

# Pillar 3 Disclosure Statement for the Year Ended 31 December 2012

*Pioneer Investment Management Limited  
Capital Requirements Directive*

## Introduction

Pioneer Investment Management Limited ("PIML"), is a wholly owned subsidiary of Pioneer Global Asset Management S.p.A., which is in turn fully owned by UniCredit S.p.A.. PIML is authorised and regulated by the Central Bank of Ireland as an Investment Firm under the Markets in Financial Instruments Directive ("MiFID").

As a MiFID authorised Investment Firm, PIML is required to comply with the Capital Requirements Directive ("CRD") which sets out the regulatory capital framework for credit institutions and investment firms across Europe. The CRD framework requires such firms to consider regulatory capital on three bases (or Pillars):

- Pillar 1 – which sets out methodology for the calculation of minimum regulatory capital to reflect credit, market and operational risks applicable to such firms;
- Pillar 2 – which obliges firms to fully assess its own risks and determine if sufficient capital is in place to cover these risks including specific risks not captured under Pillar 1;
- Pillar 3 – which complements pillar 1 and 2 and seeks to promote greater market discipline and transparency through the disclosure of key information about risk exposures and risk management processes.

The Pillar 3 disclosure requirements are set down in Regulation 37 of the European Communities (Capital Adequacy of Investment Firms) Regulations, 2006, which refers to Part 11 of the European Communities (Capital Adequacy of Credit Institutions) Regulations 2006. Credit Institutions Regulation 72 in turn refers to the disclosure requirements set out in Annex XII, Part 2 of EU Directive 2006/48/EC (the "CRD").

The Capital Requirements Directive (CRD) provides that the firm may omit one or more of the required disclosures if it believes that the information is immaterial. PIML defines material risk as any risk large enough to threaten the success of the enterprise in a material way. The CRD also permits the firm to omit one or more of the required disclosures where it believes that the information is regarded as proprietary or confidential. Proprietary and confidential information includes non-public information that is confidential and/or proprietary belonging to the Company and/or parties with whom the Company does business or if the disclosure of such information may undermine our competitive advantage. This document relates to Pillar 3 disclosures only.

## Frequency of Disclosure

These disclosures are based on the financial statements prepared to 31 December 2012. The next report is to be issued in conjunction with the 31 December 2013 financial statements.

## Location

This disclosure is published on the Pioneer Investments website,  
[http://worldwide.pioneerinvestments.com/fund\\_facts/mifid\\_policies/overview.jhtml](http://worldwide.pioneerinvestments.com/fund_facts/mifid_policies/overview.jhtml)

## Scope of Application

The Capital Requirements Directive, and the Pillar 3 disclosure requirement, applies to PIML.

Pillar 3 disclosures for PIML are produced on a solo rather than a consolidated basis. This disclosure notice relates only to PIML.

It is not considered appropriate to make disclosure of certain quantitative data which is regarded as proprietary and confidential.

## Risk Management

PIML is a leading asset management firm that provides investment management services for investment funds and segregated accounts and ancillary services to clients and group companies.

The Board has overall responsibility for the firm's system of internal controls, the objectives of which are the safeguarding of the firm's assets and clients' assets, the maintenance of proper accounting records and the availability of reliable financial information for use within the business and for publication.

The risk management framework is part of the well-defined governance framework which meets best practice in a manner appropriate to the firm's scale and scope of operations. The framework demonstrates control of the business, whilst facilitating transparency for all stakeholders and supporting the business to move rapidly in a changing market.

PIML has dedicated Compliance & Risk Management Functions, which have direct access to the Board of Directors. PIML also has a Risk Management Committee ("RMC"). The RMC is a focal point for risk management in PIML. The RMC looks to provide assurance to the Board of Directors that an effective risk management and internal control structure is implemented and maintained in the business.

Two members of the Board are members of the RMC, including the CEO. In addition, representatives from the Compliance, Risk, Legal, Internal Audit and Finance departments are members of the Committee.

PIML's risk management policies and main risk mitigations and controls have been documented in the firm's ICAAP manual as well as in the Manual of Compliance and Basel II Guidance Policy. The firm's systems of internal control include appropriate levels of authorisation and segregation of duties.

For the purposes of Pillar 3 disclosures, the material areas of risk identified are;

- Operational Risk – This includes fraud, compliance and legal risk.
- Business Risk.
- Credit Risk.

## Risk Management by Category of Risk

### Operational Risk

Within the Company, operational risk is defined as the exposure to loss from inadequate or failed internal processes, people and systems or from external events. It is the risk of direct or indirect loss, or damaged reputation, due to deficiencies or errors in the Company's internal operations which may be attributable to employees, the organisation, control routines, processes or technology, or due to external events and relations. Operational risks are inherent in all activities within the organisation, in outsourced activities and in all interaction with external parties.

Solid internal control and quality management, consisting of a risk management framework, leadership and skilled personnel, is the key to successful operational risk management. PIML is responsible for managing its own operational risks. Risk management develops and maintains the framework for identifying, monitoring and controlling operational risks and supports the business in implementing the framework and raising awareness of operational risks.

An element of PIML's operational risk management framework is ongoing monitoring through self-assessment of control deficiencies and weaknesses, the tracking of incidents and loss events and the use of a structured lessons learned process to ensure that, once identified, control deficiencies are communicated and remedied across the Company.

### Business Risk

Business risk is defined as adverse, unexpected changes in business volume and/or margins that are not due to credit and operational risks. It can lead to serious losses in earnings, thereby diminishing the market value of a company. Business risk can result above all from a serious deterioration in the market environment, changes in the competitive situation or customer behaviour, but may also result from changes in the legal framework.

Generally this risk is not believed to be significant in PIML due to the quality of the client base. However with the current economic climate the Board are mindful that as AUM decreases, it may not necessarily be replaced which could impact overall margins. Also changes in tax treaties and other market factors could serve to increase this risk, as could a change in ownership of the Company. In addition, litigation risk is monitored on an ongoing basis by the Board.

#### Credit Risk

Credit risk represents the risk that an unexpected change of credit quality of a counterparty might generate a change in the value of the credit exposure towards it. This change in the credit exposure might be due to:

1. The default of the counterparty, that is not able to respect its contractual obligations.
2. The reduction of the credit quality of the counterparty.

Again, this risk is not believed to be significant in PIML because the firm does not consider that there is a risk of client default that would be material in the context of the overall business.

#### Other Risks

All other risks affecting PIML have been assessed as immaterial and therefore are not disclosed in this Pillar 3 statement.

#### Capital Resources

As a company authorised and regulated by the Central Bank of Ireland, PIML is required under the relevant regulations to maintain sufficient capital to meet its liabilities. PIML has in excess of 1.5 times the regulatory capital required under the Pillar 1 calculation, hence meeting its requirement.

The firm's conclusion is that the capital currently held is adequate for the current operation.

	<b>31 December 2012</b> <b>€'000</b>	<b>31 December 2011</b> <b>€'000</b>
Called up share capital	1,033	1,033
Revenue reserves	26,919	38,169
Other reserves	-	-
Tier 1 Capital	27,952	39,202
Tier 2 Capital	-	-
Total Capital Resources	27,952	39,202
Capital Requirement	18,039	17,192
Total Capital Excess	9,913	22,010