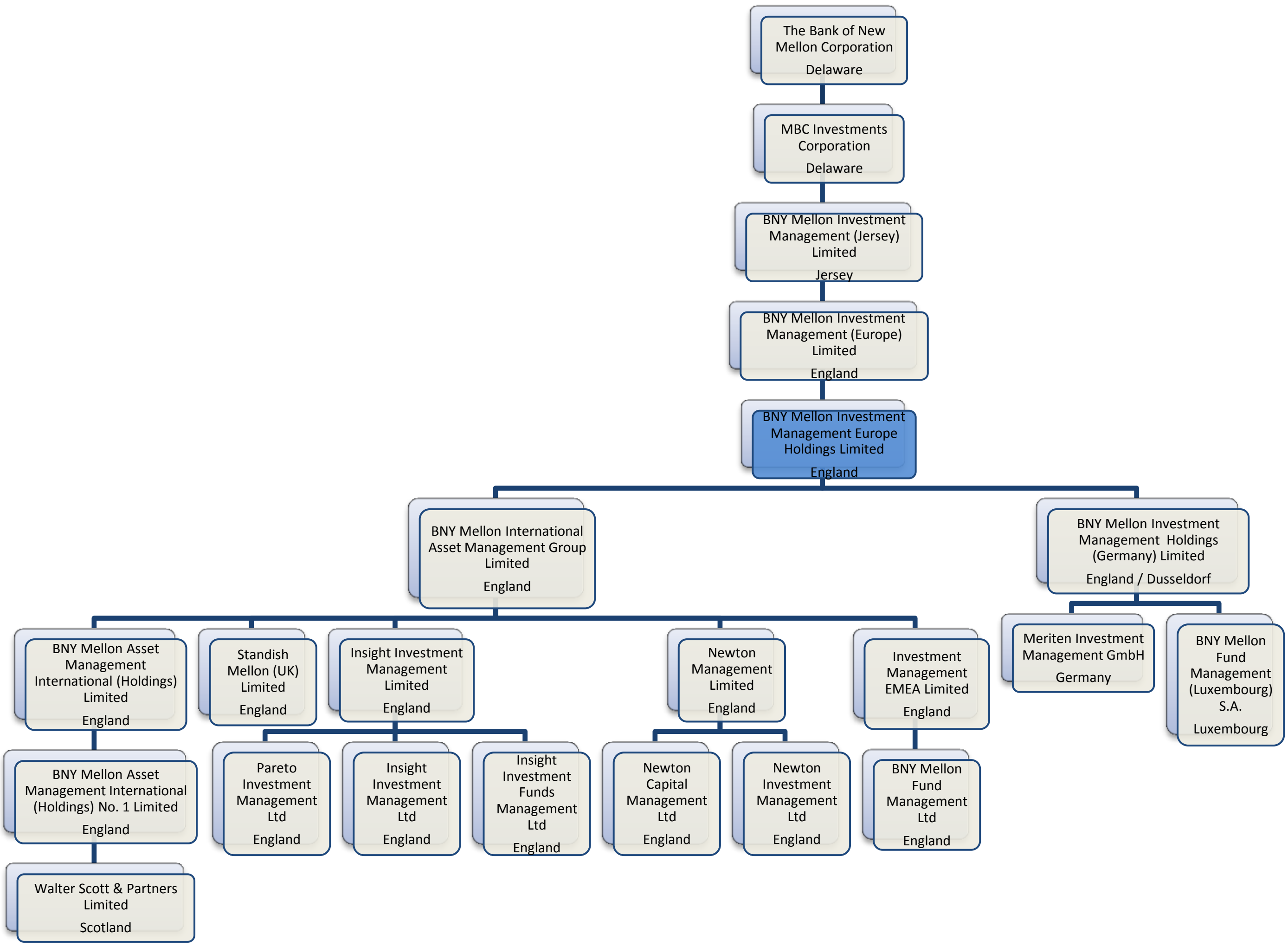
2. Scope and Application of Directive Requirements

BNY Mellon Investment Management Europe Holding Ltd is the parent company of a number of BNY Mellon-owned investment management businesses which are based in the UK, Germany and Luxembourg. All UK-based businesses are authorised and regulated by the FCA in their own right; the other businesses are subject to their local regulators: BaFin (Federal Financial Supervisory Authority) and CSSF (Commission de Surveillance du Secteur Financier) respectively. Alcentra is not a subsidiary of the regulated IMEH group but is part of the overall Investment Management business, therefore when referencing EMEA Investment Management in this document, it has been included. Whilst IMEH is the highest level legal entity in this structure two other holding companies sit beneath it: BNY

Mellon International Asset Management Group Limited (‘IAM’) and BNY Mellon Investment Management Holdings (Germany) Limited. Both are wholly-owned subsidiaries of IMEH and their principal activity is to act as an investment holding companies and provide financing for underlying subsidiaries, acquisitions and seed capital investments. They collect dividends from their subsidiaries and facilitate movement of capital between entities in the IMEH group.

The corporate structure of IMEH is illustrated in Figure 1.

Figure 1: IMEH corporate structure



IMEH operates a ‘multi-boutique’ asset management model. Under this model each of the firms acquired or established operates with a significant degree of operational autonomy. The strategy of the various subsidiaries is decided by the individual boards. Through the appointment of senior management to the individual boards, the group have input into the ongoing development and assessment of that strategy.

