



TIKEHAU CAPITAL EUROPE LIMITED

MIFIDPRU Disclosures For the year ended 31 December 2023

1. Overview and summary

This disclosure covers the entity Tikehau Capital Europe Limited (“TCE” or the “Firm”).

TCE was incorporated on 30 July 2014 (Company No. 9154248) and has its registered office and principal place of business at 30 St. Mary Axe, London EC3A 8BF. The Firm is authorised and regulated by the Financial Conduct Authority (FRN 647919) and is within the scope of the UK Markets in Financial Instruments Directive (“MiFID”). As a result, it is subject to the prudential requirements of the Investment Firms Prudential Regime (“IFPR”) contained in the MIFIDPRU Prudential sourcebook for MiFID investment firms of the FCA Handbook.

The Firm’s main business line is to provide investment management services in its capacity as collateral manager to a series of structured credit special purpose vehicles (“SPVs”), Collateralised Loan Obligations (“CLOs”), which are established and registered in Ireland. As of 31 December 2023, TCE acts as the Collateral Manager of 11 CLO SPVs. TCE also acts as Principal, to Tikehau Investment Management (“TIM”), its Appointed Representative (“AR”) (FRN 998808). The appointment is limited to the activities of the UK branch of TIM (“TIM UK”) and it does not extend to activities carried on by TIM’s French or EU branches establishment.

For the purposes of MIFIDPRU, the Firm is classified as a non-small non-interconnected (“non-SNI”) firm as of 31 December 2023.

The Firm has produced this MIFIDPRU Disclosure Document in line with the rules and requirements of MIFIDPRU 8, as applicable to non-SNI firms.

This MIFIDPRU Disclosure Document has been prepared based on the audited financial statements as of 31 December 2023, covering the financial period 1 January 2023 to 31 December 2023. The Disclosure Document is made available on the Tikehau Capital Group website.

2. Significant changes since last disclosure period

This is the Firm’s second disclosure under the disclosure requirements under MIFIDPRU 8. Since the Firm’s last disclosure period, the approval of TIM to be an AR of TCE, which was received on 29 June 2023, is considered to be the only significant change to the information previously disclosed.

3. Governance arrangements

The Firm, as a MIFIDPRU Investment Firm, is subject to the organisational requirements in 4.3A.1 R of the Senior Management Arrangements, Systems and Controls Sourcebook of the FCA Handbook (“SYSC”). The Firm’s ultimate decision making and oversight body, i.e., its management body, is its board of directors (the “Board”). Under SYSC 4.3A.1 R, the Firm must ensure that the Board 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 organisation and the prevention of conflicts of interest, and in a manner that promotes the integrity of the market and the interests of the Firm’s clients.

The Firm has procedures in place to ensure that members of the Board are selected in accordance with company law and based primarily on the following criteria:

Tikehau Capital Europe Limited
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Authorised and regulated by the Financial Conduct Authority

- reputation within the market;
- the possession of the necessary knowledge, skills and experience to perform the relevant duties;
- whether their addition will complement the Board's collective knowledge, skills and experience in relation to the Firm's activities, including the main risks it faces; and
- diversity of viewpoints, backgrounds, experiences and other demographics.

The Firm ensures that members of the Board do not hold more directorships than is appropriate taking into account individual circumstances and the nature, scale and complexity of the Firm's activities.

The Board has overall responsibility for defining, approving and overseeing the Firm's organisation for the provision of investment services and is accountable for the implementation of governance arrangements that ensure effective and prudent management of the Firm. The Board gives full consideration to the Firm's strategic objectives and risk strategy at the time of implementation and on an ongoing basis. In setting out the Firm's organisation, the following key issues are specifically addressed:

- the skills, knowledge and expertise required by personnel;
- appropriate segregation of duties within the Firm; and
- the resources, policies and procedural arrangements for the provision of services and activities (taking account of the Firm's nature, scale and complexity and all the requirements the Firm must comply with).

The Board has delegated the governance and oversight of its operations to various sub-committees, as follows:

- Executive Committee – an operational committee which discusses any issues affecting the day to day running of the Firm.
- Risk and Compliance Committee – oversees all risk management activity undertaken at or for TCE. This includes consideration of the adequacy of that activity for both business and regulatory purposes.
- Valuation Committee – responsibility for all valuation processes and has the final say on any valuation decision.
- Credit and Investment Committees – TCE's sales and purchase decisions (with certain exceptions) are pre-approved by the Investment Committee based upon the recommendation of the Credit Committee.
- Conflicts of Interest Committee – rules on a potential conflict of interest faced by an entity of Tikehau Capital, or a combination thereof.
- Related Party Committee – ensures that all relevant decisions and interactions between different entities within Tikehau Capital are recorded and have been properly validated and, among others, ensures that conflicting personal interests of Board members are appropriately managed.

