



MIFIDPRU Public Disclosure

CVC Credit Partners European CLO Management LLP
For year ended 31 December 2022

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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 applied to the following entity:

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

This report has been prepared using the audited financials as at 31 December 2022, covering the financial period 1 January 2022 to 31 December 2022.

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

The governing body of the Firm (the “Members’ Committee”) maintains management and oversight responsibility. It meets regularly and as at the date of publication is composed of:

- 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 the date of publication:

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 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.

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

The Firm has established separate Operational Risk and Conflicts Committees. Defined Terms of Reference have been established, which include a clear purpose and authority, duties and availability of management information.

2.1 Risk Management

The Firm has established a comprehensive risk management framework and associated processes in order to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business. The Executive Committee is ultimately responsible for setting the Firm’s risk appetite and tolerance for risk.

Investment-related risk management in relation to funds/mandates is delegated by the Executive Committee 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 also 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.

Business Risk

The Firm has assessed business risks within its risk register including deployment of assets, fund performance and the retention of investors, and implemented appropriate controls to mitigate these risks.

On an ongoing basis, business risk is reviewed primarily against quantitative criteria including budgets and targets, using dashboards and Key Risk Indicators. Business risks are the primary risk considered in the stress tests in the Firm's ICARA process.

Credit Risk

The Firm is exposed to Credit Risk in respect of:

- 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.

The Firm has a low appetite for Credit Risk and manages this carefully.

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.

The Firm holds its cash with banks assigned high credit ratings. The Firm neither holds client money nor client assets.

Market Risk

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.

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.

Liquidity Risk

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.

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.

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.

Operational Risk

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.

Material risks should be 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.

Concentration Risk

The Firm 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.

Concentration risks in respect of the firm’s revenues, assets, clients, counterparties and suppliers are assessed within the relevant risk categories above, rather than as a separate category.

2.2 Conflicts of Interest

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

2.3 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 we leverage the unique contributions, abilities, voices and talents of our employees. We want to provide employees with the opportunity to achieve their full potential while working at CVC.

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 has a dedicated

Global Head of DEI who focuses on accelerating CVC's efforts to create a more diverse, equitable and inclusive work environment.

CVC's commitment to diversity, equality of opportunity and inclusion extends to our portfolio companies and the industry. CVC has a global network of 25 offices, and we want our teams to reflect the societies in which they are based.

CVC focuses on four key areas:

1. Attracting

CVC works with recruitment partners and organisations including Sponsors for Educational Opportunity, 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 successful investment candidates have the potential to become partners at CVC.

2. Developing

We invest time and provide tailored training to develop all our employees, supporting their careers and improving their performance in their chosen fields. 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 Women's Network supports initiatives such as networking events, mentoring programmes, dedicated recruitment events and external partnerships.

3. Monitoring

We regularly benchmark against industry metrics and other organizations to monitor and assess representation across various diversity dimensions, such as race and gender. These evaluations help us stay on track and ensure that we are making progress towards our targets. We regularly review our DEI programme, evaluating a comprehensive set of KPIs related to mobility, progression, and our hiring pipeline. These evaluations help us stay on track and ensure that we are making progress towards our targets.

4. 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; 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. We are very proud that CVC has one of the highest employee retention rates in our industry.

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.

¹ <https://www.cvc.com/sustainability/esg-reporting/>
² <https://www.cvc.com/sustainability/diversity-equity-inclusion/>

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	796,945
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)	796,945
Fixed Overhead Requirement (FOR)	385,246
Own Funds Requirement (OFR) (higher of PMR, KFR and FOR)	796,945

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 Firm has prepared the following disclosures.

4.1 Own Funds

Composition of regulatory own funds		Amount (£ '000s) ³	Source (see 4.2)
1	OWN FUNDS	205,845	
2	TIER 1 CAPITAL	205,845	
3	COMMON EQUITY TIER 1 CAPITAL	205,845	
4	Fully paid up capital instruments	195,537	5
5	Share premium	-	
6	Retained earnings	10,308	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	178,480		
CURRENT ASSETS				
2	Debtors	3,446		
3	Cash and cash equivalents	31,691		
Liabilities – Breakdown by liability classes according to the balance sheet in the audited financial statements				
4	Creditors: amounts falling due within one year	7,772		
Members' Equity				
5	Members' capital	195,537		4
6	Retained earnings	10,308		6
	TOTAL MEMBERS' EQUITY	205,845		

⁴ Balances translated from financial statement currency (EUR) using a year-end rate of 1.1277 EUR : 1 GBP.

5 Remuneration arrangements

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

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 as well as the Firm’s performance. The Executive Committee will review 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.

The Firm ensures that its remuneration structure promotes effective risk management and balances the fixed and variable remuneration components for all staff. 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. The Firm will monitor the fixed to variable compensation to ensure SYSC 19C 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 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”)			11
Remuneration for financial year 2022			
Employee category	Total fixed remuneration (£’000s)	Total variable remuneration (£’000s)	Total remuneration (£’000s)
Senior Management Function holders and Material Risk Takers	537	926	1,463
All other employees	927	709	1,636

Please note that remuneration information relating to Senior Management Function Holders and Material Risk Takers have 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).