Pillar 3 Disclosure

CVC Credit Partners Investment Management Limited
For year ended 31 December 2020

Table of Contents

1. Introduction

CVC Credit Partners Investment Management Limited ("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.

The Capital Requirements Directive ("CRD") created a revised regulatory capital framework across Europe covering how much capital financial services firms must retain. In the United Kingdom, rules and guidance are provided in the General Prudential Sourcebook ("GENPRU") for Banks, Building Societies and Investments Firms ("BIPRU").

The FCA 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.

Rule 11 of BIPRU 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.

2. Firm Overview

CVC Credit is incorporated in the UK and is authorised and regulated by the FCA as an Investment Management Firm. The Firm's activities give it the BIPRU categorisation of a "Limited License" and a "BIPRU" firm.

The governing body of the Firm (the "Board") maintains management and oversight responsibility. It meets regularly and is composed of:

- Hamish Buckland
- Andrew Davies
- Xavier Himmer
- Peter Selwyn

The Board 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 Board decides the Firm's risk appetite or tolerance for risk and ensures that the Firm has implemented an effective, ongoing process to identify risks, to measure its potential impact and then to ensure that such risks are actively managed. Senior Management is accountable to the Board for designing, implementing and monitoring the process of risk management and implementing it into the day-to-day business activities of the Firm.

3. Capital Resources and Requirements

Capital Resources

Pillar 1

As at 31 December 2020, the Firm on a solo basis held regulatory capital resources of £15,686,398[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 2020, the Firm's Pillar 1 capital requirement was £6,445,726.

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 ICAAP (as defined below) capital requirement. It has assessed Business Risks by modeling 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.

Since the Firm's Internal Capital Adequacy Assessment Process ("ICAAP") process has identified no capital to be held over and above the Pillar 1 requirement, the capital resources detailed above are considered adequate to continue to finance the Firm over the next year. No additional capital injections are considered necessary and the Firm expects to continue to be profitable.

Risk Management

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. The risk management process is overseen by the Board.

As risks are identified within the business, appropriate controls are put in place to mitigate these and compliance with them is monitored on a regular basis. The frequency of monitoring in respect of each risk area is determined by the significance of the risk. The Firm does not intend to take any risks with its own capital 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 partners by the Firm's compliance officer.

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 Board believes

[1] This figure includes 2020's retained earnings which were audited in 2021.

that appropriate policies are in place to mitigate against risks, including appropriate insurance policies and business continuity plans.

Credit Risk

The Firm believes that the main credit risk to which the Firm is exposed is in respect to the failure of its debtors to meet their contractual obligations. The majority of the Firm's receivable is related to investment management activities. The Firm believes its credit risk exposure is limited since the Firm's revenue is ultimately related to management fees received from the funds it manages. These management fees are drawn throughout the year from the funds managed. Other material credit exposures include bank deposits.

The Firm undertakes periodic impairment reviews of its receivables. All amounts due to the Firm are current and none have become overdue during the year. As such, due to the low risk of non-payment from its counterparties, the Board is of the opinion that no provision of additional funds is necessary to protect the Firm from credit risk. A financial asset is overdue when the counterparty has failed to make a payment when contractually due. Impairment is defined as a reduction in the recoverable amount of a fixed asset or goodwill below its carrying amount.

The Firm has adopted the standardised approach to credit risk, and therefore follows the provision within BIPRU 3 standardised credit risk of the FCA handbook. The Firm applies a credit risk capital component of 8% to its non-trading book risk weighted exposure. As the Firm does not make use of an external credit rating agency, it is obligated to use a risk weight of 100% to all non-trading book credit exposures, except cash and cash equivalents which are held by investment grade firms and currently attract a risk weighting of 20%.

The table below sets forth the Firm's credit exposures and corresponding capital resource requirements as at 31 December 2020:

Solo Basis		Credit Exposure		Risk Weighted Exposure
National Governments	£	-	£	-
Tangible fixed assets	£	132,374	£	132,374
Past due items	£	724,996	£	724,996
Debtors	£	8,019,475	£	8,019,475
Cash	£	9,470,143	£	1,894,029
Prepayments	£	-	£	-
Other	£	800,305	£	800,305
VAT	£	-	£	-
		---------------		------------
Total	£	19,147,293	£	1,571,179
		=========		=======
Credit Risk Capital Component (8% of risk weighted exposure)			**£**	**925,694**

Market Risk

Since the Firm holds no trading book positions on its own account, and all bank accounts are in GBP or EUR and all management/advisory fee income is in GBP or EUR, the Firm's exposure to foreign currency risk is not significant. Since the settlement of debtor balances take place without undue delay, the timing of the amount becoming payable and subsequently being paid is such that it is not considered to present a material risk to the Firm. Subsequently, the Firm does not consider market risk to be a material risk to the Firm.

4. Remuneration Code

The Firm follows the prescribed FCA guidelines and is classified as a level 3 Firm from proportionality within SYSC 19C Remuneration Code with regard to 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 Board 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 Board will review the remuneration strategy on an annual basis together with the remuneration of particular staff ("Code Staff").

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 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 Code Staff. In accordance with SYSC 19C, the Firm makes the following disclosures[2]:

Staff	Aggregate Remuneration
Senior Management	£ 3,790,118
Other Code Staff	£ 6,480,126
Total	**£ 10,270,244**

[2] 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.