

CD&R

8 December 2025

**CD&R LLP**

**MIFIDPRU 8 Disclosure**

**Financial year ended 31 March 2025**

## 1. INTRODUCTION

The Financial Conduct Authority (the “FCA”) in the Prudential sourcebook for MiFID Investment Firms in the FCA Handbook (“MIFIDPRU”) sets out the detailed prudential requirements that apply to CD&R LLP (“CD&R” or the “Firm”). Chapter 8 of MIFIDPRU (“MIFIDPRU 8”) sets out public disclosure rules and guidance with which the Firm must comply.

CD&R is classified under MIFIDPRU as a non-small and non-interconnected MIFIDPRU investment firm (“non-SNI MIFIDPRU Investment Firm”). As such, the Firm is required by MIFIDPRU 8 to disclose information regarding:

- Risk management objectives and policies;
- Governance arrangements;
- Own funds;
- Own funds requirements; and
- Remuneration policy and practices.

This document has been prepared by CD&R in accordance with the requirements of MIFIDPRU 8 and is approved by the Firm’s Governance Committee. Unless otherwise stated, all figures are as at the Firm’s 31 March financial year-end.

## 2. RISK MANAGEMENT OBJECTIVES AND POLICIES

This section describes CD&R’s risk management objectives and policies for the categories of risk addressed by the requirements of the Firm in the following areas: (i) own funds; (ii) concentration risk and (iii) liquidity.

The Firm has a conservative risk appetite to maintain a strong capital position throughout all market cycles with strong liquidity and an appropriate capital structure. The Firm has a risk management process to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business.

Due to the nature, size and complexity of the Firm, the Firm does not have separate and independent risk or nomination committees. The Firm is not required to establish a risk committee.

### **Potential for harm associated with the Firm’s business strategy**

The Firm’s primary risk, related to its business strategy, arises from its relationship with its sole client, Clayton, Dubilier & Rice, LLC (“CD&R LLC”). If CD&R LLC were to cease acting as manager to its funds (such as, for example, by exercise of an investor right to terminate the appointment of CD&R LLC as manager), CD&R LLC would likely terminate its consulting arrangement with CD&R LLP and take steps to wind-down CD&R LLP’s business. CD&R LLP considers this event as unlikely to occur.

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

The Firm is subject to an own funds threshold requirement and a liquid assets threshold requirement. The own funds requirement of a non-SNI MIFIDPRU investment firm is the higher of:

- its permanent minimum capital requirement under MIFIDPRU 4.4;
- its fixed overheads requirement under MIFIDPRU 4.5; or
- its K-factor requirement under MIFIDPRU 4.6.

The Firm is required to hold an amount of core liquid assets equal to the sum of 1/3 of its fixed overheads requirement.

**2.1 Risk categories****2.1.1 Own funds and liquidity**

The potential for harm associated with the Firm's business strategy, based on the Firm's own funds/liquid assets requirement, is low.

To calculate the Firm's own funds and liquid asset threshold requirements, the Firm identifies and measures the risk of harms applicable to the Firm and its business strategy and considers these risks with regard to its ongoing operations and from a wind-down perspective. The Firm then determines the extent to which the systems and controls in place mitigate the Firm's risks and the potential for a disorderly wind-down, and thereby determines the appropriate amount of additional own funds and liquid assets required to cover the residual risks.

**2.1.2 Concentration risk**

The Firm considers its concentration risk to be acceptable, given the stability of fee income from its client, CD&R LLC.

**3. GOVERNANCE ARRANGEMENTS**

The Firm has a clear organisational structure with well defined, transparent, and consistent lines of responsibility; effective processes to identify, manage, monitor and report the risks the firm is or might be exposed to, or the firm poses or might pose to others; and adequate internal control mechanisms, including sound administration and accounting procedures. The Firm's governing body has overall responsibility for the Firm's risk strategies and policies.

CD&R LLP's UK Governance Committee comprises David Novak, Christian Rochat, Marco Herbst and Eric Rouzier. David Novak is also a member of Clayton, Dubilier & Rice's Executive Committee. The UK Governance Committee is responsible for management of risk in the Firm.

### 3.1 Management directorships

The below table sets out the number of directorships (executive and non-executive) held by each member of the Governance Committee. The table details their position in the Firm, SMF function and number of external directorships held. The table excludes directorships held in: (i) organisations which do not pursue predominantly commercial objectives and (ii) entities within the group or in which the Firm holds a qualifying holding.

Name	SMF Function/Role	Number of external directorships held
David Novak	SMF27 Partner	1
Christian Rochat	SMF27 Partner SMF17 MLRO	1
Marco Herbst		0
Eric Rouzier		1

### 3.2 Approach to inclusion

The Firm values a culture of inclusion. It is committed to equality of opportunity for all and creating an inclusive work environment where everyone has the opportunity to succeed and is treated with respect and dignity. The Firm does not set specific diversity targets for the UK Governance Committee.

