



MIFIDPRU Public Disclosure

CVC Credit Partners European CLO Management LLP
For year ended 31 December 2023

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1 Introduction

This disclosure report (“report”) has been prepared by CVC Credit Partners European CLO Management LLP (the “Firm”) in order to fulfil the regulatory disclosure requirements set out by the Financial Conduct Authority (“FCA”) in the Prudential sourcebook for MiFID Investment Firms (“MIFIDPRU”).

This report is prepared on an individual basis and is applicable to the following entity:

- CVC Credit Partners European CLO Management LLP (FRN: 740003)

This report has been prepared using the audited financial statements as at 31 December 2023, covering the financial period 1 January 2023 to 31 December 2023.

For the purposes of MIFIDPRU, the Firm has been classified as a “non-SNI” firm and is subject to the standard disclosure requirements of MIFIDPRU 8.

2 Governance and Risk Management

Governing Body Responsibility and Composition

The governing body of the Firm (the “Members’ Committee”) maintains management and oversight responsibility. It meets regularly, and as at 31 December 2023 comprised:

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

The table below shows the number of directorships (as defined in MIFIDPRU 8.3) held by each individual member of the Members’ Committee as at 31 December 2023:

Name	Number of external executive roles	Number of external non-executive roles
Peter Selwyn	0	0

The Members’ Committee, acting through the Firm’s Executive Committee where appropriate, is responsible for setting the Firm’s business objectives, strategy and annual budgets. The Executive Committee is responsible for oversight of the day-to-day operations of the business. Accordingly, it receives regular reporting and management information on the Firm’s operations, enabling the Firm’s prudent management.

2.1 Risk Management Objectives and Policies

Risk Governance

The Members’ Committee, acting through the Executive Committee where appropriate, has overall responsibility for risk management, including establishing the Firm’s risk appetite, and for evaluating its risk management policies and practices against its objectives, including ensuring that potential conflicts of interest are identified, assessed and managed, and that appropriate controls have been established, including segregation of duties.

The Firm is not required to establish a risk committee in accordance with MIFIDPRU 7.3.1R.

Investment-related risk management in relation to CLO mandates is delegated to the relevant strategy’s Investment Committee. The Firm employs risk management policies and procedures that seek to accurately measure, monitor and manage the various risks associated with the investment program, including initial and ongoing due diligence and risk analysis.

The Executive Committee oversees the Firm’s Operational Risk Committee. The Operational Risk Committee has been delegated responsibility for ensuring that the Firm maintains an operational risk and control framework that is appropriate for the business. Day-to-day operational risk management activities are also delegated to this Committee. This ensures that the Firm has implemented an effective, ongoing process to identify operational risks, measure their potential impact and ensure that such risks are actively managed and mitigated, including by implementing appropriate controls. Defined Terms of Reference have been established, which include a clear purpose and authority, duties and availability of management information.

A specialist independent risk management team (“Group Risk”) operates across the CVC group of companies. Group Risk assists the Members’ Committee, Executive Committee and Operational Risk Committee by developing and deploying a risk management framework (the “Group Risk Framework”), which comprises a risk management strategy and objectives; risk management policy; and various tools designed to identify, evaluate, manage, and monitor risks to the business.

Risk Appetite & Risk Management Framework

Risk Appetite sets the ‘tone from the top’ and outlines parameters within which the Members’ Committee determine that the business can operate; equally, it describes levels of risk that are not acceptable. This empowers the business to make decisions in an agreed framework, in keeping with CVC’s entrepreneurial culture.

At a group level, the above parameters are conveyed through the group Risk Appetite Policy, which is a central pillar of the Group Risk Framework.

The Group Risk Framework is ultimately designed to ensure the business is sufficiently financially and operationally resilient to carry out its business through normal and stressed conditions, and to deliver its strategic objectives. Group Risk are responsible for developing the Group Risk Framework, assist the Members’ Committee in setting their risk appetite, and help identify and manage risks to the Firm’s operating model and strategic objectives.