The following regulated entities (boutiques) are subsidiaries as of 31st December 2013:

- BNY Mellon Investment Management EMEA Limited
- BNY Mellon Fund Management Limited
- Insight Investment Management Limited
- Insight Investment Funds Management Limited
- Newton Investment Management Limited
- Newton Capital Management Limited

- Pareto Investment Management Limited
- Standish Mellon Asset Management (UK) Limited
- Walter Scott & Partners Limited
- Meriten Investment Management GmbH
- BNY Mellon Fund Management (Luxembourg) S.A.

3. Risk Management Objectives and Policies

3.1. Risk Management Framework

The regulated Boutiques' Boards have primary responsibility for both the management and the oversight of risks together with the quality and effectiveness of risk management, compliance and regulatory frameworks in their firms. They meet at least on a quarterly basis and consider reports and issues escalated by the delegated groups and committees.

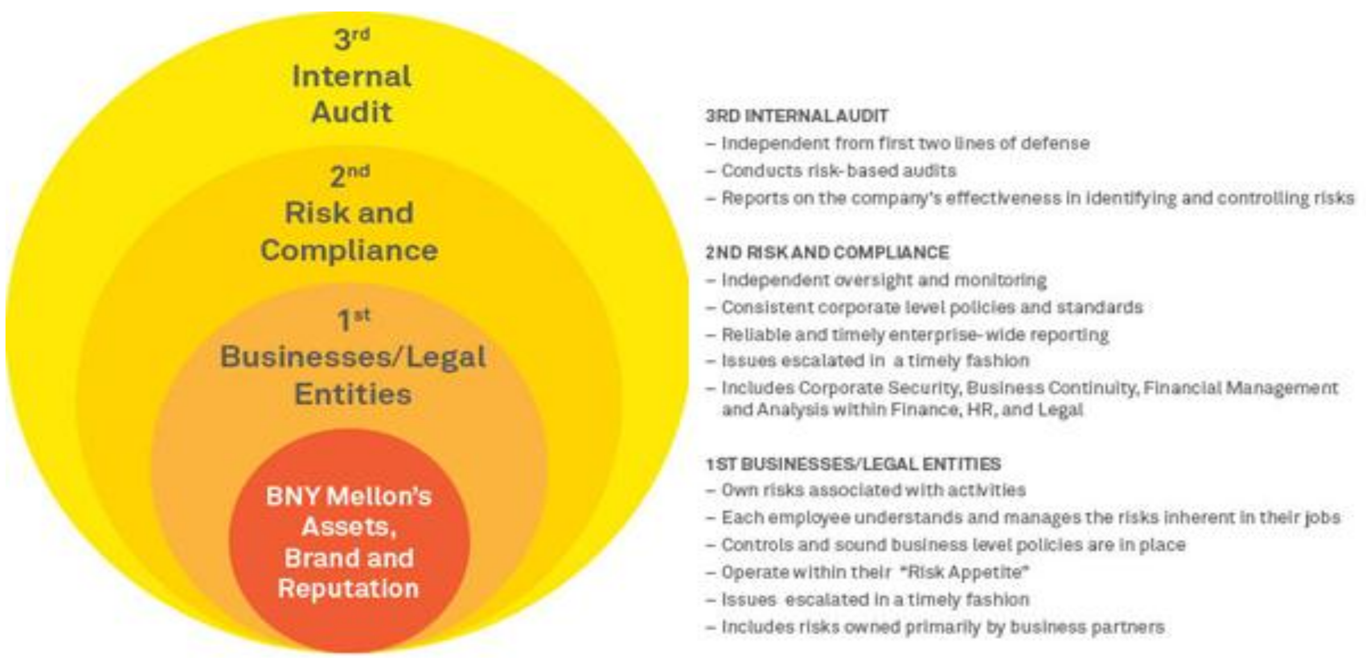
All Boutiques have a Business Risk Committee or Risk & Compliance Committee. These meet at least quarterly, but in practice tend to be monthly, and commonly have Risk & Compliance, Business Line Management, Finance and representatives from Central Risk, Compliance, Audit and Legal. Escalation guidelines exist to ensure appropriate escalation to both corporate committee and the respective Boutiques' Boards.

In addition, depending on the size and business activities, some Boutiques have senior management, investment, credit and other committees. As well as at a legal entity and regional level, the risk management process operates at an Asset Management level globally.

In line with the corporate escalation procedure guidance, the risk management output from Boutiques' risk management committees is escalated and reported to the various levels of executive committees, which would generally be the Global Investment Management Risk Committee in accordance with agreed escalation guidelines.

Risk Management culture is centred on the Three Lines of Defence (figure 2). Within the EMEA Investment Management, the EMEA and LatAm Head of Risk and Compliance Investment Management oversees the management of risk through Risk Managers operating in the Boutiques.

Figure 2: Three Lines of Defence



3.2. Risk Appetite

The BNY Mellon Group BOD defines risk appetite as being “the level and type of risk a firm is able and willing to assume in its exposures and business activities, given its business objectives and obligations to stakeholders”.

All BNY Mellon subsidiaries have a responsibility through their respective boards to articulate and communicate a clear set of statements that define their appetite for risk. This process is undertaken in a manner that enables each legal entity to produce risk appetite metrics and a set of supporting tolerance levels that are appropriate for the business. All risk appetite and tolerance levels must be monitored and used to manage risk within the business.

