Pillar 3 Disclosure

CVC Capital Partners European CLO Management LLP
For year ended 31 Dec 2019

CVC CREDIT PARTNERS

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1. Introduction

CVC Credit Partners European CLO Management LLP ("CVC Credit" or the "Firm") is required by the Financial Conduct Authority ("FCA") to disclose information relating to the capital it holds and each material category of risk it faces in order to assist users of its accounts and to encourage market discipline.

This document comprises the Pillar 3 disclosures for CVC Credit Partners European CLO Management LLP ("CVC Credit" or the "Firm"). This disclosure is published in accordance with the Capital Requirements Regulation (CRR) (Regulation (EU) No 575/2013) and the Capital Requirements Directive (CRD) (Directive 2016/36/EU).

CRD created a revised regulatory capital framework across Europe covering how much capital financial services firms must retain. The framework consists of three "Pillars":

- Pillar 1 sets out the minimum capital requirements that companies need to retain to meet their credit, market and operational risk;

- Pillar 2 requires companies to assess whether their Pillar 1 capital is adequate to meet their risks and is subject to annual review by the FCA; and

- Pillar 3 requires companies to develop a set of disclosures which will allow market participants to assess key information about its underlying risks, risk management controls and capital position. These disclosures are seen as complimentary to Pillar 1 and Pillar 2.

CRR Article 432 sets out the provisions for Pillar 3 disclosure. The rules provide that companies may omit one or more of the required disclosures if such omission is regarded as immaterial. Information is considered material if its omission or misstatement could change or influence the decision of a user relying on the information. In addition, companies may also omit one or more of the required disclosures where such information is regarded as proprietary or confidential. The Firm believes that the disclosure of this document meets its obligation with respect to Pillar 3.

CVC Credit disclosures are made at least annually in line with CRR Article 422.

The disclosures are published on the Firm's website.

The information contained in this document has not been audited by the Firm's external auditors, as this is not a requirement, does not constitute any form of financial statement and must not be relied upon in making any judgement on the Firm.

This disclosure has been prepared on an unconsolidated basis.

2. Firm Overview

CVC Credit Partners European CLO Management LLP was established in 2016 as a limited liability partnership incorporated in England & Wales. The Firm is a MiFID entity authorised and regulated by the Financial Conduct Authority and is categorised, for prudential purposes, as an IFPRU €50k limited license firm.

The Firm's principal activities are to act as the manager and sponsor of collateralised loan obligations ("CLO") vehicles. As a part of this business, the Firm is required to hold a minimum of 5% net economic rights of CLO issuances. CLOs are issued through structured special purpose entities, which are legally separate from the Firm.

Risk Management

The Firm's Members' Committee meets regularly with formal meetings to discuss and approve decisions and documentation regarding the Firm. The Members' Committee is currently comprised of the persons listed below:

- CVC Credit Partners European CLO Management (Holdings) Limited; and
- Peter Selwyn.

The Members' Committee has responsibility for daily management and oversight. It is responsible for the entire process of risk management, as well as forming its own opinion on the effectiveness of the process. In addition, the Members' Committee decides the Firm's risk appetite or tolerance for risk and ensures that CVC Credit has implemented an effective, ongoing process to identify risks, to measure its potential impact and then to ensure that such risks are adequately managed. Senior management is accountable to the Members' Committee for designing, implementing and monitoring the process of risk management and implementing it into the day-to-day business activities of CVC Credit.

The Firm has established a risk management process in order to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business.

As risks are identified within the business, appropriate controls are put in place to mitigate these. The frequency of monitoring in respect of each risk area is determined by the significance of the risk. The Firm actively manages its own risk areas and ensures that risk taken within the portfolios that it provides advice to is closely monitored. The results of the compliance monitoring performed is reported to the Members' Committee by the Chief Compliance Officer.

3. Capital resources and requirements

The Firm is an IFPRU €50k Limited License Investment Firm.

Capital Tier	Capital Position
Core Equity Tier 1 Capital after deductions	£135,948,709
Additional Tier 1 Capital after deductions	£0
Tier 2 Capital after deductions	£0
Total Capital after deductions	£135,948,709

Pillar 1

As at 31 December 2019, the Firm on a stand-alone basis held regulatory capital resources of £135.9 million[1] comprised solely of core Tier 1 capital.

The Firm's capital requirements are the greater of:

- its base capital requirement of €50,000;
- the sum of its market and credit risk requirements; or
- its fixed overhead requirement ("FOR").

As at 31 December 2018, the Firm's Pillar 1 capital requirement was £88.3 million.