## 4. OWN FUNDS

### 4.1 Composition of regulatory own funds

The Firm's own funds are made up of Common Equity Tier 1 ("CET1") capital only. Throughout the period and as at 31 March 2025, the Firm had sufficient own funds to cover the capital requirements under the UK's Investment Firms Prudential Regime. The below table summarises the Firm's regulatory 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	<b>OWN FUNDS</b>	12,939	
2	<b>TIER 1 CAPITAL</b>	12,939	
3	<b>COMMON EQUITY TIER 1 CAPITAL</b>	12,939	
4	Fully paid up capital instruments	6,719	Members' Other Interests
5	Share premium	N/A	N/A
6	Retained earnings	6,220	Loans and other debts due to members
7	Accumulated other comprehensive income	N/A	N/A
8	Other reserves	N/A	N/A
9	Adjustments to CET1 due to prudential filters	N/A	N/A
10	Other funds	N/A	N/A
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	N/A	N/A
19	CET1: Other capital elements, deductions and adjustments	N/A	N/A
20	<b>ADDITIONAL TIER 1 CAPITAL</b>		
21	Fully paid up, directly issued capital instruments	N/A	N/A
22	Share premium	N/A	N/A
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	N/A	N/A
24	Additional Tier 1: Other capital elements, deductions and adjustments	N/A	N/A
25	<b>TIER 2 CAPITAL</b>		
26	Fully paid up, directly issued capital instruments	N/A	N/A
27	Share premium	N/A	N/A
28	(-) TOTAL DEDUCTIONS FROM TIER 2	N/A	N/A
29	Tier 2: Other capital elements, deductions and adjustments	N/A	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 assets	8,440		
2	Debtors	43,581		
3	Cash at bank and in hand	1,606		
4	<b>Total Assets</b>	53,627		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Creditors: amounts falling due within one year	2,108		
2	<b>Total Liabilities</b>	2,108		
Shareholders' Equity				
1	Members' other interests	6,719		Box 4
2	Loans and other debts due to members	44,800		Box 6
3	<b>Total Shareholders' equity</b>	51,519		

Own funds: main features of own instruments issued by the firm	
<p>CD&amp;R LLP's capital base comprises of corporate member's capital, retained earnings and other reserves. All CD&amp;R LLP's capital base is classified as Common Equity Tier 1 capital ("CET1"), the highest-ranking quality of capital.</p>	

## 5. OWN FUNDS REQUIREMENTS

### 5.1 Permanent minimum capital, K-factor and fixed overhead requirement

The table below shows the breakdown of the own funds requirement. The Firm is required to at all times maintain own funds that are at least equal to the Firm's own funds requirement. The own funds requirement is the higher of each of the items shown below.

Requirement as at 31 March 2025	Amount (GBP thousands)
Permanent Minimum Capital Requirement (PMR)	65
Transitional requirement	2.12
Fixed Overhead Requirement (FOR)	2,617
Transitional requirement	2.10
K-factor requirement (KFR)	0
AuM	0
The Firm does not have any assets under management as defined in MIFIDPRU.	

### 5.2 Approach to assessing the adequacy of own funds

The Firm is required to use the Internal Capital Adequacy and Risk Assessment ("ICARA") process to identify whether it complies with the Overall Financial Adequacy Rule ("OFAR"). The ICARA process is the term for the internal systems and controls which a firm must operate to identify and manage potential harms which may arise from the operation of a firm's business, and to ensure that its business can be wound down in an orderly manner. The OFAR requires that a firm must, at all times, hold own funds and liquid assets which are adequate, as to their amount and their quality, to ensure:

- The Firm is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
- The Firm's business can be wound down in an orderly manner, minimising harm to consumers or markets.

The adequacy of the ICARA process will be assessed at least on an annual basis, or more frequently if there is a material change in the business model/risk profile.

### 5.3 Additional own funds requirement

The additional own funds requirement is the amount of capital identified by the Firm necessary to mitigate risks to ensure the viability of the firm throughout economic cycles and to ensure the Firm can wind down in an orderly manner.

In the ICARA, the Firm identifies and measures risk of harms faced by the Firm and considers these risks with regards to its ongoing operations and wind-down plan. The Firm then determines the degree to which the systems and controls mitigate the risk of harm and the risk of a disorderly wind-down.

### 5.4 Ongoing operations

As a non-SNI MIFIDPRU Investment Firm, the Firm has assessed all material harms posed to its client, CD&R LLC, the market and itself resulting from its ongoing operations, taking into consideration the existing controls in place. The Firm has concluded that it does not need any additional capital to mitigate the harm arising from these risks.