The Risk Appetite Statement forms an integral part of the management of the business. Risk appetite statements have been developed and approved by each of the Boutique’s Boards and set risk appetite for each business which collectively fall within the global Investment Management risk appetite statement.

3.3. Scope and nature of risk reporting systems

All of IMEH group’s activities are included in capital reporting. IMEH is a limited license group and therefore credit and market risk are captured by defined Pillar 1 calculations. Operational risk data is captured on an internally developed risk management platform.

The purpose of the company risk measurement and reporting systems is to ensure that all risks and exposures are comprehensively captured, with all of the attributes necessary to support robust decision making by senior management and risk mitigation within approved risk appetite levels.

Risk measurement and reporting systems are subject to a robust governance framework, to ensure that their design is fit for purpose, that they are functioning properly, and that controls are effective. Risk systems’ development is a key responsibility of the BNYM Group’s IT department while the operation and development of risk rating and management systems and processes are subject to oversight by various levels of management up to the Board of Directors.

In the Boutiques regular reporting on risk to business line management has been established.

3.4. Risk assessment tools

BNY Mellon Investment Management Europe Holdings Limited’s risk profile is recorded through a number of risk assessment tools.

3.4.1. Risk and Control Self-Assessment

Each business assesses the risks associated with its key business processes. Detailed process driven risk assessments consider all factors of the operation of each. Assessments consider the frequency and severity of operational losses, performance of key risk indicators, emerging risks, audit and regulatory findings. In the event a control is deemed as ‘Less than Satisfactory’ or ‘Needs Improvement’ the risk owner or their designee documents a description of the Control Gap and Action Plan to close the gap within the Risk Management Platform.

3.4.2. Key Risk Indicators

Each line of business within BNY Mellon maintains a group of key risk indicators (metrics) which are classified under the causal categories of Operational Risk (namely people, process, technology, legal/regulatory, external and risk management) which are applicable to the risks identified within the RCSA, and each is given a red, amber or green indicator. Where a metric triggers amber or red, the line of business is responsible for applying a narrative to explain the root cause, impact and actions to address the issues.

3.4.3. Operational Risk Events

Significant events of $10k or greater must be recorded on the Risk Management Platform as soon as practicable but within 30 calendar days of detection. Sector Operational Risk Managers may grant an extension of an additional 30 days at their discretion. Significant Events greater than USD $50,000 must be elevated and reported to Senior Management within 5 calendar days of detection and include the best available information at that point in time. Business managers are encouraged to enter 'Near Misses' as a best practice.

3.4.4. High Level Assessment

On a quarterly basis Risk Management provides a high level risk assessment, which provides a qualitative assessment of the inherent risk, quality of control, residual risk and direction of risk for Operational Risk Basel loss type categories and certain sub-type categories.

3.4.5. Top Risks

Top Risks are identified according to the assessment of the inherent risk, quality of controls in place to mitigate risk and likelihood to identify residual risk. Top Risks are rated as 'High,' 'Moderate to High,' 'Moderate,' 'Moderate to Low' and 'Low' with direction anticipated.

3.4.6. Stress Testing

Stress testing is performed at the IMEH Consolidated level to ensure consistency, and supplemented by boutique level stress testing to deal with any idiosyncratic risks. The process reflects stressed scenarios that identify an appropriate range of adverse circumstances of varying nature, severity and duration. Sources of risk information used to assist scenario development include Top Risk reporting, financial sensitivity analysis, outputs from the risk assessment tools, operational risk trends, macro-economic data, financial news, client management information or general business statistics.

Scenarios are derived from current, emerging, and plausible future risks and strategy, and reviewed, discussed and agreed by IMEH's and boutique legal entity boards for boutique level tests.

The conclusion of the stress testing process is a statement of the future risk(s) the business faces, control improvements to mitigate the impact should the risk arise and where appropriate, a recommendation for the capital held against each risk type.

3.4.7. Credit Risk Management

There is explicit management oversight of the credit quality of deposit institutions by individual Boutiques and the BNY Mellon Group, where limit levels are in place for large counterparties. The external bank deposits are used largely for operational purposes and there is sufficient care exercised by the various Boutiques in ensuring the quality of counterparty banks.

3.4.8. Market Risk Management

The foreign exchange (FX) balance sheet exposures are hedged on a monthly basis. The forward exchange contracts are placed with the value date on the last working day of the month; the offsetting contracts are placed two days before the maturity of the original contracts to stop delivery of the underlying notional contract value. The contracts are marked to market for regulatory reporting purposes.

The principal risks to which IMEH is exposed to are detailed as follows:

3.5. Pillar 1 Risk Assessments for Internal Capital

3.5.1. Credit Risk

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 its ability to perform.

Assets subject to credit risk for the IMEH group typically comprise deposits and group undertakings with BNY Mellon London Branch, deposits with external banks and fee receivables from clients. Cash deposits, typically the Boutique's accumulated profits, are held under a variety of arrangements reflecting the history of each including deposits with Bank of New York Mellon (London Branch). However, each Boutique holds a liquidity buffer equivalent to at least twice the calculated Fixed Overhead Requirements (FOR), calculated under FCA Rules, outside the BNY Mellon Group – insulated from the risk of BNY Mellon failure.