The Group Risk Framework uses a number of tools and techniques to identify, evaluate, manage and monitor and escalate risks, as no one monitoring tool can provide a comprehensive view of the risk profile in isolation.

Combined Assurance

Combined Assurance is the effective coordination of the Firm’s lines of defence to develop a holistic view of the risk universe and to manage risk in the most efficient and effective way.

The ‘Three Lines’ model is set out in the group Risk Appetite Policy to manage risk. This ensures that there is responsibility for risk management embedded within the specialist teams overseeing day-to-day processes and demonstratable independence within the functions employed to challenge them.

- The first line of defence is formed by managers and staff who own and manage risks, as part of their accountability for the processes and controls they operate.
- The second line of defence comprises risk and compliance functions who are responsible for building frameworks within which risk can be identified, assessed, managed and monitored, and for providing advice to the first line of defence.
- The third line of defence is Internal Assurance, who provide independent assurance on the effectiveness of governance, risk management and internal controls established by the first and second lines to manage risk.

Conflicts of Interest

The Firm generally seeks to avoid conflicts of interest. It has therefore implemented a Conflicts Committee comprising the Firm’s Chief Compliance Officer, General Counsel and several members of

the Firm’s Senior Management. The Firm has also established an External Conflicts Committee to review potential and material conflicts of interests escalated by the Conflicts Committee.

The Conflicts Committee and Compliance function maintain comprehensive Conflicts of Interest Policies and procedures. Any identified conflicts of interests are monitored, mitigated and prevented by the Compliance department as an independent control function, and disclosed to clients where appropriate.

Material Risk Categories

As outlined above, CVC has established processes to identify, evaluate, manage, and monitor and escalate risks. The Firm’s risk assessment has identified five main categories of risk: business/strategic risk, credit risk, market risk, liquidity risk, and operational risk. These risks have been described in the table below and are considered for further analysis in the Firm’s annual Internal Capital Adequacy and Risk Assessment (‘ICARA’), overseen by the Members’ Committee.

Concentration risks in respect of the Firm’s revenues, assets, clients, counterparties and suppliers are assessed within the relevant risk categories below, rather than as a separate category. The Firm also does not conduct any trading on its own account and does not have regulatory permissions for dealing as principal. The Firm neither holds client money nor client assets.

The Members’ Committee, in conjunction with the Executive Committee, is satisfied that all key risks in the business have been identified, assessed, and that the governance and oversight model is appropriate and proportionate to the scale and complexity of the business.

Material risks should be escalated and dealt with as a matter of priority and, if they cannot be adequately mitigated through controls or through changes in the activity giving rise to the risk, may increase the capital and liquid assets requirements in relation to ongoing operations. No such unmitigated material risks have been identified for this period.

Risk Category	Description	Mitigation
<p>Business and Strategic Risk</p>	<p><i>Business and Strategic Risk Relates to the failure to deliver and execute strategy and strategic objectives, or uncertainty surrounding the Firm’s business and operating model. It encompasses factors such as financial prudence, ineffective protection of the Firm’s brand and reputation which could impact the Firm’s ability to attract and retain talent, competitive pressures, and regulatory changes that may impact the Firm’s ability to achieve its business objectives.</i></p>	<p>The Firm has assessed business risks within its risk register including deployment of assets, CLO performance and the retention of clients, and implemented appropriate controls to mitigate these risks.</p> <p>On an ongoing basis, business risk is reviewed primarily against quantitative criteria including budgets and targets, using dashboards and Key Risk Indicators.</p> <p>Business risks are the primary risk considered in the stress tests in the Firm’s ICARA process, which involve analysing the impact of hypothetical scenarios on the Firm’s revenue and profitability.</p>