### 5.5 Wind down

As part of the ICARA process, the Firm must identify the steps and resources that would be required to ensure the orderly wind-down and termination of its business in a realistic timescale and evaluate the potential harms arising from winding down the firm's business and identify how to mitigate them.

On the basis of the Firm's model, the Firm considers that it will have sufficient capital and liquidity in the event of the Firm winding down its business to perform the operational tasks necessary for a wind-down and to support cash outflows.

### 5.6 Overall Financial Adequacy Rule

OFAR requires firms to meet the "own funds threshold requirement" (in terms of capital) and "liquid assets threshold requirement" (in terms of liquidity). To meet OFAR, a firm must hold adequate capital and liquid assets: (i) to ensure it can remain viable through the economic cycle, with the ability to address any potential harm from its ongoing activities; and (ii) to allow it to wind down its business in an orderly way. The Firm is satisfied that it complies with OFAR.

## 6. REMUNERATION POLICY AND PRACTICES

### 6.1 Overview – approach to remuneration

As a non-SNI MIFIDPRU Investment Firm, CD&R is subject to the requirements of the MIFIDPRU Remuneration Code (as laid down in Chapter 19G of the Senior Management Arrangements, Systems and Controls sourcebook in the FCA Handbook ("SYSC")). The purpose of the remuneration requirements is to:

- Promote effective risk management in the long-term interests of the Firm and its client;
- Ensure alignment between risk and individual reward;
- Support positive behaviour and a healthy firm culture; and



- Discourage behaviour that can lead to misconduct and poor customer outcomes.

The Firm's client is CD&R LLC, to which it provides private equity investment advisory and other services in relation to executing portfolio company sales and disposals. CD&R LLC manages private equity funds. The objective of the Firm's remuneration policies and practices is to establish, implement and maintain a culture that is consistent with, and promotes, sound and effective risk management and to ensure that its remuneration policies and practices are aligned with the interests of CD&R LLC and CD&R LLC's funds under management.

The Firm's staff comprises Partners, Managing Directors and Principals (who are members of the Firm) and Associates, Analysts and other staff (who are employees of the Firm).

The Firm ensures that its business strategy, objectives and values do not create a culture where individuals are incentivised to place their own, or the Firm's, interests ahead of those of CD&R LLC or CD&R LLC's funds.

In addition, CD&R recognises that remuneration is a key component in how the Firm attracts, motivates, and retains quality staff and sustains consistently high levels of performance, productivity, and results. As such, the Firm's remuneration philosophy is also grounded in the belief that its people are the most important asset and provide its greatest competitive advantage.

CD&R is committed to excellence, teamwork, ethical behaviour, and the pursuit of exceptional outcomes for its client, CD&R LLC. From a remuneration perspective, this means that performance is determined through the assessment of various factors that relate to these values, and by making considered and informed decisions that reward effort, attitude, and results.

The Firm ensures that individual performance, the assessment process and any variable remuneration awarded is non-discriminatory and gender-neutral.

## **6.2 Material risk takers**

The Firm has developed a framework to identify its material risk takers ("MRTs"). The framework is in accordance with the criteria set out in SYSC 19G.5 of the Remuneration Code. For the performance year 2025, 23 individuals were identified as MRTs, comprising the members of the Governance Committee, partners and other MRTs.

## **6.3 Characteristics of the Firm's Remuneration Policy and Practices**

Remuneration at CD&R is made up of fixed and variable components. The fixed component is set in line with market competitiveness at a level to attract and retain skilled staff. Fixed remuneration is agreed at the point of hiring the individual and is in line with prevailing market conditions for the specific person. Salaries are reviewed at least annually. Overall compensation is compared to market benchmarks annually to ensure remuneration is in line with other comparable private equity sponsors and financial service companies.

Variable remuneration is paid on a discretionary basis and takes into consideration the Firm's financial performance and the financial and non-financial performance of the individual in contributing to the Firm's and CD&R's success.

Remuneration types	
<b>Fixed</b>	<ul style="list-style-type: none"> <li>• Salaries (in respect of employees of the Firm);</li> <li>• Fixed profit shares (in respect of members of the Firm, including drawings by members as advances of profits);</li> <li>• Regular and non-discretionary pension contributions; and</li> <li>• The value of other non-discretionary benefits that are not linked to performance criteria.</li> </ul>
<b>Variable</b>	<ul style="list-style-type: none"> <li>• Cash bonuses;</li> <li>• Discretionary pension contributions;</li> <li>• Sign-on bonuses, retention bonuses, buyout awards, and severance pay; and</li> <li>• The value of carried interest on the date of award.</li> </ul>

All staff members are eligible to receive one or more types of variable remuneration. Variable remuneration is based on performance or, in exceptional cases, other conditions. Where based on performance, variable remuneration reflects the long-term performance of the staff member as well as performance in excess of the staff member's job description and terms of employment.

