

BC PARTNERS LLP
PUBLIC DISCLOSURE STATEMENT
YEAR ENDING 31 DECEMBER 2022

INTRODUCTION

1.1 Purpose

BC Partners LLP (FRN 738808) (the "**Firm**") is authorised and regulated by the Financial Conduct Authority (the "**FCA**"). The Firm is part of the BC Partners group (the "**Group**"), which is a leading alternative investment business focused on private equity, credit, and real estate, with deep networks across Europe and North America.

This document, (the "**Disclosure Statement**") sets out the information the Firm is required to disclose annually under chapter 8 of the MIFIDPRU Sourcebook in the FCA Handbook of Rules and Guidance, including on risk management objectives; governance arrangements; liquidity and remuneration. All information is as at 31 December 2022, the Firm's financial year end, unless otherwise indicated.

The Firm is permitted to omit required disclosures if we believe that the information is immaterial, such that an omission would be unlikely to change or influence the decision of a reader relying on that information. In addition, we may omit required disclosures where we believe that information to be proprietary or confidential.

Up until 31 December 2021, the Firm was CAD-exempt, because it was a firm, as defined in article 4(1)(2)(c.) of the UK CRR that is authorised to provide only one or more of the following investment services: (a) investment advice; (b) reception and transition of orders from investors as referred to in Part 3 of Schedule 2 to the Regulated Activities Order.

From 1 January 2022, under the FCA's MIFIDPRU regime, investment firms are categorised as either 'small and non-interconnected' (SNI) OR non-SNI. The Firm is a non-SNI MIFIDPRU investment firm.

1.2 Scope

The information in this Disclosure Statement relates to the Firm on an individual basis, i.e., it does not concern any other entities in the Group.

A number of functions used by the Firm are Group-level. As such, the Firm will involve Group-level functions in the activities described below, as required.

Unless otherwise noted, the information contained in this Disclosure Statement has not been audited by the Firm's external auditors and does not constitute any form of financial statement and should not be relied upon in making any judgment on the Firm.

2. GOVERNANCE ARRANGEMENTS

2.1 Role of the Management Committee

The Firm is governed by the members of its management committee (the "**Management Committee**"), whose members are Mark Hersee, Philipp Schwalber and Nikolaos Stathopoulos. The Firm is required to ensure that the Management Committee defines, oversees and is accountable for the implementation of governance arrangements that ensure effective and prudent management of the Firm, including the segregation of duties in the Firm and the prevention of conflicts of interest, and in a manner that promotes the integrity of the market and the interests of clients.

The Firm adopts an enterprise-wide perspective on risk, facilitated through commitment to a strong risk culture. The Firm's objective is to fulfil its obligations to its advised investment funds and to treat them fairly, whilst making better risk-return based business decisions resulting from a balanced awareness of opportunities and threats; only taking risks that it has the capability to understand and manage.

The Firm achieves this by linking its strategic objectives and approach to risk management through to the key business processes. This approach is supported by:

- decision making in the context of an established business strategy;
- a commitment to informed decision making;
- an understanding that not all decisions to take risk result in positive outcomes;
- a belief in accountability and the measurement of risk and return; and
- prudent incentives.

The Management Committee controls and monitors risk through the application of a risk governance framework, and through setting risk appetite and limits for the principal risks. The Firm seeks to achieve this through several means, including:

- through adopting an appropriate process for appointments to the Management Committee;
- processes for the functioning of the Management Committee, including reporting of management information on risks the Firm is or might be exposed to, or the Firm poses or might pose to others;
- obligations under the FCA Senior Managers and Certification Regime, as part of which the members of the Management Committee and certain other senior members of staff (together, "**Senior Management Function-holders**") are required to be approved by the FCA and a number of other members of staff are required to be certified by the Firm as fit and proper to perform their roles;
- legal obligations applicable to members of the Management Committee under the Limited Liability Partnership Regulations 2001 and fiduciary and agency law;
- policies and procedures, including in particular the Firm's compliance manual, conflicts of interest policy, remuneration policy, ex-post risk adjustment policy and its policies on personal account dealing and market abuse;
- regulatory obligations, supported by regulatory guidelines to ensure that:
 - individually, the members of the Management Committee are of sufficiently good repute, possess sufficient knowledge and experience to perform their duties, commit sufficient time to the role and demonstrate honesty, integrity and independence of mind; and
 - the Management Committee as a whole possesses adequate collective knowledge, skills and experience to understand the Firm's activities, including the main risks and reflect an adequately broad range of experiences;
- the Firm's internal capital adequacy and risk assessment ("**ICARA**") process (explained in more detail below);
- the appointment of legal and accounting advisers and compliance consultants and other advisers as required from time to time; and
- delegating appropriately to sub-committees with particular expertise, including an Investment Committee, Fair Value Committee, Portfolio Review Committee and an Operational Risk Committee.