Pillar 2

The Firm has adopted the "structured" approach to the calculation of its Pillar 2 Minimum Capital Requirement as outlined in the Committee of European Banking Supervisors Paper, 27 March 2006 which takes the higher of Pillar 1 and 2 as the Internal Capital Adequacy Assessment Process (ICAAP) capital requirement. It has assessed Business Risks by modelling the effect on its capital planning forecasts and assessed Operational Risk by considering if Pillar 2 capital is required taking into account the adequacy of its mitigation.

The Firm's ICAAP has concluded that that Firm's available capital resources are in excess of the Pillar 1 and Pillar 2 capital requirements. Accordingly, the capital held is considered to be adequate.

Operational Risk

The Firm places strong reliance on the operational procedures and controls that it has in place in order to mitigate risk and seeks to ensure that all personnel are aware of their responsibilities in this respect.

The Firm has identified a number of key operational risks. These relate to disruption of the office facilities, system failures, trade failures and failure of third party service providers. The Members' Committee believes that appropriate policies are in place to mitigate against these risks, including appropriate insurance policies and business continuity plans.

Business Risk

The Firm has assessed Business Risks i.e. a macroeconomic down turn or a reduction in investment management fees and implemented appropriate mitigating controls to manage them. Business Risk is considered in the Firm's Stress Testing. The Firm has set out a process to monitor these movements to ensure appropriate and timely risk identification and mitigation.

[1] This figure includes 2019's retained earnings which were audited in 2020.

Credit Risk

The Firm neither holds client money nor client assets. The Firm's exposures to Credit Risk are;

- Investment management fees due from managed CLO's are not paid;
- Exposure associated with its holdings of the subordinated notes in its role as manager/sponsor, in line with the CRR retention requirement; and
- Cash balances held with institutions that default.

Material risks are mitigated through the diversification of the underlying portfolios within the managed CLO's, an experienced portfolio investment team, and robust due diligence associated with new investments. The Firm has adopted the standardised approach to credit risk, and therefore follows the provision within CRR Article 112 standardised approach. Credit Risk is assumed to be that calculated at Pillar 1.

Market Risk

The Firm does not have a trading book. Its exposures are non-trading book exposures to foreign currency assets or liabilities held on its balance sheet. Revenues are largely in EUR and costs are largely in GBP, however due to the timing of these flows, there is not a significant foreign currency risk.

Securitisation risk

The Firm's only securitisation risk is limited to its regulatory retention requirement outlined under Credit Risk.

Counterparty Credit Risk

CVC Credit is dependent on the Structured Special Purposes Entities for frequent and timely distributions. The Firm regularly reviews and monitors the entities and has good oversight and knowledge of their performance.

Capital buffers

The Firm is does not hold capital for the countercyclical and capital conservations buffer.

Indicators of global systematic importance

This disclosure is not applicable.

Credit risk adjustments

The Firm does not use credit risk adjustments.

Unencumbered assets

CVC Credit retained holdings are in effect encumbered. As manager/sponsor, the Firm must retain its 5% position for the life of the outstanding CLO issuances.

External Credit Assessment Institutions (ECAIs)

The Firm does not use any ECAIs.

Exposures in equities not included in the trading book

The Firm does not hold equities in its non-trading book.

Exposure to interest rate risk on positions not included in the trading book

CVC Credit's retained subordinated notes carry an inherent interest rate risk. There is a risk that performance could be adversely impacted by an unfavourable movement in interest rates.

4. Remuneration

CVC Credit follows the prescribed FCA guidelines outlined in SYSC 19A Remuneration Code. The Firm is classified as a level 3 Firm for proportionality purposes regarding remuneration policies and its disclosures relative to the size of the Firm. Remuneration is designed to ensure that the Firm does not encourage excessive risk taking and staff interests are aligned with those of the Firm's clients.

The Members' Committee is directly responsible for the overall remuneration policy which is reviewed annually. Variable remuneration is considered in line with capital and liquidity requirements, individual performance as well as the Firm's performance. The Members' Committee reviews the remuneration strategy on an annual basis.

The Firm ensures that its remuneration structure promotes effective risk management and balances the fixed and variable remuneration components for all Code and Non-Code staff. Total remuneration is based on balancing both financial and non-financial indicators together with the performance of the Firm, individual performance and the staff member's business unit. The Firm monitors fixed and variable compensation to ensure SYSC 19A is adhered to with respect to total compensation where applicable.

Senior management and members of staff whose actions have a material impact on the risk profile of the Firm are classified as Code Staff. In accordance with SYSC 19A, the Firm makes the following disclosures.

Remuneration Code Staff

Code Staff	Aggregated Remuneration
Senior Management	£1,367,030
Other Code Staff	£2,433,472
Total	**£ 3,800,503**