Additionally, at Tikehau Capital Group level there exists:

- Governance and Sustainability Committee – reviews all aspects of remuneration, including total compensation of employees and material risk takers, annual performance related bonuses, and any other elements of remuneration packages that the Governance and Sustainability Committee considers appropriate.
- Impact Committee – Tikehau Capital has defined an ESG and Compliance Watchlist that seeks to identify the industries, geographical areas (e.g., non-cooperative or sanctioned countries) and behaviours (e.g., allegations of corruption, tax evasion or money-laundering and other allegations of breaches of the United Nations Global Compact, etc.) that may have negative external impacts on the environment or society. The Impact Committee is tasked with providing recommendations based on collective input from the teams involved, as well as identifying any necessary follow-up actions.
- The New Product Committee – supervises the introduction of a new fund/mandate/vehicle or a new activity within the Group.

The Board receives regular reporting and management information on the Firm’s operations, specifically reporting and escalation of any compliance, legal, risk and financial matters. Board members are required to commit sufficient time to ensure that they can perform their functions within the Firm and to act with honesty, integrity and independence to effectively assess and challenge decisions where necessary and to effectively oversee and monitor management decision-making.

Certain individuals who perform key roles within TCE’s governance framework are also approved as Senior Managers by the FCA under the Senior Managers and Certification Regime (“SMCR”). The following FCA Senior Management Functions (“SMFs”) are currently relevant to the Firm; Executive Director (SMF 3), Chair (SMF 9), Compliance Oversight (SMF 16) and Money Laundering Reporting Officer (SMF 17). With respect to the AR, certain individuals who perform key roles in respect of the governance framework are approved by the FCA with CF 1 (AR) Governing Function under the Approved Persons Regime (“APER”).

3.1. External Directorships

In line with MIFIDPRU 8.3.1 (2), the Firm has detailed below the number of external appointments, both as executive and non-executive roles of its Board members. The table below does not include, in respect of each member of the Board:

- any directorships the Board member holds in an organisation which does not pursue a predominantly commercial objective; and
- executive and non-executive directorships held within the same group or within an undertaking (including a non-financial sector entity) in which the Firm holds a qualifying holding.

Board member	# of external executive roles	# of external non-executive roles
Carmen Alonso	-	2
Henri Marcoux	-	-
Peter Cirenza	-	-
John Fraser	-	2
Debra Anderson	-	1
Peter Levene	-	1

N.B. Debra Anderson is no longer a TCE Board member, as of 31 January 2024.

3.2. Promoting diversity

The Firm is committed to advancing diversity, equity and inclusion (“DEI”), and has adopted a Diversity Policy in relation to its Board. The promotion of a diverse Board makes prudent business sense and is considered to make for better corporate governance. The Firm’s policy to promote Board diversity seeks to maintain a Board comprised of talented and dedicated directors with a diverse mix of expertise, experience, skills and backgrounds. For the purposes of Board composition, diversity includes, but is not limited to, business experience, geography, age, gender and ethnicity, as well as culture and religious beliefs.

The Firm is committed to increasing Board diversity without compromising on the calibre of the directors. TCE maintains that appointments to the Board will be made on a merit based system within a diverse and inclusive culture which solicits multiple perspectives and views and is free of conscious or unconscious bias and discrimination. When assessing Board composition or identifying suitable candidates for appointment or re-election to the Board, the Firm considers candidates on merit against objective criteria having due regard to the benefits of diversity and the needs of the Board.

To further the goal of advancing DEI within the Firm, in 2022, Tikehau Capital formed a DEI Working Group that is tasked with developing the existing Group DEI-related initiatives and targets. These initiatives include webinars promoting awareness and inclusion, mentorship programmes and targeted

training. The DEI policies have been enhanced and increased data collection by way of surveys and onboarding mechanisms have been implemented. TCE and its senior management are committed to achieving these goals while upholding its high standards.

4. Risk Management

TCE's Board determine the Firm's business strategy and risk appetite, and are also responsible for designing and implementing a risk management framework that recognises the risks that the business faces.

The Firm's Board determine how the risks the business faces may be mitigated and assess on an ongoing basis the arrangements to manage those risks. Senior management meet on a regular basis to discuss the current projections for profitability, cash flow, regulatory capital management, and business planning and risk management, reporting and escalating matters to the Board as necessary. The TCE Board manages the Firm's risks through a framework of policy and procedures having regard to relevant laws, standards, principles and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework. Risks and mitigating controls are reassessed on a regular basis, taking into account the Firm's risk appetite. Where risks are identified which fall outside of the Firm's risk tolerance levels, or where the need for remedial action is identified in respect of identified weaknesses in the Firm's mitigating controls, then actions are taken to improve the control framework.

Annually, and as part of the Firm's Internal Capital Adequacy and Risk Assessment ("ICARA") process, the Board formally reviews the risks, controls and other risk mitigation arrangements relevant to the Firm and assesses their effectiveness. The Board considers the financial impact of the main risks identified as part of the Firm's business planning and capital management, and concludes whether the amount of regulatory capital is adequate.