2.2 Composition of the Management Committee

The members of the Firm's Management Committee are set out in the following table, together with the number of directorships held by each member (i.e. excluding their role on the Management Committee, since this is not

a directorship at law), including directorships of portfolio companies but excluding (i) directorships held in organisations which do not pursue predominantly commercial objectives and (ii) directorships of Group entities.

| Name | Number of additional directorships (executive and non-executive) |
|-----------------|--|
| N. Stathopoulos | 10 |
| M. Hersee | 4 |
| P. Schwalber | 3 |

2.3 Diversity of the Management Committee

The Firm believes that diversity, equality and inclusion are important for the promotion of strong governance and a healthy culture within its business, and is committed to promoting diversity and equal opportunities for staff throughout the Firm, both across the organisation as a whole and at the level of its Management Committee.

All appointments are made on merit against objective criteria, and with regard to individual and collective knowledge, skills, experience and diversity of the Management Committee, as a whole.

2.4 Risk governance

The Firm has well-established risk management policies in relation to the operational risks facing the business as well as those associated with the Firm's activities. The Management Committee is ultimately responsible for the Firm's overall risk management and for maintaining an appropriate internal control framework.

The Firm does not have an independent risk management function, nor is it required to maintain a Risk Committee. Instead, the Firm's Management Committee is supported in its responsibility for managing the risks inherent in the Firm's activities by the Legal, Compliance and Finance departments.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

3.1 Potential for harm associated with the Firm's business strategy

The Firm considers that the potential for harm associated with its business strategy is low. Notably, the Firm does not engage in proprietary trading, underwriting, placing, clearing or settlement activities, hold significant on-balance sheet exposures, have tied agents or provide custody services or services to retail clients.

The Firm's business strategy reflects its low-risk appetite towards conduct risk; prudential risk; reputational risk; legal, compliance and regulatory risk; financial crime risk; data and cyber security risk; and sustainability risk.

The Firm is remunerated by affiliates. These fees are a stable and predictable source of income.

The level of detail of information in this Disclosure Statement is consistent with this proportionality assessment.

3.2 Strategies and processes used to manage risks addressed by own funds and liquid assets requirements

Basic Own Funds Requirement and Basic Liquid Assets Requirement

The Firm is subject to a Basic Own Funds Requirement and a Basic Liquid Assets Requirement.

The Firm's Basic Own Funds Requirement, subject to the below, is the highest of (i) £75,000, (ii) one quarter of its preceding year's fixed overheads (its fixed overheads requirement, or "FOR") and (iii) a 'K-factor' requirement ("KFR") (0.02% applied to its assets under ongoing advice).

The Firm's Basic Liquid Assets Requirement is the sum of one third of its FOR and 1.6% of the total amount of any guarantees provided to clients.

However, between 2022-2026, the Firm is able to benefit from transitional relief under FCA rules, as follows:

| Requirement | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 (no transitional) |
|---|---------|-------------------|-------------------|-------------------|-------------------|------------------------|
| Basic Own Funds Requirement – highest of | | | | | | |
| Permanent Minimum Requirement | £50,000 | £55,000 | £60,000 | £65,000 | £70,000 | £75,000 |
| FOR | | 10% of FOR | 25% of FOR | 45% of FOR | 70% of FOR | 100% of FOR |
| KFR | | 10% of KFR | 25% of KFR | 45% of KFR | 70% of KFR | 100% of KFR |
| Basic Liquid Assets Requirement | £16,667 | 1/3 of 10% of FOR | 1/3 of 25% of FOR | 1/3 of 45% of FOR | 1/3 of 70% of FOR | 1/3 of 100% of FOR |

Details of the Firm's own funds (i.e. its corporate member capital contributions) are set out at Schedule 1.

