
ADVENT INTERNATIONAL LTD
PUBLIC DISCLOSURE STATEMENT
YEAR ENDING 31 DECEMBER 2022

1. INTRODUCTION

1.1 Purpose

Advent International Ltd (FRN 161768) (the "**Firm**") is authorised and regulated by the Financial Conduct Authority (the "**FCA**"). The Firm is part of the Advent group (the "**Group**"), which is an alternative asset management group specialising in private equity investments.

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. All information is as at the date on page 1 unless otherwise indicated.

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.

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 board of directors (the "Board")

The Firm is governed by its Board. The Firm is required to 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 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 seeks to achieve this through several means, including:

- through adopting an appropriate process for appointments to the Board;
- processes for the functioning of the Board, 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 certain senior members of staff ("**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 Board under the Companies Act 2006 and fiduciary and agency law;
- policies and procedures, including in particular the Firm's compliance manual, conflicts of interest policy, remuneration policy, and its policies on personal account dealing and market abuse;
- its policy on the suitability of the management body, which seeks to ensure that:

- individually, the members of the Board 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 Board 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; and
- the appointment of legal and accounting advisers and compliance consultants and other advisers as required from time to time; and
- the appointment of non-executive directors to the Board.

2.2 Composition of the Board

The members of the Firm's Board are set out in the following table, together with the number of additional directorships held by each member, excluding directorships (i) held in organisations which do not pursue predominantly commercial objectives, or (ii) in entities within the Group or in which the Firm holds a qualifying holding.

Name	Number of additional directorships (executive and non-executive)
Jeffrey Paduch	6
Richard Kane	None
Justin Nuccio	50
Thomas Allen	3
Susan Gentile	10

2.3 Diversity of the Board

The Firm is committed to promoting diversity and equal opportunities for staff throughout the Firm, including on its Board. The Firm believes that diverse and inclusive teams make better decisions, and this informs the Firm's recruitment and retention strategies, both across the organisation as a whole and at the level of its Board.

All appointments are made on merit against objective criteria, and with regard to individual and collective knowledge, skills, experience and diversity of the Board, as a whole, in accordance with the Firm's policy on the suitability of the management body.

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 Board 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 Board is supported in its responsibility for managing the risks inherent in the Firm's activities by its European Investment Advisory Committee.

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 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, including towards risks in conduct, prudential matters, reputation, legal, compliance and regulation, financial crime, data and cyber security, and sustainability.

The Firm is remunerated by affiliates on a cost-plus basis. These fees are calculated by reference to investor commitments (during the fund's investment period) and invested capital (following the end of the fund's investment period) and are therefore a stable and predictable source of income. Furthermore, the investment strategies pursued by the Firm on behalf of clients do not employ the use of leverage on a substantial basis.

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 is the higher 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 twelfth of its preceding year's fixed overheads.

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., broadly, its long-term subordinated capital, 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 Board.

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

Responsibilities of Senior Management Function-holders

The Firm's Board is responsible for own funds and liquid assets compliance and 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.

All Senior Management Function-holders recognise that the ICARA process is a key requirement of the regulatory system for the Firm and 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 two of its affiliates under a cost-plus arrangement. 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 arrangements create.

Cash deposits

This is the risk that the Firm's cash deposits are held with a narrow range of credit institutions, leaving it exposed if one or more of them becomes insolvent.

The Firm maintains instant-access cash accounts with a range of UK credit institutions, each of 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 keeps this under review.

4. REMUNERATION

4.1 Remuneration governance

The Board has overall responsibility for the Firm's remuneration policies and procedures, which have been adopted by the Board and are reviewed annually.

The Board has allocated responsibility for overseeing the implementation of the Firm's remuneration policy to a Senior Management Function-holder and the Firm's Remuneration Committee. 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 and Risk department.

4.2 Material Risk Takers

The Firm's material risk takers ("**MRTs**") are those individuals whose professional activities have a material impact on the Firm's risk profile. The Firm's MRTs comprise of members of the Board and the Compliance and Risk and Money Laundering and Reporting Officer.

During the course of the year, the Firm identified seven MRTs in total.

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 awards both fixed remuneration (typically an annual salary, together with salary-linked pension contributions and benefits such as private medical insurance) and variable remuneration (typically a form of annual discretionary bonus and, where applicable, the award of carried interest points).

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.

