Risk Overview

In this section:

Risk strategy and governance

CVC's approach to risk and business processes support our long-term objective of providing consistent investment performance for investors in our funds. Our approach also ensures we align our interests with our partners, clients, and other stakeholders.

Our risk management framework is designed to manage risk to acceptable predefined levels, rather than eliminate risk entirely, and to harness risk management tools and techniques to inform business decisions and optimise performance.

Alignment with our values

Our values are an integral part of who we are. Our risk appetite, and the framework through which we implement it, seek to further embed these values in our risk culture and conduct, and are inherent in our evaluation of risk.

Two key principles of our risk culture are transparency and improvement. We encourage all employees to discuss and report risks, errors or concerns in an open, 'no blame' environment. This allows us to build a better, more resilient business, and to achieve the best possible outcomes for all our stakeholders.

Risk governance

The Board has overall responsibility for risk management, including approving our risk appetite. The Board delegates detailed oversight of risk management to the Risk Committee.

The Board, as part of the review of the overall Annual Report and Accounts, completed an assessment of the principal risks facing the Company to ensure that they are appropriately captured and mitigated. The Committee, on behalf of the Board, review the principal risks and uncertainties at each committee meeting ensuring that they remain applicable to the Company in light of the environment in which the Company operates. As such, the Directors confirm that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity and reputation. We describe and assess our principal and emerging risks and uncertainties on pages 47 to 51 and explain how they are being managed or mitigated.

Risk Committee
The Risk Committee is an independent sub-committee of the Board, responsible for challenging the design and effectiveness of our risk management framework. It considers any material matters (including internal and external events, control weaknesses and failures, and new or emerging risks) and escalates to the Board where appropriate, and recommends Board approval of our Risk Appetite Policy (RAP). The Risk Committee assesses the principal risks and uncertainties at each Committee meeting, ensuring detailed action plans are in place to mitigate risks identified. As part of the year-end reporting process, the Committee reviewed the principal risks and uncertainties in the Annual Report and Accounts, to ensure that emerging and principal risks are identified and appropriately managed. The principal risks and uncertainties can be found on pages 47 to 51.

Audit Committee
The Audit Committee is an independent sub-committee of the Board, responsible for overseeing the integrity of CVC's financial statements and related financial and non-financial reporting, including reviewing the controls supporting the production and accuracy of the reporting. The Audit Committee also directs our internal assurance function, approving its audit plan, which is devised using a risk-based approach by the Internal Assurance team with input from key stakeholders including the executive and Risk team.

Group Risk Committee (GRC)
The Group Risk Committee is an executive committee, responsible for the monitoring, design and implementation of the risk management framework. It reports to the Risk Committee, overseeing delivery of materials requested by, or being escalated to, the Risk Committee (in line with our RAP). The GRC is also responsible for challenging the assessment and proposed remediation of any material risks, and for escalating risks in accordance with our RAP.

Specialist Committees
CVC has established specialist committees to oversee technical subject matters (e.g. investments, information security, sustainability, people). Our Risk team works closely with them to ensure alignment with our RAP.

Risk strategy and governance continued

Three lines of defence

Combined assurance is the effective coordination of CVC's three lines of defence. This model provides a holistic view of the Group's risk universe, and allows us to manage risk in the most efficient and effective way.

We have established a 'three lines of defence' model, which balances subject-matter expertise, business empowerment, and independent supervision.

1st line
Risk owners and Subject-Matter Experts (SMEs)
Risks are assigned to relevant management, who are SMEs with a deep understanding of the processes they oversee. They are best placed to identify, assess and manage their risks. This approach also establishes accountability.

2nd line
Independent challenge
Legal, Risk and Compliance teams operate independently of, but in partnership with, the business. They implement frameworks the business operates in, and support and challenge risk owners on their activities and assessments of risk.

3rd line
Independent assurance
The Internal Assurance team are independent of the business, reporting to, and operating at the direction of, the Audit Committee. They assess the design suitability and operational effectiveness of business controls, underpinning their work with sample-based testing and thematic reviews.