Details of the Firm's Basic Own Funds Requirement are set out at Schedule 2.

Overall Financial Adequacy Rule

The Firm must at all times comply with the overall financial adequacy rule (the "**OFAR**"). This requirement, which supplements the Firm's Basic Own Funds Requirement and Basic Liquid Assets Requirement, requires the Firm to hold sufficient own funds and liquid assets to:

- ensure it can remain viable throughout the economic cycle, with the ability to address any potential harm the Firm's ongoing activities might cause to its clients and counterparties, the markets in which it operates and the Firm itself; and
- allow its business to wind-down in an orderly way, minimising harm to clients and counterparties and to other market participants.

The Internal Capital Adequacy and Risk Assessment

The Firm uses an internal capital adequacy and risk assessment ("**ICARA**") process to identify whether it is complying with its OFAR and, if it is not, to identify what steps it should take to remedy this.

The focus of the ICARA process is on identifying and managing risks that may result in material harms to clients and counterparties, the markets in which the Firm operates and the Firm itself, measuring the effectiveness of the Firm's strategies to monitor and mitigate those harms, and determining whether additional own funds and/or liquid assets are required to mitigate any residual risks.

The FCA recognises that the risk of some material harms can be reduced through proportionate measures other than holding additional financial resources, for example implementing additional internal systems and controls, strengthening governance and oversight processes or changing the manner in which the Firm conducts certain business.

However, for other harms identified, it may be that the only realistic option to manage them and to comply with the OFAR is for the Firm to hold additional own funds and/or additional liquid assets above its Basic Own Funds Requirement and Basic Liquid Assets Requirement.

The Firm has therefore formed a judgment about what is appropriate and proportionate in its particular circumstances, informed by its risk appetite, which is set by the Management Committee.

The Firm's ICARA document is updated annually (or more frequently, as required) by the Firm's Legal, Compliance and Finance teams, with input from external advisers as required. The document and the key assumptions underlying it are then reviewed and approved by the Management Committee.

Responsibilities of Senior Management Function-holders

The Firm has a Senior Management Function-holder whose responsibilities encompass prudential compliance. The Management Committee is responsible for deciding whether to take any and all recovery actions set out in its ICARA; it will designate particular individuals to be responsible for the implementation of specific recovery actions, as required, which are expected to include members of the Firm's Legal and Finance teams.

All Senior Management Function-holders recognise that the ICARA process is a key requirement of the regulatory system for the Firm and that it is an essential part of the Firm's internal systems and procedures for ensuring that the Firm's business is run prudently.

3.3 Concentration risk

Concentration risk refers to the risks arising from the strength or extent of the Firm's relationships with, or direct exposure to, a single client or group of connected clients. The Firm has identified the following concentration risks and has put in place the following control strategies:

Earnings

This is the risk that the Firm has a significant amount of its revenue concentrated in a small number of clients, leaving it exposed if it loses one or more of those clients.

The Firm's revenue is derived entirely from advisory fees paid by affiliates. Whilst this technically creates a concentration risk, the Firm considers that any downside of this is more than offset by the stability of revenue that the arrangement creates.

Cash deposits

The Firm maintains cash accounts with Barclays which has a credit rating of Fitch AA- (or equivalent) or above, which it considers reduces its cash deposit risk to an acceptable level. The Firm, including Finance, monitors and controls its cash deposit risk on an ongoing basis.

4. REMUNERATION

4.1 Remuneration governance

The Firm's Remuneration Committee ("**RemCo**"), whose members are the same as the members of the Management Committee, has overall responsibility for the Firm's remuneration policies and procedures, which have been adopted by the Management Committee and are reviewed annually.

The Management Committee has allocated responsibility for overseeing the implementation of the Firm's remuneration policy and ex-post risk adjustment policy to a Senior Management Function-holder. The Firm's remuneration policies and practices are operated on a day-to-day basis by the Human Resources Department with support from the Compliance department.