Variable remuneration is determined by reference to the performance of the individual, the performance of the individual's team and the performance of the Firm as a whole, and typically takes the form of an annual discretionary bonus. 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. For example, the Firm's investment professionals and certain senior business services staff are eligible to participate in the Firm's carried interest schemes.

The Board determines the total available pool of variable remuneration 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. 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. In exceptional circumstances, the Firm may offer guaranteed variable remuneration to MRTs joining the Firm in the form of a 'lost opportunity bonus', provided the Firm's capital position is sufficiently sound at that time.

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

The Firm has aggregated its disclosures in relation to senior management and other MRTs in order to avoid disclosing information concerning one or two individuals only.

[See tables on next page]

Total remuneration to <u>all</u> staff	
Total fixed remuneration	(GBP)
Senior management and other MRTs	2,507,246
Other staff	20,965,948
SUB-TOTAL	23,473,194
Total variable remuneration	(GBP)
Senior management and other MRTs	14,215,092
Other staff	93,247,354
SUB-TOTAL	107,462,446
GRAND TOTAL	130,935,640

Severance payments made to MRTs	
Total payments made	(GBP)
Senior management and other MRTs	0
TOTAL	0
Amount of highest severance payment awarded	0
Awards of severance payments made	No. of MRTs
Senior management and other MRTs	0

Guaranteed variable remuneration awarded to MRTs	
Total payments made	(GBP)
Senior management and other MRTs	0
TOTAL	0
Awards of guaranteed variable remuneration made	No. of MRTs
Senior management and other MRTs	0

SCHEDULE 1 OWN FUNDS

Composition of regulatory own funds ("Template OF1")		
Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
OWN FUNDS		
TIER 1 CAPITAL		
COMMON EQUITY TIER 1 CAPITAL		
Fully paid-up capital instruments	50	<i>'Called-up share capital'</i>
Share premium	N/a	N/a
Retained earnings	44,691	<i>'Retained earnings'</i>
Accumulated other comprehensive income	N/a	N/a
Other reserves	N/a	N/a
Adjustments to CET1 due to prudential filters	N/a	N/a
Other funds	N/a	N/a
(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	N/a	N/a
CET1: Other capital elements, deductions and adjustments	N/a	N/a
ADDITIONAL TIER 1 CAPITAL	N/a	N/a
Fully paid-up, directly issued capital instruments		
Share premium		
(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1		
Additional Tier 1: Other capital elements, deductions and adjustments		
TIER 2 CAPITAL	N/a	N/a
Fully paid up, directly issued capital instruments		
Share premium		
(-) TOTAL DEDUCTIONS FROM TIER 2		
Tier 2: Other capital elements, deductions and adjustments		

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements

Flexible template - rows to be reported in line with the balance sheet included in the audited financial statements of the investment firm.

Columns should be kept fixed, unless the investment firm has the same accounting and regulatory scope of consolidation, in which case the volumes should be entered in column (a) only.

Figures should be given in GBP thousands unless noted otherwise.

		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	'Fixed assets – Tangible assets'	19,167	N/a	N/a
2	'Current assets – Debtors'	75,341	N/a	N/a
3	'Current assets – Cash at bank and in hand'	4,154	N/a	N/a
xxx	Total Assets	98,662	N/a	N/a
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	'Creditors – amounts falling due within one year'	47,930	N/a	N/a
2	'Creditors – amounts falling due after more than one year'	5,992	N/a	N/a
xxx	Total Liabilities	53,992	N/a	N/a
Shareholders' Equity				
1	'Called-up share capital'	50	N/a	See previous table
2	'Retained earnings'	44,691	N/a	N/a
xxx	Total Shareholders' equity	44,741	N/a	N/a

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

Free text included below.

The Firm meets its own funds threshold requirement ("**OFTR**") through its fully paid-up ordinary share capital of GBP 50 (in thousands) and audited retained earnings of GBP 44,691 (in thousands). The entirety of its share capital has been subscribed by its immediate parent undertaking.

SCHEDULE 2 BASIC OWN FUNDS REQUIREMENTS

	Category of requirement	Amount (GBP thousands)
1	PERMANENT MINIMUM REQUIREMENT	50
2	FIXED OVERHEADS REQUIREMENT	50
3	K-FACTOR REQUIREMENT (K-AUM: ASSETS UNDER MANAGEMENT)	50
	BASIC OWN FUNDS REQUIREMENT (HIGHEST OF ROWS 1-3)	50