Risk management developments

Following the IPO, changes to the Group's governance structures and delegations of authority have been implemented to reflect the post-IPO corporate structure and support the reporting requirements of the Board and its sub-committees.

In addition to becoming a listed business, CVC is increasing in size and complexity through a combination of organic growth, the addition of new strategies and investor pools, and the acquisition of complementary businesses. CVC's operating environment is also becoming more complex as global legislators and regulators respond to their own challenges, therefore the structure and formality of our control environment is increasingly important and will require continuous monitoring and development. To ensure we are well-positioned to navigate these challenges, we have embarked on a journey comprising several initiatives to enhance, formalise, and improve our governance and control structures. We have described some of this work in more detail in the relevant principal risks.

GRC activities in 2024 since IPO

The GRC was established prior to the IPO, to oversee the development and implementation of changes to CVC's risk governance and risk management framework.

Following the IPO, a review of the GRC composition was undertaken, which resulted in changes to ensure a balance of seniority and subject matter expertise was achieved. The GRC has otherwise continued to support the Board and Risk Committee by monitoring the principal risks set out in the following section, monitoring the operating environment for changes and assessing the impact of those changes, and overseeing key business changes, such as the information security project (see 'operational' in the principal risks section) and the establishment of an AI governance framework.

Portfolio Company: Ontic
Fund Investment: Europe / Americas Fund VIII

Risk management framework

CVC operates in a highly competitive, regulated environment, and is subject to internal and external factors that can have a material impact on both financial and non-financial performance, including the achievement of strategic objectives.

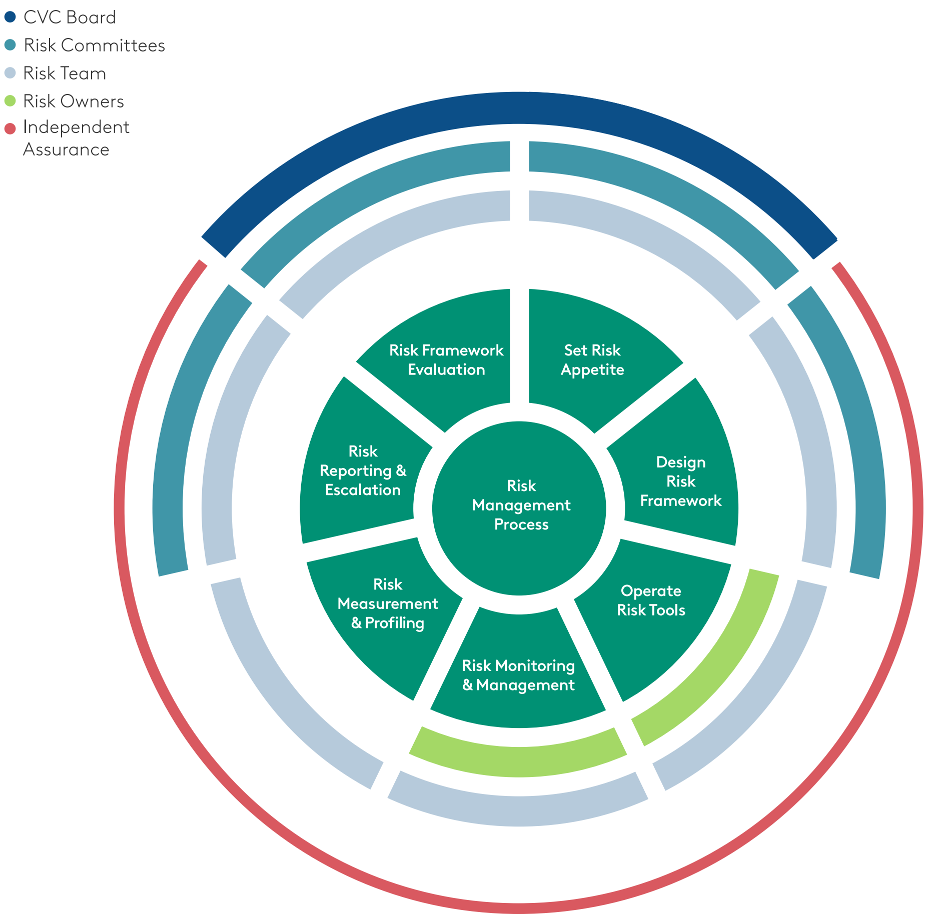
Our risk management framework is designed to maintain the Group's financial and operational resilience by identifying and assessing risks, and helping to build practical and pragmatic ways to manage them whilst optimising any opportunities they may present.