Risk Category	Description	Mitigation
Credit Risk	<p><i>Credit risk relates to financial loss resulting from a borrower's failure to repay a loan. The lender (in this case, the Firm) may not receive the owed principal and interest, which results in an interruption of cash flows, increased costs for collection and potential losses.</i></p> <p>The Firm is exposed to Credit Risk in respect of:</p> <ul style="list-style-type: none"> • Its holdings of CLO subordinated notes in its role as CLO manager/originator, in line with the retention requirements of CRR / UK Securitisation Regulation (as applicable); • Management fees due from managed CLOs; and • Cash balances. 	<p>Regarding its holdings in CLOs and revenue from these, the Firm has a strong understanding of those entities' financial positions and performance at all times throughout the year due to its role as manager. This includes an understanding of any inherent interest rate risk in relation to the subordinated notes. Management fees are billed on a stable basis in accordance with the relevant governing documentation of each investment vehicle, and monitored by the Finance team.</p> <p>The Firm holds its cash with banks assigned high credit ratings. The Firm neither holds client money nor client assets.</p>
Market Risk	<p><i>Market risk is the risk of losses caused by adverse price movements.</i></p> <p>The firm does not trade on its own account or maintain a Trading Book and as such the only potential Market Risk exposures are Non-Trading Book Exposures, i.e. foreign currency held on deposit, and other assets or liabilities denominated in foreign currency.</p>	<p>The Firm's income and expenses are primarily denominated in GBP and EUR, and the firm's cash is also primarily held in GBP or EUR. The Firm's financial statements are presented in EUR.</p>
Liquidity Risk	<p><i>Liquidity risk refers to the potential for a firm to encounter difficulties in meeting its short term financial obligations due to an inability to convert assets into cash quickly.</i></p> <p>The Firm's approach is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to the Firm's reputation.</p>	<p>The timing and amounts of the Firm's management fee receipts and operating expenditure are generally highly predictable in the short term, and the liquidity outlook is monitored regularly and reviewed by the Finance team and by key management personnel.</p> <p>The Firm is required to maintain surpluses over its Basic Liquid Assets Requirement ("BLAR") and Liquid Assets Threshold Requirement ("LATR") at all times. Liquidity risks are considered within the stress testing in the Firm's ICARA process.</p>

Risk Category	Description	Mitigation
Operational Risk	<i>Operational risk refers to the potential for financial losses resulting from internal processes, systems, or human error within the firm. This risk encompasses a wide range of factors including inadequate internal controls, technology failures, fraud, or external threats, such as attacks on technology defences or failings at key third parties.</i>	The Firm has assessed operational risks within its risk register and implemented appropriate controls to mitigate these risks. Within the risk register, impact and probability are assessed in both a pre-control (“inherent risk”) and post-control (“residual risk”) environment. The impact and probability assessments are combined using a matrix to provide an overall risk rating.

2.2 Promoting Diversity and Inclusion

The CVC group (in this section, “CVC”, “we”, “us”), of which the Firm is a part, strives to foster a supportive and inclusive working environment, where everyone feels valued, respected and encouraged to be their authentic selves. We believe that a diverse workforce leads to better decision making, stronger innovation and ultimately, improved performance. To do this, we leverage the talents of all of our employees, regardless of their background, identity or experience.

Promoting Diversity and MIFIDPRU 8

MIFIDPRU 8 requires a summary of the Firm’s policy promoting diversity on its ‘management body’. Due to the purpose, structure, governance arrangements and employment practices of regulated entities established within CVC, diversity targets are not set at individual entity level (either for the specific entity’s employees as a whole or for its management body). However, each entity contributes to and adopts CVC’s overall objectives. Further information on CVC’s approach to Diversity, Equity and Inclusion can be found in our Sustainability Report¹ and on the DEI page of CVC’s website².

CVC’s commitment

CVC’s Diversity, Equity & Inclusion Committee, comprising senior leaders and colleagues from across our global network, was founded in 2016. The Committee is a catalyst for change at CVC, improving the way that CVC attracts, develops and retains its diverse and talented workforce.

CVC’s commitment to diversity, equity of opportunity and inclusion extends to our portfolio companies and the industry. CVC has a global network of 29 offices, and we want our teams to reflect the communities in which we operate.