4.1. Summary of material risks of harm:

Factoring in the AR arrangement, the Board have identified TCE's main risks to be:

- Credit risk, arising from the CLO business and other debtor balances. Under the new regulations set out in MIFIDPRU, TCE does not have to hold Pillar 1 capital for these risks but has self-assessed the capital it needs to hold using methodology set out in the previous rules and will continue to use this method to self-assess capital for the risks of any new CLOs. This is a prudent approach as TCE holds capital equal to the CLO asset it holds on balance sheet;
- Operational risks, such as cyber risk, loss of key individuals, fraud and reputational risk; and
- Business risk, from deteriorating economic factors in the markets.

The identified risks are considered when stress testing, by either creating a permanent loss, increase costs, considering one-off costs and reducing the level of growth. No further capital was required in any of these stress tests.

The Firm believes that the biggest risk associated with securitisation is its mandatory balance sheet position in the CLO. The implications of this particular risk are summarised as below.

TCE is exposed to credit risk via corporates (intercompany debtors), institutions (in relation to cash at bank) and Article 202 of the Capital Requirements Regulation ("CRR"); securitisation, through its holding in the CLO. TCE is required to hold an amount of subordinated notes equal to at least 5 per cent of the target par amount of the CLO investment portfolio. This retention must be held by TCE for the entire duration of the CLO and TCE is not entitled to sell or hedge on any part of the retention which exposes the Firm to credit risk. This risk is somewhat managed as a result of there being diversification in the underlying portfolios of loans in which the CLO invests, the experience of the investment team at TCE which is responsible for managing the CLO, the due diligence carried out on potential investments for the CLO, the 'sticky' nature of the CLO's investor base, and various early risk indicators in place at

TCE. The credit risk exposure for TCE is calculated in accordance with the standardised approach. The total Risk Weighted Exposure amounts are detailed in the table below:

2023 Q4 (in Euros)	Risk Weighted Exposure	Capital requirement 8%
Institutions	9,656,105	772,488
Corporates	15,159,003	1,212,720
Investments (exposure to securitisation)	2,210,256,760	176,820,541
Credit Risk Capital Requirement	2,235,071,868	178,805,749

Under the standardised approach, ratings published by External Credit Assessment Institutions are mapped to Credit Quality Steps, according to mapping tables laid down by the European Banking Authority, as follows:

Credit Quality Step	Credit Rating Agency		Risk Weights		
	Fitch	Moody's	Corporate	Institutions (maturity 3 months or less)	Securitisations
1	AAA to AA-	Aaa to Aa3	20%	20%	20%
2	A+ to A-	A1 to A3	50%	50%	50%
3	BBB+ to BBB-	Baa1 to Baa3	100%	50%	100%
4	BB+ to BB-	Ba1 to Ba3	150%	100%	350%
5	B+ to B-	B1 to B3	150%	100%	1250%
6	CCC+ and below	Caa1 and below	150%	150%	1250%

The Credit Quality Step value is then mapped to a risk weight percentage. The External Credit Assessment Institutions used by TCE for all types of exposures are Moody's and Fitch. TCE holds an interest in the subordinated notes issued by the CLO, resulting in a total risk-weighted exposure amount of €2,235.07m, approximately €2,210.26m of which is exposure to securitisation positions. No credit risk adjustments or credit mitigation techniques are used by TCE.

4.2. Capital Resources

The ICARA process is linked to the Firm's overall risk management, business planning and capital management, with each of these components informing the others. Capital planning takes place quarterly together with the Firm's financial forecasting process. The ICARA process allows the Firm to determine its own funds threshold requirement and liquid assets threshold requirement, and therefore determine how it meets the Threshold Conditions.

TCE's capital requirements are met through a mixture of equity, retained profits and subordinated loans (Tier 2 capital). Accounting for the AR arrangement with TIM UK, as well as additional capital for risks identified in ICARA risk assessment, the Firm has a capital requirement of £155.68m and excess capital of £36.90m, greater than the 110% Early Warning Indicator ("EWI") of £171.24m, and an excess of capital after the EWI of £21.33m. The Firm has a liquidity requirement of £1.49m and a liquidity surplus of £40.47m. TCE only holds core liquid assets (bank balances).

Whilst the requisite credit and market risk calculations fall away under IFPR rules, given that the main nature of TCE's business activities have not changed and the risk of holding the CLO retention still exists, the Board considers it appropriate to allocate capital against this risk within the Firm's ICARA. The credit risk is the Firm's key capital driver.

4.2.1. Own funds requirement

As a non-SNI firm, TCE is required to maintain an amount of own funds that is the higher or the:

- Permanent Minimum Requirement (“PMR”);
- Fixed Overhead Requirement (“FOR”); and
- Total K-Factor Requirement.

TCE’s own funds requirement is its FOR of £4,471k which is higher than its PMR of £75k and its K-Factor Requirement of £651k.