3.5.2. Credit Risk Exposure

The following credit risk exposure tables (1) to (4) summarise the credit exposure for IMEH Group.

i) Standardised gross Credit exposure

The following table summarises the standardised gross credit exposure by class as at 31 December 2013.

Table 1: Standardised gross credit exposure by exposure class

Standardised gross credit exposure by exposure class	Exposure at Default (EAD) pre Credit Risk Mitigation		Average EAD pre CRM		Standardised Credit Risk Capital Requirement	
(£000s)	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Central Governments and Central Banks	-	-	-	-	-	-
Institutions	1,197,000	772,405	1,106,648	777,169	19,152	12,367
Corporates	251,348	319,873	259,232	361,293	18,547	25,590
Short term claims on Institutions and Corporates	-	-	-	-	-	-
Collective Investment Undertakings	-	-	-	-	-	-
Other	393,152	378,812	462,613	421,209	29,160	30,305
Total	**1,841,499**	**1,471,090**	**1,828,493**	**1,559,671**	**66,859**	**68,262**

ii) Standardised gross Credit exposure (EAD pre CRM) by industry sector[1]

The following table summarises the standardised gross credit exposure by industry sector as at 31 December 2013.

[1] Industry sectors are based on the economic classification of the counterparty.

Table 2: Standardised credit exposure by Credit Quality Step[2]

Standardised Pre-mitigated Credit Exposures by Credit Quality Step	Central Governments and Central Banks		Institutions: Maturity <= 3m		Institutions: Maturity > 3m		Corporates		Other		Total	
(£000s)	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
1	-	-	1,197,000	772,405	-	-	-	-	-	-	1,197,000	772,405
2	-	-	-	-	-	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-	-	-	-	-	-
6	-	-	-	-	-	-	644,499	698,685	-	-	644,499	698,685
Total	-	-	1,197,000	772,405	-	-	644,499	698,685	-	-	1,841,499	1,471,090

Standardised Post-mitigated Credit Exposures by Credit Quality Step	Central Governments and Central Banks		Institutions: Maturity <= 3m		Institutions: Maturity > 3m		Corporates		Other		Total	
(£000s)	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
1	-	-	1,197,000	772,405	-	-	-	-	-	-	1,197,000	772,405
2	-	-	-	-	-	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-	-	-	-	-	-
6	-	-	-	-	-	-	644,499	698,685	-	-	644,499	698,685
Total	-	-	1,197,000	772,405	-	-	644,499	698,685	-	-	1,841,499	1,471,090

iii) Standardised gross Credit exposure by geographical area[3]

The following table summarises the standardised gross credit exposure by geographic area as at 31 December 2013.

Table 3: Standardised gross credit exposure by geographic area

Standardised exposure classes	Europe		Americas		Africa		Asia Pacific		Total	
(£000s)	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Central Governments and Central Banks	-	-	-	-	-	-	-	-	-	-
Institutions	1,195,182	739,447	1,818	-	-	-	-	32,957	1,197,000	772,405
Corporates	238,098	212,046	10,778	104,442	-	-	2,471	3,385	251,348	319,873
Short term claims on Institutions and Corporates	-	-	-	-	-	-	-	-	-	-
Collective Investment Undertakings	-	-	-	-	-	-	-	-	-	-
Other	393,152	368,325	-	-	-	-	-	10,487	393,152	378,812
Total	**1,826,432**	**1,319,818**	**12,596**	**104,442**	-	-	**2,471**	**46,829**	**1,841,499**	**1,471,090**

iv) Standardised gross Credit exposure by residual maturity

The following table summarises the standardised gross credit exposure by residual maturity as at 31 December 2013.

Table 4: Standardised gross credit exposure by residual maturity

Standardised gross credit exposure by residual maturity	Less than 3 months		3 months to 1 year		Over 1 year or undefined		Total	
(£000s)	2013	2012	2013	2012	2013	2012	2013	2012
Central Governments and Central Banks	-	-	-	-	-	-	-	-
Institutions	1,197,000	772,405	-	-	-	-	1,197,000	772,405
Corporates	251,348	319,873	-	-	-	-	251,348	319,873
Short term claims on Institutions and Corporates	-	-	-	-	-	-	-	-
Collective Investment Undertakings	-	-	-	-	-	-	-	-
Other	-	-	393,152	378,812	-	-	393,152	378,812
Total	**1,448,348**	**1,092,278**	**393,152**	**378,812**	-	-	**1,841,499**	**1,471,090**

3.5.3. Capital Resource Requirement

Pillar 1 credit risk capital is calculated using the Standardised Approach. This approach takes capital requirements at 8% of the total of its credit risk weighted assets for exposures falling into asset categories as defined in BIPRU

[2] Standardised pre-mitigated-credit exposure by Credit Quality Step as per BIPRU 11.5 10.5. IMEH does not utilise any credit risk mitigation models.
[3] Geographic distribution is based on the domicile of the borrower or obligor.

3.1.6R. External Credit Assessment Institutions' ratings are used to determine the risk weight for each exposure category.

3.5.4. Counterparty Credit Risk

Counterparty credit risk for the Group is the risk that a counterparty to a derivative contract could default before the settlement of the final cash flow obligations.

The IMEH group computes counterparty credit risk capital at Pillar 1 using the Counterparty Credit Risk (CCR) mark-to-market method as per the FSA's BIPRU 13.4. As at 31 December 2013, BNY Mellon Investment Management Europe Holdings Limited had neither trading book nor a banking book and therefore had no counterparty credit risk.