We hold ourselves accountable for achieving our DEI ambitions and integrating DEI principles into all aspects of our business, adapting our initiatives to be culturally sensitive and relevant to the specific needs and contexts of our global offices.

The CVC Women’s Network was founded in 2022 and the CVC Pride Network in 2023, and these are comprised of active and passionate members across all levels of firm focused on high impact inclusion

¹ <https://www.cvc.com/sustainability/esg-reporting/>

² <https://www.cvc.com/sustainability/diversity-equity-inclusion/>

and development events for our people. Networks are open to all employees, encouraging strong and visible allyship, and offer a forum for open dialogue and inclusion.

CVC focuses on three key areas:

1. Attracting

We actively seek out and recruit diverse talent through various channels, partnering with organisations including Sponsors for Educational Opportunity (SEO), 10,000 Black Interns and OutInvestors to find the very best candidates from wide-ranging backgrounds and industries. Our selection process focuses on capability, not connections. We believe that all successful investment candidates have the potential to become partners at CVC.

2. Developing

We invest time and provide tailored training and development opportunities to all of our employees, supporting their careers (for example: new hire orientation, promotion orientation and inclusive leadership training). Whether it's cultivating technical abilities, training for industry qualifications, or coaching and mentoring, we offer our employees everything they need to succeed in all aspects of their lives. Our Networks support initiatives such as networking events, senior leadership sessions and fostering external partnerships to engage with the broader community.

3. Retaining

We pride ourselves on offering employees a wide range of attractive employment benefits to complement an exciting career. We provide industry competitive retention tools around family care, family planning and parental leave, including six months paid leave for primary care givers; four weeks for secondary care givers; full year bonus eligibility for employees on parental leave; parental coaching pre- and post-leave, as well as access to emergency care support for children, adults, and elders.

3 Own Funds Requirements

As a non-SNI firm, the Firm is required under MIFIDPRU 4.3 to maintain an amount of Own Funds that is the higher of the:

- Permanent Minimum Capital Requirement (“PMR”)
- K-factor requirement (“KFR”)
- Fixed overheads requirement (“FOR”)

The Firm’s Own Funds Requirements according to MIFIDPRU 4.3 are as follows:

Requirement	Total (£)
Permanent Minimum Capital Requirement (PMR)	75,000
K-Factor Requirement:	
i. Sum of K-AUM, K-CMH and K-ASA	798,748
ii. Sum of K-COH and K-DTF	0
iii. Sum of K-NPR, K-CMG, K-TCD and K-CON	0
Total K-factor requirement (KFR)	798,748
Fixed Overhead Requirement (FOR)	612,972
Own Funds Requirement (OFR) (higher of PMR, KFR and FOR)	798,748

The Firm has further assessed risks within its Internal Capital and Risk Assessment (“ICARA”) process under MIFIDPRU 7, and quantified additional own funds requirements in respect of ongoing operations and wind-down where applicable.

3.1 Liquid Assets Requirement

The Firm maintains core liquid assets in compliance with the Basic Liquid Asset Requirement (“BLAR”) under MIFIDPRU 6.

The Firm has assessed liquid assets required to fund ongoing operations and additional liquid assets required to fund wind-down as part of the ICARA process, and maintains liquid assets in compliance with the Liquid Assets Threshold Requirement (“LATR”).

4 Own Funds

In accordance with MIFIDPRU 8.4, the table below shows a reconciliation of own funds to the balance sheet of the Firm as of 31 December 2023. The balance sheet below is as per the audited financial statements.