4.2.2. Own funds threshold requirement

To comply with the Overall Financial Adequacy Rule (“OFAR”), the Firm assessed what funds it needed for risks of harms from ongoing operations and what financial resources it needed to hold in wind down on the top of the OFAR. In summary the following calculations were made:

- Business wide risk assessment/residual risk: £153,666k
- Orderly wind-down: £17,885k

The assessment described in MIFIDPRU 7.6.4 was performed as follows:

ASSESSMENT A (from ongoing operations, *i.e.*, the sum of K-Factor capital and risk of harm assessment)

- K factors: £651k; and
- Additional capital for residual risks not covered by K-Factor capital (the largest component of this is from credit risk from the CLO assets): £153,666k

ASSESSMENT B (from business wind down) is the higher of FOR and wind down costs

- 2023 FOR: £4,471k
- Capital needed to wind down the firm: £17,885k

4.2.3. Liquidity threshold requirements

TCE is required to hold an amount of liquid assets equal to one third of the FOR. This is the basic liquid asset requirement and is made up of approved liquid assets, which for TCE and TIM UK include bank balances of £41,958 k.

However, the basic liquid asset threshold requirement may not be sufficient in times of financial stress so the Firm has also considered the higher requirement needed to meet:

1. the liquid assets needed at any given point in time to fund ongoing operations as well as to mitigate any adverse trends throughout the economic cycle; or
2. the Firm’s assessment of liquid assets required in the event of an orderly wind down.

TCE’s risk appetite is to hold liquid assets of FOR at all times. This would exceed the liquid assets needed for wind down.

4.2.4. Concentration risk

The Firm does not conduct any trading on own account and does not have regulatory permissions for dealing as principal. The Firm therefore does not have any material trading concentration risks on or off-balance sheet and does not operate a trading book. The Firm separately considers its counterparty risk with regard to its holding of cash and cash equivalents.

4.2.5. MIFIDPRU 8 Annex 1R disclosure:

In line with MIFIDPRU 8.4 the Firm has prepared the reconciliation of own funds in line with MIFIDPRU 8 Annex 1 as follows. Figures provided are as of 31 December 2023.

Composition of regulatory own funds - Tikehau Capital Europe Ltd & Tikehau Investment Management UK (the AR)			
	Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	192,578	
2	TIER 1 CAPITAL	189,380	
3	COMMON EQUITY TIER 1 CAPITAL	189,380	
4	Fully paid up capital instruments	121,175	S1
5	Share premium		
6	Retained earnings	42,300	S4
7	Accumulated other comprehensive income	26,592	S5
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	(687)	A1-i + A1-t
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	3,198	
26	Fully paid up, directly issued capital instruments		
27	Share premium	3,198	S2
28	(-) TOTAL DEDUCTIONS FROM TIER 2		
29	Tier 2: Other capital elements, deductions and adjustments		

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements (Tikehau Capital Europe Ltd & Tikehau Investment Management UK (the AR)) - in GBP

		a	b	c
		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Source based on reference numbers/letters of the Balance Sheet in the audited Financial Statements & cross reference to Own Funds table above as applicable
		As at period end	As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Intangible fixed assets	253		A1-i
2	Tangible fixed assets	434		A1-t
3	Fixed asset investments	153,666		A2
4	Debtors due after more than 1 year	4,025		A3
5	Debtors due within 1 year	9,149		A4
6	Bank and cash balances	41,958		A5
	Total Assets	209,485		A6
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Creditors due within one year	7,170		L1
2	Creditors due in more than one year	830		L2
	Total Liabilities	7,999		L3
Shareholders' Equity				
1	Share capital	121,175		S1
2	Share premium	3,198		S2
3	Other reserves - Share Plans	8,221		S3
4	Retained profit	42,300		S4
5	Profit current year	26,592		S5
	Total Shareholders' equity	201,485		S6

Financial Statement in Euros; amount converted with closing rate GBP : 0.86905

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

The Firm's own funds are composed of Tier 1 capital and Tier 2 capital.
Tier 1 capital constitutes paid up capital relating to ordinary shares, retained earnings and the current year's audited profit
Tier 2 capital constitutes share premium

5. Remuneration arrangements

5.1. Approach and objectives

TCE as a non-SNI firm must apply the FCA's basic and standard remuneration requirements. TCE meets the conditions in SYSC 19G.1.1R(2) and MIFIDPRU 7.1.4R(1) for reduced remuneration rule requirements on the basis that the value of the Firm's on and off-balance sheet items over the preceding 4-year period is a rolling average below £300 million and TCE has no trading book assets. Taking into account the nature of the Firm's business and its risk profile, the Board considers it appropriate to limit the application of the standard remuneration requirements to the Firm's identified MRTs.

The FCA's basic remuneration requirements apply to all TCE employees and the Firm's identified material risk takers ("MRTs").