3.6. Market Risk

Market risk is the risk to a firm's financial condition arising as a result of adverse movements in the markets, such as foreign currency exchange rates, interest rates and equity and commodity prices.

None of the regulated entities are authorised to trade on their own account or to underwrite issues of financial instruments. Market risk capital arises due to non-trading exposures in non-functional currencies, and when investments in equities and in collective investment undertakings (CIU) are held to launch new products or as investments (e.g. holdings in cash funds). These are accounted for at their market value.

3.6.1. Capital Resource Requirement

The consolidated FX Position Risk Requirement (PRR) has been calculated using the Standardised Approach for computing its FX Position Risk requirement (FX PRR). The FX PRR is calculated by aggregating the net long or short position per currency. 8% of the GBP value of the higher of the net long or net short position is held as capital for FX PRR.

3.7. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events (including legal risk but excluding strategic and reputational risk). It may arise from errors in transaction processing, breaches of internal control systems and compliance requirements, internal or external fraud, damage to physical assets, and business disruption due to systems failures, execution, delivery and process management or other events. Operational risk can also arise from potential legal or regulatory actions as a consequence of non-compliance with regulatory requirements, prudent ethical standards or contractual obligations, these being sub-classified as compliance risk.

Across the IMEH group the level of operational risk is managed through rigorous operating policies, procedures and controls set by the Boutiques' Boards and implemented by Risk Management.

Business Managers in each Boutique are responsible for Risk Control Self Assessments ("RCSA"), which includes identification of the risks associated with key business processes, identifying and measuring the effectiveness of controls in place to manage risk and for remediation of any weakness. RCSAs are reviewed on at least an annual basis by Business Management. The Risk Management teams have an independent oversight role in this process.

The Boutiques' Boards monitor operational risks and the appropriateness of controls through the RMC and independent reporting from Risk Managers. This requires the Boutiques to regularly update their RCSAs, as well as monthly KRIs and prompt reporting of any significant financial impacts as a result of errors.

Risk Management performs monitoring appropriate to the business and identified risks, which includes KRI reporting, significant event analysis and ad hoc reviews. Moreover, the key elements of the RCSA, internal control environment, monitoring and governance arrangements are routinely reviewed and challenged by the RMC.

3.7.1. Capital Resource Requirement

All regulated entities in the IMEH group are limited licence firms and calculate their pillar 1 capital resource requirements (CRR) as the larger of Fixed Overhead Requirement (FOR) or the sum of credit risk and market risk capital resource requirements.

3.8. Other Risk Assessments for Internal Capital

3.8.1. Liquidity Risk

Liquidity Risk is the risk that a firm, 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.

The IMEH group currently has sufficient cash and current assets to meet its liabilities when they fall due; current and projected cash deposits are able to cover current liabilities and long term liabilities. Management fees provide the major source of funds with payment of staff and administrative expenses the principal uses of funds.

Net operating cash flows are projected to be positive. Financing cost (interest expense) is expected to stay at current levels. There is minimal risk to the source and use of the funds as there are no deposit-taking activities or loans to clients, and there are no derivatives or off-balance sheet exposures apart from FX forward contracts or other hedges for risk management purposes. Other exceptional activities such as acquisitions are funded either through existing cash resources or from the BNY Mellon group through debt and/or equity.

3.9. Compliance Risk

Compliance risk covers the impact on earnings or capital from violation, or non-compliance with laws, rules, regulations, prescribed practices or ethical standards which may, in turn, expose a firm and its directors to fines, payment of damages, the voiding of contracts and damaged reputation (with accompanying indirect costs).

IMEH group entities establish processes and procedures to ensure compliance with applicable laws, regulations, policies, procedures and the Code of Conduct. There is a dedicated Chief Compliance Officer within each boutique who has dual reporting lines to the boutique senior management and the BNYM regional Head of Risk and Compliance. Emerging regulations and changes are monitored by the Compliance and Risk functions. Impact assessments are performed and implementation plans established where necessary to ensure compliance.

Evidence in the group’s history of losses indicates that this level of risk is very low.

3.10. Business Risk

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

Business risk could also 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. Business Risk is primarily tested with the Stress tests described in 3.4.6.

3.11. Outsourcing Risk

Outsourcing risk is the risk of failure in respect of the provision of services by third party provider(s) which could potentially damage an entity's operations, or if contracts with any of the third party providers are terminated, that the entity may not be able to find alternative providers on a timely basis or on equivalent terms.

Investment Management businesses that form IMEH group rely on internal and external outsourcing entities within and outside of the BNYMC group to perform its core business activities on a continuing basis.

Each Investment Management Boutique has implemented an Outsourcing Policy which details certain minimum standards that should be adopted when considering or dealing with a service and/or activity that is outsourced to another legal entity, either within the BNYM Group or to an external provider and establishes a framework for evaluating and analysing outsourcing projects.

3.12. Concentration Risk

Concentration risk is the risk of loss arising from significant interrelated asset or liability exposures, which in cases of distress associated with 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 concentrations 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).

The greatest source of concentration risk for the IMEH group arises from the credit concentration risk to its parent BNY Mellon, through the concentration of deposits with BNY Mellon’s London Branch as discussed in Group Risk.