A specialist, dedicated team of risk management professionals designs and oversees our risk management framework.

The Risk Committee regularly reviews our principal risks through a standing report from the GRC. In this, the GRC considers factors affecting each principal risk before determining a risk profile, and summarises the factors and profile in the Risk Committee's report.

The GRC also liaises closely with our various executive committees to ensure there is a common position and aligned approach to understanding and assessing risks and threats, and achieving strategic objectives.

Our risk framework uses several tools to monitor and measure risk profiles, including: stress and scenario tests; risk assessments; resilience programmes and testing; key risk indicators; horizon scanning; and internal and external risk event analysis (if relevant to CVC's business or operating model).



Risk management process

CVC's risk management process aims to continuously improve the design and operation of the control environment, and to ensure our risk appetite is monitored and regularly reviewed to ensure it remains suitable and considers any changes to the internal or external environment.

Alignment with strategy

The Board is responsible for setting the Group's strategy, which in turn is considered in the context of the design and execution of the risk management framework and priorities of the various risk committees and oversight teams. Group strategy is also a key driver of the Group's risk appetite.

Setting risk appetite

Risk appetite thresholds are defined by either quantitative measures, or by assessing the likelihood and impact of a risk's outcome against a pre-defined materiality matrix.

The Risk team formulates quantitative risk appetite thresholds in conjunction with SMEs, back-testing against previous period outputs to ensure they are appropriately calibrated.

The materiality matrix provides 'real world' examples of outcomes at different severities against a variety of impacts, including to the operating model, legal and regulatory outcomes and reputational impacts. This is designed to be a more intuitive guide for the business to what could be a complex assessment.

On an annual basis, or where changes to risk appetite are proposed, the GRC will leverage the subject matter expertise of its members, to challenge any changes before the Risk Committee perform their independent review and recommend any revisions to the Board.

Risk management framework continued

A key risk indicator dashboard comprising both the quantitative measures and qualitative assessments of each principal risk is presented to the GRC and Risk Committee for review and challenge with any risks exceeding appetite levels requiring a commentary and action plan (where necessary).

Designing and operating the risk framework

The Risk team designs the risk framework and ensures it is adapted to reflect changes in best practice or in CVC's operating model and product offerings. The design is challenged by the GRC and approved by the Risk Committee. The framework includes tools that are operated by risk owners and help build a picture of our risk landscape and how well it is controlled.

Risk monitoring and management

The Risk team use various tools as described in the 'Risk management framework' section. These tools are designed to monitor risk within the business. Where risks are identified, or risk profiles are elevated, the Risk team work with the business to agree management plans and actions, which are then tracked at an appropriate forum given the materiality of the risk.

CVC employs various techniques for managing risks it identifies, these include: reducing the likelihood of 'controllable risks' (e.g. through implementing controls); reducing the impact of 'uncontrollable risk' (through diversification or hedging tools or instruments); transferring risks where it is more efficient or cost effective (either by outsourcing to specialist third parties, or insuring against the risk at unacceptable levels); or specifying risks that must be avoided (e.g. through the product development or operational change processes).

Risk profiling and escalation

The RAP sets out criteria for assessing risk materiality and materiality-based escalation. Risk owners assess and rate risks in line with the RAP, and are challenged by the Risk team. The Risk team then aggregates risk profiles at hierarchical levels, up to principal risk categories, to enable appropriate reporting. Elevated risk levels, or issues arising, are escalated in line with the RAP.