In deciding each individual's total compensation (fixed and variable), the Firm pays due regard to setting an appropriate balance between fixed and variable remuneration. The fixed component represents a sufficiently high proportion of the total remuneration to enable the operation of a fully flexible policy on variable remuneration. This allows for the possibility of paying no variable remuneration component, which the Firm would do in certain situations, such as where the Firm's profitability performance is constrained, or where there is a risk that the Firm may not be able to meet its capital or liquidity regulatory requirements. Poor performance by an individual may result in the Firm not paying any variable remuneration.

Decision making on the total amount of remuneration is based on a combination of the assessment of the performance of the individual and his or her overall contribution to CD&R, the overall results of the Firm and CD&R LLC, the long term performance of CD&R LLC's funds, and non-financial criteria. Non-financial criteria assessed by CD&R are compliance with CD&R's policies and procedures, including adherence to risk management procedures and CD&R's environmental, social and governance policy, and leadership and teamwork.

The measurement of performance used to calculate variable remuneration also includes the consideration of an individual's performance in the role assigned to them as well as an adjustment for current and future risks, and considers the quality of services provided to the Firm's client. The measurement of performance used to calculate variable remuneration components or pools of variable remuneration components includes a comprehensive adjustment mechanism to integrate all relevant types of current and future risks.

#### 6.4 Risk adjustment

The Firm takes into account all types of current and future financial and non-financial risks when measuring performance and when awarding variable remuneration. When making adjustments in relation to risk, the Firm determines the level at which adjustments will be applied (*i.e.*, firm, team or individual level), which risks are relevant and which adjustment technique is the most appropriate.

As well as considering making appropriate adjustments on the basis of risks, the Firm also ensures that any variable remuneration is paid only if it is sustainable according to the financial situation of the Firm as a whole and justified on the basis of the performance of the Firm, team and individual.

In addition, in circumstances where the Firm determines that an individual who is an MRT: (i) has participated in or was responsible for conduct which resulted in, or in the cases of fraud or other conduct with intent or severe negligence which led to, significant losses to the Firm; and/or (ii) has failed to meet appropriate standards of fitness and propriety, the Firm may reduce any variable remuneration awarded to that individual for a period in respect of which they were an MRT and/or may claw back up to 100% of any such variable remuneration already paid to the MRT and/or to be awarded for the current performance period.

In addition to the above, reductions may also be made to any variable remuneration awarded to that individual for a period in respect of which they were an MRT where:

- There is reasonable evidence of an MRT's misbehaviour or material error;
- The Firm or a relevant business unit suffers a material downturn in its financial performance; and/or
- The Firm or a relevant business unit suffers a material failure of risk management.

The Firm has the right to apply malus and/or clawback for a period of up to 3 years from the date on which any variable pay is awarded to an MRT.

#### **6.5 Guaranteed variable remuneration**

The Firm does not typically award guaranteed variable remuneration.

#### **6.6 Severance pay**

The Firm does not typically award early termination payments to staff that exceed their statutory and contractual entitlements save where there are overriding business reasons for doing so. In such cases, the Firm would ensure that any such payment does not reward failure or misconduct, does not materially impact the Firm's ability to meet its capital requirements and, in respect of an MRT, reflects his or her performance over time and is determined on a case-by-case assessment of circumstances.

#### **6.7 Governance and Oversight**

This Firm's remuneration policy and practices are overseen by its Governance Committee. The Governance Committee has regard to input on the functioning of the Policy from the business functions and the Compliance function. The Firm's compliance function is consulted as part of the design process of the remuneration policies and practices, providing input based upon the rules, conduct of business risks and staff adherence to the Firm's compliance framework. The Governance Committee reviews the Firm's approach to remuneration at least annually.

## 6.8 Quantitative Remuneration Disclosure

For the financial year 1 April 2024 to 31 March 2025, the total amount of remuneration awarded to senior management, material risk takers and all other staff, split by fixed and variable remuneration was as follows:

Remuneration	Senior management and other material risk takers (GBP thousands)	All other staff (GBP thousands)	Total (GBP thousands)
Fixed remuneration	26,533	6,559	33,092
Variable remuneration	6,763	4,311	11,074
<b>Total</b>	<b>33,296</b>	<b>10,870</b>	<b>44,166</b>

## 6.9 Guarantees and severance payments

The following disclosures are made in relation to guaranteed variable remuneration awards and severance payments:

Remuneration	Senior management and other material risk takers (GBP thousands)	Additional explanations
Total value of guaranteed variable remuneration awards	-	No awards made during the financial year.
Total value of severance payments awarded	-	No awards made during the financial year.
Highest severance payment awarded to an individual material risk taker	-	No awards made during the financial year.