3.13. Group Risk

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

IMEH group is potentially exposed to risks carried through its parent, BNY Mellon, other BNY Mellon affiliates, and the Asset Management group including its subsidiary Boutiques. However, experience from previous reputational issues at the parent company and in associated businesses, from which IMEH group has been unable to identify resulting lost business or lost revenue relating to these issues, indicates limited contagion risk.

Furthermore, and as described in 3.8.1., 6 months operating liquidity is held outside of the BNYM group by each boutique.

3.14. Interest Rate Risk in Non-trading Book

Interest Rate Risk (IRR) is the risk associated with changes in interest rates that affect net interest income (NII) from interest-earning assets and interest-paying liabilities. For regulatory purposes, interest rate risk is monitored in the trading portfolio and non-trading book separately. IRR exposure in the non-trading book arises from on and off-balance sheet assets and liabilities, and changes with movements in domestic and foreign interest rates.

IMEH group does not have a significant exposure to IRR although it continues to monitor through the financial control framework which will identify any change in the exposure.

3.15. Legal Risk

The BNY Mellon policy defines legal risk as the risk of loss (including litigation costs, settlements, and regulatory fines) resulting from the failure of compliance with laws, regulations, prudent ethical standards, and contractual obligations in any aspect of BNY Mellon's business. If these were to materialise, legal risk incidents could damage the reputation or brand of BNY Mellon entities, which will ultimately lead to loss of clients and/or outflow of funds under management.

3.16. Model Risk

Across the IMEH group model risk refers to the possibility of unintended investment or business outcomes arising from the design, implementation or use of models.

The Investment Management Boutiques use models both as a complement to a qualitative investment or business judgment, or as the primary drivers of investment decisions. All models are subject to the BNY Mellon Model Risk Management Policy under the Model Risk Management Group who maintains the model inventory and overseas model review and validation.

3.17. Pension Obligation Risk

Pension Obligation Risk is the risk to a firm caused by its contractual liabilities or moral obligations to pension schemes considerations.

Apart from some longer serving employees of IM-EMEA and Newton Group, no employees from other IMEH group subsidiaries are members of a Defined Benefit (DB) Scheme.

IM-EMEA and Newton group historically participated in the Mellon Retirement Benefit Plan (MRBP), a multi-employer DB arrangement. There are a number of other current and past employers that have participated in this arrangement. The MRBP has never sectionalised or segregated the asset and liabilities attributable to each of the various employers. IM-EMEA and Newton group participants together represent about 4% of the active MRBP membership.

It has never been possible to allocate the assets and liabilities of the employers on a consistent and reasonable basis. Therefore each individual entity's accounting liability has been recorded on a Defined Contribution (cash contributions) approach, as is allowable under the relevant accounting requirements (UK GAAP (FS17) and US GAAP) in such circumstances.

3.18. Reputational Risk

Reputational risk is the current or prospective risk to earnings and capital arising from adverse perception of the image of the financial institution on the part of customers, counterparties, shareholders, investors or regulators.

In addition to the reputational contagion risk discussed in Group Risk, reputational risk to the Asset Management brand will present itself as a loss of confidence by its clients. Consistent poor performance over a period of time, operational events that occur without appropriate remedy and are perceived by clients to be systemic weaknesses in controls, or a loss of key investment managers are all possible reasons for a loss of confidence. It is recognised that IMEH does not conduct any operational activity to generate risks in its own right; therefore the risk is that such situations could occur within the Boutiques.

3.19. Strategic Risk

Strategic risk arises from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. This risk is a function of the compatibility of an organisation's strategic goals, the business strategies developed to achieve these goals, the resources deployed against these goals, and the quality of implementation. The resources needed to carry out business strategies are both tangible and intangible and they include communication channels, operation systems, delivery networks, managerial capacities and capabilities. The organisation's internal characteristics must be evaluated against the impact of economic, technological, competitive, regulatory and other environmental changes.

3.19.1. Country Risk

Country Risk is the risk of unfavourable evolution of operating profits and/or value of assets due to changes in the business environment resulting from political or macroeconomic factors. IMEH does not have any direct country risk.

3.20. Settlement Risk

Settlement risk is the probability of loss arising from the failure of one counterparty to settle its side of a transaction, thus preventing other counterparties from settling their commitments. It arises usually when payments are not exchanged simultaneously.

As the Investment Management businesses within IMEH are all agency businesses operating on a limited license basis, settlement risk is limited to the small amount of hedging activity that the boutiques undertake.

3.21. Residual Risk

Residual risk is the risk that risk mitigation techniques used by the firm prove less effective than expected.

No material residual risk exposures have been identified within IMEH or its subsidiaries.

4. Capital Adequacy

4.1. Capital Resources

During the year ended 31st December 2013, IMEH complied with all the externally imposed capital requirements which it was subject to. Table 5 below summarises the composition of IMEH regulatory capital as reported as at 31st December 2013.