4.2 Material Risk Takers

The Firm's material risk takers ("**MRTs**") are the members of BC Partners LLP in addition to the Firm's Money Laundering Reporting Officer.

4.3 Remuneration structure

The Firm's remuneration arrangements seek to ensure effective risk alignment between the Firm's staff, the Firm itself and the Funds advised by the Firm.

The Firm adheres to the principle of equal pay for work of equal value. This is reflected in the Firm's remuneration policies and practices which establish clearly defined criteria for determining staff remuneration. Moreover, the Firm ensures that all personnel receive fixed remuneration that is, at a minimum, commensurate with maintaining a reasonable standard of living in the location in which they are based.

The Firm awards both fixed remuneration (typically, Firm members' fixed annual profit share / Firm employees' salary, together with salary-linked pension contributions and certain benefits, such as private medical, dental and travel insurance, life insurance cover and permanent health insurance cover (as applicable)) and variable remuneration (typically, variable annual profit share / annual performance staff bonus, and carried interest awards (which are treated as variable remuneration for the purposes of MIFIDPRU only), where applicable).

Fixed remuneration is determined primarily by the market rate for the role performed, having regard to the skills, expertise and experience demonstrated by the particular individual.

In the case of employees, variable remuneration is determined based on the Firm's performance assessment criteria, having regard to the individual's performance against those criteria during the relevant performance period and over a multi-year framework on the basis of the performance of the Firm as a whole. Variable remuneration typically takes the form of an annual discretionary bonus / variable annual profit shares (as applicable) and equity participation plans. Different categories of variable remuneration are available to different types of staff and eligibility for certain types of variable remuneration is also linked to positions held within the Firm, but most schemes are available to the majority of staff. For example, certain staff are eligible to participate in carried interest arrangements and BC Partners' leveraged co-invest schemes, and, in the case of the Firm members, receive variable annual profit share, where applicable.

The total available pool of variable remuneration is determined by reference to the Firm's financial performance, taking into account the Firm's regulatory capital and liquidity requirements, future working capital needs and any reasonably foreseeable liabilities or obligations. Where applicable, individual performance is assessed by reference to both financial and non-financial criteria, including whether an individual has adhered to the Firm's internal compliance policies and procedures and demonstrated behaviours consistent with the Firm's corporate values.

The Firm does not typically offer non-standard forms of variable remuneration. The Firm hires individuals into roles conferring MRT status only rarely.

The Firm has obtained legal advice in relation to the requirements in SYSC 19G but does not use external consultants in the development of its remuneration policies and practices.

4.4 Risk adjustment

The Firm's variable remuneration arrangements are fully discretionary, and the Firm is able to apply in-year adjustments to reduce (including to zero) the amount of variable remuneration that would otherwise have been paid to any member of staff (including MRTs).

Variable remuneration awarded to MRTs is subject to additional adjustments. In specific circumstances where an MRT has (i) participated in or been responsible for conduct which has resulted in significant losses to the Firm and/or (ii) failed to meet appropriate standards of fitness and propriety, the Firm may take one or more additional measures including malus (reducing the amount of variable remuneration awarded to an MRT) and/or clawback (requiring the MRT to make a payment to the Firm equal to all or some variable remuneration received within a specified time period).

The Firm ensures that any payments to MRTs relating to the early termination of an employment contract reflect the individual's performance over time and do not reward failure or misconduct.

The Firm maintains policies and procedures governing its approach to risk adjustments and severance payments, including how the Firm takes into account current and future risks when adjusting remuneration.