The objective of the Firm's Remuneration Policy is to be:

- consistent with and promote sound and effective risk management and not encourage risk taking which is inconsistent with the risk profiles, rules or instruments of incorporation of the Firm;
- consistent with applicable FCA remuneration rules as set out in SYSC 19G; and
- in line with the business strategy, objectives, values and interests of TCE, the instruments it manages or the investors of such instruments and includes measures to avoid conflicts of interest. This includes establishing a consistent approach within the Firm to attract, retain and reward employee's for contributing to the Firm's success.

The Tikehau Capital Group remuneration committee (the "Governance and Sustainability Committee") at least annually reviews all aspects of remuneration including:

- total compensation of employees and MRTs;
- annual performance related bonuses, both for the bonus pool definition and for the individual allocations (for recommendation to the Board); and
- any other elements of remuneration packages that the Governance and Sustainability Committee considers appropriate.

To support its deliberations, the Governance and Sustainability Committee receives up to date guidance from the Compliance team on regulatory requirements to be taken into account.

TCE manages remuneration in line with its business strategy and ensures a consistency of approach within the Firm to attract, retain and reward employee's for contributing to the Firm's success, whilst maintaining financial stability and robust and effective risk management, this being inclusive of ESG risk factors.

5.2. Performance assessment process

Discretionary elements of remuneration, including bonuses and any other aspects of variable remuneration, as well as increases in base salary, are awarded based on the quantitative and qualitative performance of each employee, and based on the realisation of the financial and non-financial objectives of the year at Business Unit, country and Group levels. Within this context, the qualitative element to all bonuses can be adjusted as appropriate to reflect behaviours and performance, including risk and compliance behaviours.

The Tikehau Capital Group operates a goal-based performance review system. Each goal category has been designed by senior management to take account of the Group's culture and values and is inclusive of ESG risk factors. The effectiveness of the ESG policy within the Group and its dissemination outside the Group among its shareholdings and investments and, more generally, the stakeholders, is considered as part of an individual's assessment process. Individual check-in assessments are based on these goal-based criteria and are accounted for in individual remuneration.

The overall bonus pool amount is initially determined at Group level by the Finance team, taking into account the net income of the firm, the minimum capital requirements, and the need to properly remunerate the employees in a competitive environment. The overall bonus pool is then divided by Business Unit based on the performance of the Business Unit (third party net new money, fund deployment, realisations, fee related earnings and investment performance) but also taking into account the number of employees and the target variable pay defined by grade for each Function (Investment Professionals, Sales and Marketing, Investment Support/Corporate Functions).

The bonus pool by teams is then provided to each team's global head who allocates the pool across employees in a specified tool. If the total bonus pool of the team exceeds the available pool, an arbitration between the global head, Human Capital and General Management is then performed.

Once all global heads have provided their bonus break down by employee, the Governance and Sustainability Committee takes place to review this bonus pool, which, if validated, is then proposed to the Board for approval and who ultimately determine the quantum of the bonus pool. The allocation to individuals is made on a discretionary basis. Particularly for key portfolio manager(s), who are expected to be allocated a large part of the pool, consideration is given to the question of whether the management of relevant portfolios is consistent with the long-term benefit of investors in the relevant funds and of the Firm, as well as the compliant conduct of the portfolio manager and any regulatory restrictions.

Those who recommend/approve awards for Personnel are apprised of any risk and compliance issues, breaches or failure, including conduct matters, that may be relevant for those decisions and can make such adjustments as deemed appropriate to reflect those issues.

The non-financial criteria used by the Group, which forms a significant part of the performance assessment process and will override the financial criteria where appropriate, includes:

- adherence to the firm's risk management and compliance policies; and
- achieving targets relating to ESG factors, as well as diversity and inclusion.

The Firm ensures that when it assesses individual performance, the assessment process and any variable remuneration awarded does not discriminate on the basis of the protected characteristics of an individual in accordance with the Equality Act 2010. For the avoidance of doubt, the Firm's remuneration policy is gender neutral, which means that male and female Personnel will receive equal pay for equal work or work of equal value.

Individuals who are engaged in control functions are compensated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control. The Governance and Sustainability Committee directly oversees the remuneration of the Compliance Officer and the Chief Risk Officer, as well as other identified MRTs who carry out a control function for the Firm, which reports into the Board.

It is the Firm's policy that it will not pay variable remuneration to members of the Board who do not perform any executive function in the Firm.

5.3. Fixed and variable remuneration criteria

Fixed remuneration:

- (i) reflects an employee's professional experience and responsibility at the Firm (as set out in the staff member's job description and terms of employment); and
- (ii) is permanent, pre-determined, non-discretionary, non-revocable and not dependent solely on performance.

Variable remuneration:

- (i) is based on an employee's performance, which reflect the individual's long-term performance, as well as performance in excess of the individual's job description and terms of employment; and
- (ii) in exceptional cases, is based on other conditions, e.g., any guarantees during the first year of service.