Table 5: Capital resources

As at 31 December Capital Resources (£000s)	IMEH[4] 2013	2012
Tier 1 Capital		
Called up Share Capital	2,555,030	1,441,202
Retained Earnings and other Reserves	-60,000	111,831
Total Tier 1 Capital	2,495,030	1,553,033
Deductions from Tier 1 Capital		
Intangible Assets	-1,408,316	-844,034
Total Tier 1 Capital after deductions	1,086,714	709,000
Tier 2 Capital		
Lower Tier 2 Capital		
Dated subordinated debt	-	-
Total Tier 2 Capital	-	-
Deductions from total of tiers 1 and 2 capital		
Material Holdings	-7,951	-78,693
Total Deductions from total of tiers 1 and 2 capital	-7,951	-78,693
Total Capital Resources	**1,078,763**	**630,306**

4.2. Risk Weighted Assets

The following table summarises the Risk Weighted Assets (RWAs) for IMEH Group and its subsidiaries by risk type.

Table 6: Risk Weighted Assets by risk type

As at 31 December Risk Weighted Assets (RWAs) by risk type (£000s)	IMEH[5] 2013	2012
Credit Risk	835,737	853,272
Market Risk	88,910	48,951
Total RWAs	**924,647**	**902,223**

[4] Figures for 2012 represent a previous holding company structure
[5] Figures for 2012 represent a previous holding company structure

5. Capital Requirements and Adequacy

The following table details the Pillar 1 capital requirements by exposure class for IMEH Group as at 31 December 2013.

Table 7: Capital requirements by risk type

As at 31 December Capital Requirements and Adequacy (£000s)	IMEH[6] 2013	 2012
Credit Risk Standardised Approach		
Central Governments and Central Banks	-	-
Institutions	19,152	12,367
Corporates	18,547	25,590
Short term claims on Institutions and Corporates	-	-
Collective Investment Undertakings	-	-
Other	29,160	30,305
Total Credit Risk capital requirement	**66,859**	**68,262**
Operational Risk - standardised approach	n/a	n/a
Market Risk		
Foreign currency Position Risk Requirement	7,113	3,916
Total Market Risk capital requirement	7,113	3,916
- **Total Market Risk and Credit Risk requirement**	**73,972**	**72,178**
- **Fixed Overhead Requirement**	101,643	93,462
Total Capital Requirement	101,643	93,462
Total Capital Resources	**1,078,763**	**630,306**
Capital surplus	**977,120**	**536,844**
Total Capital Resources / Total Pillar 1 Capital Requirements	**1061%**	**674%**

[6] Figures for 2012 represent a previous holding company structure

6. Remuneration Disclosure

6.1. Governance

The Human Resources and Compensation Committee (HRCC) of The Bank of New York Mellon Corporation (BNY Mellon) oversees BNY Mellon's enterprise-wide employee compensation and benefit policies and programs. It reviews and is responsible for other compensation plans, policies and programs in which the executive officers participate and the incentive, retirement, welfare and equity plans in which all employees participate.

The members of the HRCC are non-executive board members, delegated by BNY Mellon's Board of Directors to act on behalf of the Board on remuneration matters.

With respect to employees broadly, the company's compensation plans are also monitored by a management-level compensation oversight committee (COC). The members of the COC are members of BNY Mellon's senior management and include the Chief Human Resources Officer, the Chief Risk Officer, the Chief Financial Officer and the Risk Management and Compliance Chief Administrative Officer. An important responsibility of the COC is to advise the HRCC on any remuneration risk-related issues.

To ensure alignment with local regulations in BNY Mellon's EMEA (Europe, Middle-East and Africa) region, the EMEA Remuneration Governance Committee (ERGC) was set-up as a regional governance committee that reviews and ensures compliance with local regulations affecting BNY Mellon's EMEA businesses, including BNY Mellon Investment Management Europe Holdings Ltd and its subsidiary undertakings. The IMEH and Boutiques' Boards are responsible for any remuneration policy decisions, and the approval of year-end compensation awards for their respective regulated staff members.

6.2. Aligning pay with performance

BNY Mellon's compensation philosophy is to offer a total compensation opportunity that supports our values: client focus, trust, teamwork and outperformance. We pay for performance, both at the individual and corporate level. We value individual and team contributions and reward based on how both contribute to business results. In support of this philosophy, variable compensation is regularly used as a means of recognising performance.

By implementing our compensation philosophy and principles, we align the interests of our employees and shareholders by encouraging actions that contribute to superior financial performance and long-term shareholder value, by rewarding success and by ensuring that our incentive compensation arrangements do not encourage our employees to take unnecessary and excessive risks that threaten the value of BNY Mellon or benefit individual employees at the expense of shareholders or other stakeholders.

6.3. Remuneration components

Fixed remuneration: -
is composed of (i) salary, (ii) any additional amounts paid as a result of contractual obligations or applicable law, or as a result of market practice, and (iii) any benefits in kind which are awarded as a result of the job rather than the performance within the job.

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 in the variable remuneration, including a 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 BNYM's annual Proxy Statement to shareholders.

6.4. Variable compensation funding and risk adjustment

The majority of staff in the Boutiques are eligible to be awarded variable compensation. Such variable compensation consists of both cash and deferred components and is determined by the functional hierarchy of the business or business partner service 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 restricted stock, deferred cash award invested in an appropriate vehicle which is considered suitable, boutique equity or any combination together determined appropriate from time to time.

Furthermore, BNY Mellon requires employees who receive awards to agree to clawback and/or forfeiture provisions on such awards in the event of fraud or conduct contributing to financial restatement or other irregularities.