4.5 Quantitative disclosures

| Total remuneration to <u>all</u> staff | | Severance payments made to MRTs | | Guaranteed variable remuneration awarded to MRTs | |
|--|---------------|--|---------------|--|---------------|
| Total fixed remuneration | (GBP million) | Total payments made | (GBP million) | Total payments made | (GBP million) |
| Senior management | 2.3 | Senior management | N/a | Senior management | N/a |
| Other MRTs | 6.1 | Other MRTs | N/a | Other MRTs | N/a |
| Other staff | 6.1 | TOTAL | N/a | TOTAL | N/a |
| SUB-TOTAL | 14.5 | Amount of highest severance payment awarded | N/a | | |
| Total variable remuneration | (GBP million) | Awards of severance payments made | No. of MRTs | Awards of guaranteed variable remuneration made | No. of MRTs |
| Senior management | 1.6 | Senior management | N/a | Senior management | N/a |
| Other MRTs | 6 | Other MRTs | N/a | Other MRTs | N/a |
| Other staff | 4.9 | | | | |
| SUB-TOTAL | 12.5 | | | | |
| GRAND TOTAL | 27 | | | | |

SCHEDULE 1 OWN FUNDS

| Composition of regulatory own funds | | | |
|--|---|---------------------------------------|---|
| | Item | Amount (GBP thousands) | Source based on reference numbers/letters of the balance sheet in the audited financial statements |
| 1 | OWN FUNDS | 10,848 | N/A |
| 2 | TIER 1 CAPITAL | 10,848 | N/A |
| 3 | COMMON EQUITY TIER 1 CAPITAL | 10,848 | N/A |
| 4 | Fully paid up capital instruments | 650 | "Members' other interests" |
| 5 | Share premium | - | N/A |
| 6 | Retained earnings | 10,198 | "Members' other interests" |
| 7 | Accumulated other comprehensive income | - | N/A |
| 8 | Other reserves | - | N/A |
| 9 | Adjustments to CET1 due to prudential filters | - | N/A |
| 10 | Other funds | - | N/A |
| 11 | (-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1 | - | N/A |
| 19 | CET1: Other capital elements, deductions and Adjustments | - | N/A |
| 20 | ADDITIONAL TIER 1 CAPITAL | - | N/A |
| 21 | Fully paid up, directly issued capital instruments | - | N/A |
| 22 | Share premium | - | N/A |
| 23 | (-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1 | - | N/A |
| 24 | Additional Tier 1: Other capital elements, deductions and adjustments | - | N/A |
| 25 | TIER 2 CAPITAL | - | N/A |
| 26 | Fully paid up, directly issued capital instruments | - | N/A |
| 27 | Share premium | - | N/A |
| 28 | (-) TOTAL DEDUCTIONS FROM TIER 2 | - | N/A |
| 29 | Tier 2: Other capital elements, deductions and Adjustments | - | N/A |

| Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements | | | | |
|--|---------------------------------------|--|---|---------------------------------|
| | | A | b | c |
| | | Balance sheet as in published/audited financial statements | Under regulatory scope of consolidation | Cross-reference to template OF1 |
| | | As at period end | As at period end | |
| Assets - Breakdown by asset classes according to the balance sheet in the audited financial Statements | | | | |
| 1 | Tangible fixed assets | 1,138 | N/A | N/A |
| 2 | Debtors | 62,365 | N/A | N/A |
| 3 | Cash at bank and in hand | 7,769 | N/A | N/A |
| | Total Assets | 71,272 | N/A | N/A |
| Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial Statements | | | | |
| 1 | Amounts falling due within one year | 60,424 | N/A | N/A |
| | Total Liabilities | 60,424 | N/A | N/A |
| Shareholders' Equity | | | | |
| 1 | Members' capital classified as equity | 650 | N/A | 4 |
| 2 | Other reserves | 10,198 | N/A | 6 |
| | Total Shareholders' equity | 10,848 | N/A | N/A |

Own funds: main features of own instruments issued by the firm

Free text

The Firm meets its own funds threshold requirement ("OFTR") through its fully paid-up member capital contributions (the entirety of which comprises members eligible capital contributions and audited retained earnings).

SCHEDULE 2 BASIC OWN FUNDS REQUIREMENTS

| | Category of requirement | Amount (GBP thousands) |
|---|--|---|
| 1 | PERMANENT MINIMUM REQUIREMENT | 75 |
| 2 | FIXED OVERHEADS REQUIREMENT | 7,674 |
| 3 | K-FACTOR REQUIREMENT | 3,427 |
| | BASIC OWN FUNDS REQUIREMENT (HIGHEST OF ROWS 1-3) | 50 (Capped by transitional provision – TP2.10R) |