Individual remuneration components awarded to staff members take the following form:

- Fixed remuneration: cash
- Variable remuneration: cash, cash units, restricted stock units (RSUs) and stock options.

TCE's fixed and variable components of the total remuneration are appropriately balanced, with the fixed component representing a sufficiently high proportion of the total remuneration to enable the operation of a fully flexible policy on variable remuneration, including the possibility of paying no variable remuneration component.

5.4. Remuneration policy review and oversight

At least annually, as part of the Firm's periodic compliance monitoring controls and testing, the remuneration policy and remuneration policy statement is subject to internal compliance review to ensure compliance with the FCA's remuneration rules.

The TCE Board has overall responsibility and oversight of the Firm's remuneration policy and remuneration policy statement. The design, implementation and effects of the Firm's remuneration policy is subject to an independent, internal review by the Human Capital and Compliance teams, in conjunction with the Risk and Audit teams, at least annually, and any relevant updates are subject to Board approval.

5.5. Material Risk Takers ("MRTs")

MRTs are individuals whose professional activities have a material impact on the risk profile of the Firm or the assets it manages. TCE identifies its MRTs on at least an annual basis. The obligation of identifying the Firm's MRTs and maintaining a record of this is fulfilled by the Compliance department in conjunction with the Human Capital department. The MIFIDPRU Remuneration Code identifies a fixed set of roles that would be considered an MRT. In view of these categories of MRTs and the specific types of activities and risks relevant to the Firm, the Board has defined the related roles that should be identified as MRTs. In this context, and at least once a year, the Firm assesses which of its Personnel are MRTs. Throughout the year this assessment is updated as is necessary. MRTs are notified of their identification as an MRT annually.

FCA Rules – MRT Identification Summary	TCE Application	TIM (AR) Application
A staff member who is a member of the management body	<ul style="list-style-type: none"> • TCE Directors 	<ul style="list-style-type: none"> • TIM Directors
A staff member who is a member of the senior management	<ul style="list-style-type: none"> • TCE Directors 	<ul style="list-style-type: none"> • TIM Directors • Tikehau Capital Head of UK
A staff member who has managerial responsibility for a business unit which conducts a regulated activity	<ul style="list-style-type: none"> • Head of European CLOs • Head of Structured Credit Strategies 	<ul style="list-style-type: none"> • TSO Portfolio Manager • Head of Tactical Strategies • Head of Leverage Loans • Head of Private Debt • Head of Private Equity • Head of Real Assets

FCA Rules – MRT Identification Summary	TCE Application	TIM (AR) Application
A staff member who has managerial responsibility for the activities of a control function (including, but not limited to, a risk management function, a compliance function and internal audit function) that is independent from the business units it controls and that is responsible for providing an objective assessment of the firm's risks, and for reviewing and reporting on those risks.	<ul style="list-style-type: none"> • Compliance Officer • Chief Risk Officer • Head of Internal Audit • Chief Financial Officer • Head of Investment Legal • Head of Human Capital 	<ul style="list-style-type: none"> • Compliance Officer • Chief Risk Officer • Head of Internal Audit • Chief Financial Officer • Head of Investment Legal • Head of Human Capital
A staff member who has managerial responsibility for the prevention of money laundering/terrorist financing	<ul style="list-style-type: none"> • Money Laundering Reporting Officer 	<ul style="list-style-type: none"> • Money Laundering Reporting Officer
A staff member who is responsible for managing a material risk within the firm	<ul style="list-style-type: none"> • TCE Portfolio Managers • TCE Trader • TCE Investment Committee voting members • Head of Research • Head of CLO Transaction Management 	<ul style="list-style-type: none"> • TIM UK Portfolio Managers • TIM UK Trader • Head of Research • Head of Sales and Marketing • Chief Operating Officer
A staff member who is responsible for managing one of; information technology; information security; and/or critical/important outsourcing arrangements	<ul style="list-style-type: none"> • Chief Technology Officer 	<ul style="list-style-type: none"> • Chief Technology Officer
A staff member who has authority to take decisions approving or vetoing the introduction of new products	<ul style="list-style-type: none"> • TCE Directors 	<ul style="list-style-type: none"> • TIM Directors

Certain MRTs are employed by Tikehau Capital affiliates and are covered via a service level agreement.

For the identified MRTs who are non-UK (based) individuals, based on the adopted industry approach and the circumstances relevant to TCE, the Board consider it appropriate that their relevant remuneration portion is attributable to their UK-related activities.

5.6. Fixed and variable remuneration ratio

The Firm has set a ratio of fixed to variable pay, which is specified within the Firm's remuneration policy statement. The ratio can be amended each year and allows for the possibility of paying no variable remuneration.

The set fixed and variable remuneration ratio reflects TCE's business activities and AR arrangements, as well as all related prudential and conduct risks, including with reference to the role of the individual and the impact that they have on the risk profile of the Firm. The set ratio reflects the highest amount of variable remuneration that can be awarded in the most positive scenario that will not impede relevant regulatory capital requirements.

