

Clearlake UK Remuneration Policy – MIFIDPRU 8 Disclosure (UK)

Introduction

The Financial Conduct Authority (“FCA”) in the Prudential sourcebook for MiFID Investment Firms in the FCA Handbook (“MIFIDPRU”) sets out the detailed prudential requirements that apply to Clearlake Capital (UK) LLP (“Clearlake UK”). As an Alternative investment Fund Manager (“AIFM”) under the UK Alternative Investment Fund Management Directive (“AIFMD”), Clearlake UK is also subject to chapter 11 of the Interim Prudential Sourcebook for Investment Business (“IPRU-INV”). Chapter 8 of MIFIDPRU (“MIFIDPRU 8”) sets out public disclosure rules and guidance with which Clearlake UK must comply, further to those prudential requirements.

Clearlake UK is classified for prudential purposes as a Collective Portfolio Management Investment Firm (“CPMI Firm”) that is a small and non-interconnected MIFIDPRU investment firm (“SNI MIFIDPRU Investment Firm”). As such, Clearlake UK is required by MIFIDPRU 8 to disclose information regarding its remuneration policy and practices.

The purpose of these disclosures is to give stakeholders and market participants an insight into Clearlake UK’s culture and to assist stakeholders in making more informed decisions about their relationship with Clearlake UK.

This document has been prepared by Clearlake UK in accordance with the requirements of MIFIDPRU 8 and is verified by Clearlake UK’s managing board. All figures are for the financial year to December 2023.

Remuneration Policy and Practices

Overview

As a SNI MIFIDPRU Investment Firm, Clearlake UK is subject to the basic 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”). Clearlake UK, as a CPMI Firm, is also subject to the AIFM Remuneration Code (SYSC 19B). The purpose of the remuneration requirements is to:

- Promote effective risk management in the long-term interests of Clearlake UK and its clients;
- Ensure alignment between risk and individual reward;
- Support positive behaviours and healthy firm cultures; and
- Discourage behaviours that can lead to misconduct and poor customer outcomes.

The objective of Clearlake UK’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 does not encourage risk-taking which is inconsistent with the risk profile of Clearlake UK and the services that it provides to its clients.

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

Clearlake UK is committed to excellence, teamwork, ethical behaviour and the pursuit of exceptional outcomes for its clients. 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.

Characteristics of Clearlake UK's Remuneration Policy and Practices

Remuneration at Clearlake UK 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. Variable remuneration is paid on a discretionary basis and takes into consideration Clearlake UK's financial performance as well as the financial performance of each business unit, and the financial and non-financial performance of the individual in contributing to Clearlake UK's success. All Clearlake UK staff members are eligible to receive variable remuneration.

The ultimate decision on variable remuneration to be awarded to staff members is made by Clearlake UK considering its current profits and any future capital required to be put aside for expansion plans or for regulatory capital purposes on the basis of forecasts. The outcome of these considerations will then be used to determine a bonus pool to be distributed to staff members. The amount allocated to each individual will be based on their overall contribution to Clearlake UK as a whole, is fully discretionary and the decision rests with the Clearlake UK's managing board. Any bonus pool will always be based on the profit of Clearlake UK and not future income. Clearlake UK's managing board will also consider Clearlake UK's financial and capital position, taking into account any potential costs/capital strains which may occur over the coming year. The bonus pool is linked to the performance of Clearlake UK as a whole and not individual trading performance. The key financial performance measures used to determine the total variable pay-out is Clearlake UK's net profit/loss after all expenses have been paid and this will be supplemented by an assessment of other key performance measures and identified risks outlined within Clearlake UK's Internal Capital Adequacy Risk Assessment.

Individual staff performance within Clearlake UK is determined using financial and non-financial criteria on a meritocratic basis which is gender neutral. Performance is based on a range of criteria on which each staff member, taking into account their role, is assessed. The performance of staff members is not based upon contribution to investment performance only; it also includes factors such as their adherence to Clearlake UK's compliance policies and risk limits. Any violations of these policies will be considered when determining variable remuneration and may have a negative impact on the amount of variable remuneration awarded.

The fixed and variable components of remuneration are appropriately balanced: 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 Clearlake UK would do in certain situations, such as where Clearlake UK's profitability performance is constrained, or where there is a risk that Clearlake UK may not be able to meet its capital or liquidity regulatory requirements. Furthermore, a significant proportion of the team invest their own money alongside clients. The amounts invested are relatively significant in relation to their annual earnings and demonstrate a personal commitment to Clearlake UK.

Governance and Oversight

Clearlake UK's managing board is responsible for setting and overseeing the implementation of Clearlake UK's remuneration policy and practices. In order to fulfil its responsibilities, Clearlake UK's managing board:

- Is appropriately staffed to enable it to exercise competent and independent judgment on remuneration policies and practices and the incentives created for managing risk, capital and liquidity.
- Prepares decisions regarding remuneration, including decisions that have implications for the risk and risk management of Clearlake UK.
- Ensures that Clearlake UK's remuneration policy and practices take into account the public interest and the long-term interests of shareholders, investors and other stakeholders in Clearlake UK.
- Ensures that the overall remuneration policy is consistent with the business strategy, objectives, values and interests of Clearlake UK and of its clients.

Clearlake UK's remuneration policy and practices are reviewed annually by Clearlake UK's managing board.

Quantitative Remuneration Disclosure

For the 2023 financial year, the total amount of remuneration awarded to all staff was £7.0m of which £4.6m comprised the fixed component of remuneration, and £2.4m comprised the variable component. For these purposes, "staff" is defined broadly, and includes, for example, employees of Clearlake UK itself, directors and secondees.

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