6.5. Deferral policy and vesting criteria

The deferred component of the variable compensation award is generally delivered in the form of restricted stock, deferred cash award invested in an appropriate vehicle which is considered suitable, boutique equity or any combination together determined appropriate from time to time. The percentage of the variable compensation award to be deferred depends on the level of the position and the amount of the award. For regulated staff, the variable compensation portion of an award may constitute up to four different parts: upfront cash, upfront equity, deferred cash and deferred equity, in order to comply with local regulations. All such deferred awards are subject to terms and conditions that provide for forfeiture or clawback in certain circumstances.

6.6. Variable remuneration of control function staff

The tables below provide details of the aggregate remuneration of Code Staff for BNY Mellon Investment Management Europe Holdings Ltd and its subsidiary undertakings for the year ending 31 December 2013. Due to the designation of some of the underlying boutiques as Level 2 and others as Level 3 (under the proportionality structure of the UK Remuneration Code), where appropriate, the disclosures have identified the split between the categorisations.

The remuneration amounts are presented on a gross basis, regardless of the time spent by BNY Mellon staff in respect of IMEH group entities, to reflect the full reporting period.

6.7. Quantitative Remuneration Disclosure

The tables below provide details of the aggregate remuneration of IMEH group entities' Code Staff for the year ending 31 December 2013.

The remuneration amounts are presented on a gross basis, regardless of the time spent by BNY Mellon staff in respect of IMEH group entities to reflect the full reporting period.

Proportionality Level 2 Code Staff

Table 1: Aggregate remuneration expenditure for Code Staff in 2013 by business[1]

	IMEH		
	Investment Management £000s	Other[2] £000s	Total £000s
	12,901	4,704	17,605

1. Includes base salary and other cash allowances, plus any cash incentive and the total of any awards made in BNY Mellon shares or options, valued at the date of grant.
2. Includes all support functions and general management positions.

Table 2: Aggregate remuneration expenditure for Code Staff in 2013 by remuneration type

	IMEH		
	Senior Management[2]	Other Code Staff	Total
Number of beneficiaries	6	4	10
Fixed remuneration (£000s)[1]	1,685	547	2,232
Variable remuneration (£000s)	13,655	1,718	15,373

1. Fixed remuneration includes base salary and any cash allowances.
2. Senior Management is comprised of legal directors and those holding the corporate title of Executive Vice President.

Proportionality Level 3 Code Staff

Table 1: Aggregate remuneration expenditure for Code Staff in 2013 by business[1]

	IMEH		
	Investment Management £000s	Other[2] £000s	Total £000s
	51,510	5,907	57,417

1. Includes base salary and other cash allowances, plus any cash incentive and the total of any awards made in BNY Mellon shares or options, valued at the date of grant.
2. Includes all support functions and general management positions.

Table 2: Aggregate remuneration expenditure for Code Staff in 2013 by remuneration type

	IMEH		
	Senior Management[1]	Other Code Staff	Total
Number of beneficiaries	27	8	35
Total remuneration (£000s)	53,469	3,948	57,417

1. Senior Management is comprised of legal directors and those holding the corporate title of Executive Vice President.

7. Glossary of Terms

The following terms are used in this document:

- **BIPRU:** The FCA rules, as set out in Prudential Sourcebook for Banks, Building Societies and Investment Firms.
- **BNY Mellon:** The Bank of New York Mellon
- **BNYMC:** The Bank of New York Mellon Corporation
- **CCR:** Counterparty Credit Risk
- **Core Equity Tier 1 Capital:** Tier 1 capital less innovative tier 1 securities and preference shares.
- **CRD:** Capital Requirements Directive
- **Credit and Operational Risk Management Committee (CORMC):** CORMC approves the credit and operational risk methodologies and assumptions that do not require review by the Risk Quantification Committee.
- **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.
- **FCA:** The Financial Conduct Authority of the United Kingdom
- **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.
- **Limited Licence Firms:** Limited licence firms are not authorised to (i) deal on their own account; or (ii) provide investment services such as underwriting or placing of financial instruments on a firm commitment basis.
- **Key Risk Indicator (KRI):** Key Risk Indicator are used by business lines to evaluate control effectiveness and residual risk within a business process.

- **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 IMEH risk governance framework has been developed in conjunction with BNYMC requirements. Key elements of the framework are:

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

- **RMC:** Risk Management Committee which meets on a monthly basis to provide governance on risk related items arising from the business of the group.

- **Standardised Approach:** In relation to credit risk, a method for calculating credit risk capital requirements using external credit assessment institution ratings and supervisory risk weights. In relation to operational risk, a method of calculating the operational capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.

- **Tier 1 And Tier 1 Capital:** Have the meanings given to such terms in the General Prudential Sourcebook (as set out in the FCA's Handbook).

- **Tier 2 Capital:** Has the meaning given to this term in the General Prudential Sourcebook (as set out in the FCA's Handbook).

Contacts:

Name	: Christopher Rexworthy
Department	: EMEA and LatAm Head of Risk & Compliance, BNY Mellon Investment Management
Email	: chris.rexworthy@bnymellon.com

2013 PILLAR 3 DISCLOSURE

BNY MELLON INVESTMENT MANAGEMENT EUROPE HOLDINGS LIMITED

BNY MELLON INVESTMENT MANAGEMENT EUROPE HOLDINGS LIMITED

160 QUEEN VICTORIA STREET, LONDON, EC4V 4LA
SWITCHBOARD: +44 (0) 20 7163 0000

BNY MELLON