An exception to where the stated ratio might not be met is in rare cases where the Firm or its AR has become legally obliged to pay a higher amount of severance pay for reasons that would not have been clear to the Firm at the time the ratio was set.

5.7. Variable remuneration

a. Performance assessment:

The Firm applies a range of measures to ensure that its total variable remuneration does not affect the ability to ensure a sound capital base. The total performance-related variable remuneration is based on a combination of the assessment of the performance of the individual, of the relevant business unit and the Firm overall. The assessment is based on a multi-year period, taking into account the business cycle of the Firm and its business risks. See the “Performance assessment process” section above for further details.

Performance measures include:

- Financial objectives (between 30% and 50% according to the grade and the function of the individual): third party net new money, fund deployment, disposals, fee related earnings / performance related earnings, investment performance.
- Extra financial collective objectives (20%): ESG KPI's including a particular focus on diversity, internal mobility and compliance.
- Individual objectives (between 30% and 50% according to the grade and the function of the individual): customised to each individual's role, with the inclusion of a business efficiency objective and a people objective for all employees with a management/leadership role.

In addition, performance metrics are used to determine the bonus pool:

- Bonus (or RSU)/ Revenues ratio
- Bonus (or RSU)/ Operating Expenses ratio
- Bonus (or RSU)/ Operating Result ratio
- Bonus (or RSU)/ Fixed salary ratio
- Bonus variance per employee/grade between Y-1 and Y

No specific weight associated with these metrics. There are analysed jointly when assessing the bonus pool.

Any measurement of performance used as a basis to calculate pools of variable remuneration will consider all types of current and future risks (financial and non-financial) and the cost of the capital and liquidity required in accordance with the Firm's MIFIDPRU obligations. If the Firm's financial performance is subdued or negative, the Firm's total variable remuneration pool may be contracted.

b. (Ex-post) Risk adjustment:

TCE's ex-post risk adjustment policy applies at entity level and captures individuals who have been identified as TCE MRTs.

Ex-post risk adjustment in this instance refers to the adjustment of variable remuneration to take account of a specific crystallised risk or adverse performance outcome including those relating to misconduct (a “Relevant Event”). Ex-post risk adjustments include reducing current year awards, the application of malus (reducing or cancelling deferred incentive awards that have not yet vested) and clawback (recouping already vested awards). All variable remuneration awards are conditional, discretionary and contingent upon a sustainable and risk-adjusted performance. They are therefore capable of forfeiture or reduction at the employer's discretion. In principle, all unvested variable remuneration will be capable of forfeiture or recovery through ex-post risk adjustment.

Relevant Events include:

- where there is reasonable evidence of employee misbehaviour or material error;
- where there is material failure of risk management and internal controls;
- where the Firm or the relevant business unit suffers a material downturn in its financial performance;
- cases of fraud or other conduct with intent or severe negligence which led to significant losses; and/or
- where there is material failure to protect the interests of employees and customers.

Where there has been a materially adverse impact as a result of a Relevant Event, the Firm will take into account all relevant criteria (“Relevant Criteria”) in deciding how to apply ex-post risk adjustment and the amount to be adjusted, including:

- the impact on the Firm’s customers, counterparties and the wider market;
- the impact of the failure on the Firm’s relationships with its other stakeholders including shareholders, employees, creditors, the taxpayer and regulators;
- the cost of fines and other regulatory actions;
- direct and indirect financial losses attributable to the relevant failure; and/or
- reputational damage.

Ex-post risk adjustment not only concerns MRTs who are engaged directly in misconduct, but also includes MRTs who:

- could have been reasonably expected to be aware of the failure, misconduct or weakness in approach that contributed to, or failed to prevent, the crystallisation of risk at the time, but failed to take adequate steps to promptly identify, assess, report, escalate or address it; or
- by virtue of their role or seniority are indirectly responsible or accountable for the relevant event.

The Firm places primary responsibility on the business for meeting the standards expected of them and the amount and nature of adjustments made to MRTs who occupy control functions, namely, Compliance, Risk, Internal Audit, etc., will reflect that allocation of responsibility.

The primary focus in applying ex-post risk adjustments is on individuals. Collective ex-post risk adjustments could be appropriate where there is evidence of widespread failings or to meet all or a significant part of the cost of regulatory action and fines, redress and other associated costs from bonus pools. Where a particular business unit is concerned, collective adjustments will be weighted towards this business unit.