4.1 Own Funds

Composition of regulatory own funds		Amount (£ '000s) ³	Source (see 4.2)
1	OWN FUNDS	211,526	
2	TIER 1 CAPITAL	211,526	
3	COMMON EQUITY TIER 1 CAPITAL	211,526	
4	Fully paid up capital instruments	182,431	5
5	Share premium	-	
6	Retained earnings	29,095	6
7	Accumulated other comprehensive income	-	
8	Other reserves	-	
9	Adjustments to CET1 due to prudential filters	-	
10	Other funds	-	
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-	
19	CET1: Other capital elements, deductions and adjustments	-	
20	ADDITIONAL TIER 1 CAPITAL	-	
21	Fully paid up, directly issued capital instruments	-	
22	Share premium	-	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	
24	Additional Tier 1: Other capital elements, deductions and adjustments	-	
25	TIER 2 CAPITAL	-	
26	Fully paid up, directly issued capital instruments	-	
27	Share premium	-	
28	(-) TOTAL DEDUCTION FROM TIER 2	-	
29	Tier 2: Other capital elements, deductions and adjustments	-	

³ Due to rounding, numbers presented in this document may not always add up precisely.

4.2 Balance Sheet

	Item	Balance sheet as in audited financial statement (£'000s) ⁴	Under regulatory scope of consolidation	Cross reference to own funds table (see 4.1)
Assets – Breakdown by asset classes according to the balance sheet in the audited financial statements				
FIXED ASSETS				
1	Investment securities	187,049		
CURRENT ASSETS				
2	Debtors	3,484		
3	Cash and cash equivalents	28,820		
Liabilities – Breakdown by liability classes according to the balance sheet in the audited financial statements				
4	Creditors: amounts falling due within one year	(7,827)		
NET ASSETS		211,526		
Members' Equity				
5	Members' capital	182,431		4
6	Retained earnings	29,095		6
TOTAL MEMBERS' EQUITY		211,526		

⁴ Balances translated from financial statement currency (EUR) using a year-end rate of 1.1539 EUR : 1 GBP.

5 Remuneration Policy and Practices

The Firm follows the prescribed FCA guidelines found within Chapter 19G of the FCA’s Senior Management Arrangements, Systems and Controls Sourcebook (“SYSC”).

The Members’ Committee is directly responsible for the overall Remuneration Policy which is reviewed annually. The Firm is not required to establish a remuneration committee in accordance with MIFIDPRU 7.3.3R. The Executive Committee reviews the remuneration strategy on an annual basis together with the remuneration of particular staff to ensure that the requirements in Chapter 19G of SYSC are adhered to.

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 Firm ensures that its remuneration structure promotes effective risk management and balances the fixed and variable remuneration components for all staff. Variable remuneration is considered in line with capital and liquidity requirements as well as the Firm’s performance. The Firm monitors the fixed to variable compensation to ensure SYSC 19C is adhered to with respect to Total Compensation where applicable. Total Remuneration is based on balancing both financial and non-financial indicators together with the performance of the Firm and the staff member’s business unit.

Senior management and members of staff whose actions have a material impact on the risk profile of the Firm are classified as Material Risk Takers.

Certain employees, including Senior Management and Material Risk Takers, have responsibilities which span multiple CVC entities, and their remuneration has been attributed to relevant entities. For MIFIDPRU investment firms, this split is pro-rata based on assets under management.

In accordance with MIFIDPRU 8.6.8, the Firm makes the following disclosures⁵:

	Total
Number of Material Risk Takers (“MRT”), including Senior Manager Functions (“SMF”)	14

Remuneration for financial year 2023			
Employee category	Total fixed remuneration (£’000s)	Total variable remuneration (£’000s)	Total remuneration (£’000s)
Senior Management Function holders and Material Risk Takers	566	1,168	1,734
All other employees	1,176	682	1,859

Please note that remuneration information relating to Senior Management Function Holders and Material Risk Takers has been aggregated so as to prevent the identification of any individual/s, in accordance with MIFIDPRU 8.6.8 (7).

The total amount of guaranteed variable remuneration awarded to Material Risk Takers during the last financial year was £0 (0 individuals).

⁵ The Firm has included credit incentives in calculating total compensation. Credit incentives are payments relating to discretionary participation in performance fees in one or more of the investment vehicles managed by the Firm.

The total amount of severance payments awarded to Material Risk Takers during the last financial year was £0 (highest: £0).