The Firm aims to ensure that individuals will not profit from a Relevant Event by considering the extent to which past bonuses were earned as a result of identified failings and giving appropriate consideration to the cost of consequent redress and other financial impacts. The Firm will take into account the degree of culpability, involvement or responsibility of an individual and all Relevant Criteria. For cases with a high degree of personal culpability and responsibility, and a high impact in relation to any of the Relevant Criteria, up to 100% ex-post risk adjustment will be the starting point. In instances where there is lower degrees of culpability, responsibility and impact, proportionately less ex-post risk adjustment may be applied. However, in all cases, the Firm will ensure that the size of ex-post reductions reflect the severity of the Relevant Event, are material in size and are sufficient to drive positive individual behaviours and culture within the Firm.

The Firm will start to consider ex-post risk adjustment once Relevant Events have been identified and impose reductions as soon as reasonably possible, with subsequent adjustments being made, as is relevant, to ensure the final value of the adjustment fully reflects the impact of the incident. The Firm will freeze the vesting of all variable remuneration potentially due to individuals undergoing internal or external investigation that could result in material ex-post risk adjustment until such an investigation has concluded and the Firm has made a decision and communicated it to the relevant individuals(s). The Firm must keep the FCA fully updated on any relevant pending investigations and ahead of any payment of outstanding awards to individuals under investigation for misconduct.

Malus will be applied where there is reasonable evidence of employee misbehaviour or material error, the Firm or the business unit suffers a material downturn in its financial performance or the Firm or the relevant business unit suffers a material failure of risk management. Malus will apply from the date of grant of an award of Variable Remuneration to the point of vesting, for any equity-based compensation, and to the point of payment for any cash award payments.

Clawback will be applied in cases of fraud or other conduct with intent or severe negligence which led to significant losses. The Board has defined the clawback period to be three years from the date of vesting, for equity-based compensation, and from the point of payment for any cash award payments. A three year period is considered to allow sufficient time for any potential risks to crystallise and for adjustments to be made.

All MRTs' total variable remuneration is subject to in-year adjustments, malus or clawback arrangements. Where a Relevant Event arises, the Firm will generally apply the provisions on a gross basis. The Firm may take into account the amount of tax and social security contributions actually paid, or still to be paid in relation to the payment which is subject to malus and/or clawback as well as taking account of any tax relief available, but typically it will be the gross amount which will be subject to malus and/or clawback.

The number of shares that have been awarded, rather than the corresponding value at that time, will be the subject of the malus and/or clawback, and if the malus/clawback occurs in cash, then the market value of this number of shares at the time of the malus/clawback would be used. If the individual has sold the shares, then the price of the share sale would be used. Any forfeiture of shares would not be restricted by MAR as the shares would not be transferred for consideration.

If a Relevant Event is triggered a full and thorough procedure, involving Human Capital, Compliance and Legal, would be conducted to investigate whether a malus adjustment or clawback would apply. Such an investigation would only be triggered if, in the opinion of the Governance and Sustainability Committee and/or the Firm's Board, one of the circumstances outlined above occurred.

c. Non-performance-related variable remuneration:

The Firm may choose to make use of non-performance-related variable remuneration, such as guaranteed variable remuneration, retention awards, buy-out awards and severance pay for MRTs. All of these must be subject to deferral and ex post risk adjustment. Additional conditions also apply dependent upon the type of non-performance-related variable remuneration the Firm may use:

Guaranteed variable remuneration (i.e., sign-on), if offered, will only be awarded to MRTs:

- rarely and not as common practice;
- in the context of hiring new MRTs;
- in the first year of service; and
- where the Firm has a strong capital base.

Retention awards will only be paid to MRTs:

- after a defined event; or
- at a specified point in time.

Examples of a defined event or a set period of time include issuing a retention bonus under restructurings, in wind-down or in the context of specific projects within the Firm. Retention awards will only be used rarely and awarded only after the event or time period has ended.

Buy-out awards, if used, must:

- be aligned with the long-term interests of the Firm; and

- remain subject to the same pay-out terms required by the previous employer, for example by following the same deferral and vesting schedule and being subject to the same malus/ clawback provisions, if applicable.

Severance pay, if awarded, must:

- reflect the MRT's performance over time; and
- not reward failure or misconduct.

All forms of non-standard variable remuneration (i.e., guaranteed variable remuneration, retention awards, severance pay and buy-out awards) are subject to malus and clawback provisions.

5.8. Quantitative disclosures

TCE had 25 identified MRTs for the 2023 financial year.

For the year ended 31 December 2023 [£k*]	TCE senior management (i.e., TCE Board members)	Other TCE MRTs (excluding TCE senior management)	Other TCE employees
Fixed remuneration awarded	1,371	4,917	1,032
Variable remuneration awarded	972	5,885	825
Total	2,343	10,802	1,857
Total amount of guaranteed variable remuneration awards made	0	0	N/A
Total amount of the severance payments awarded	0	0	N/A
Amount of the highest severance payment awarded	0	0	N/A

* Conversion rate used: €1 = 0.877 GBP / €1 = 1.078 USD

Of note, the 2023 amounts for the 'Other TCE MRTs' category is notably higher versus 2022 due to the AR arrangement and the related introduction of additional Group senior managers within this category.