Risk framework validation

The Risk team re-evaluates the framework annually before presenting any findings or proposed changes to the Risk Committee for approval. Internal Assurance may independently review or challenge the framework, or specific controls at the direction of the Audit Committee.

Emerging risks

CVC's operating environment is constantly evolving, so we are continually scanning for new risks that may impact the business. These may result from changes in the external environment (regulatory changes, geopolitical shifts, investor sentiment), or from internal changes to product offering or operational change.

Emerging risks are foreseeable changes to the environment that are likely to have a direct impact on CVC's business and that would require lead time to develop and execute a management action plan.

The Risk team maintains a 'Risk Radar' of emerging risks that is informed through regular discussion with business stakeholders, external advisers and legal counsel, industry bodies, amongst other information sources. Where identified, emerging risks are assessed to understand their potential impact and management plans are proposed and tracked alongside 'active' risks through the GRC and Risk Committee.

Key emerging risks under review are explained in the '2024 year in review' under the relevant principal risk.

Whistleblowing

The Board has delegated oversight of the Group's whistleblowing policies and procedures to the Risk Committee. Whistleblowing events are a standing agenda item at the Risk Committee, with any reports discussed on an anonymised basis; these may be escalated to the Board where they are deemed sufficiently material. The Risk Committee is supported by the People team who oversee employee conduct matters, which can include whistleblowing, in conjunction with the Compliance team. Furthermore, the GRC monitor key conduct risk measures and review any material events on an anonymised basis that are escalated by the People team or Compliance; the GRC will in turn escalate any such matters to the Risk Committee that are deemed sufficiently material.

The Group is committed to the highest standards of openness, probity and accountability. An important aspect of accountability and transparency is a mechanism to enable employees and other members of the Group to voice concerns in an effective manner. As such, the Board has adopted a formal policy for raising concerns. All employees are assured that CVC considers all forms of misconduct to be extremely serious and actively encourages any concerns to be raised in order that the matter can be investigated and dealt with speedily. The policy is designed to offer protection to employees who raise any such concerns. Monitoring the effectiveness and appropriateness of the policy also falls within the remit of the Risk Committee, supported by the Internal Assurance and Compliance teams.

Any potential incidents that are reported, via the anonymous reporting facility or directly to individual line managers or leadership, are followed up and investigations launched where appropriate. Ongoing investigations and their outcomes are reported to the Risk Committee.

Principal risks and uncertainties

The risk	What are the risks?	How do we manage them?	2024 year in review
Business and strategic risks **Risk Appetite: Moderate** **Trend over period: Stable**	– The Group could fail to properly formulate or execute its strategy, leading to underperformance against its strategic objectives. This could result from poor management decision-making or a failure to identify and respond to changes in the external environment (such as geopolitical changes). This could result in loss of investor confidence impacting CVC's reputation, share price and our ability to raise funds or access capital markets in the future. – Fundraising objectives may not be met, either as a result of poor product offerings, underperformance of existing funds, or due to external factors such as our asset classes falling out of favour with clients. Fundraising assumptions directly drive recurring revenue forecasts as they are the basis of management fee generation (the most stable and predictable element of the Group's revenue). As such, missing client commitment targets would result in lower management fees, and any delay to fundraising closes or investment start date would defer collection of management fees. In both instances, the Group could fail to achieve financial performance targets for shareholders. We explain this risk in further detail in scenario 1 and 3 of the viability statement on page 52. – The Group could fail to appropriately manage its financial affairs, resulting in loss or devaluation of assets, leading to a reduction in shareholder value. This could include mismanagement of CVC's assets or failure to properly manage credit risk arising from fee debtors or other financial facilities used in the business to manage its capital. – Sustainability commitments may not be met, leading to reputational damage and loss of investor confidence. – The CVC brand could be damaged by failings in other principal risk areas, which could impact our ability to attract and retain clients, talent, and raise future capital through shareholders and capital markets.	– Governance and reporting structures, including the Board's oversight of the executive team, are designed to ensure that our strategic objectives and commitments to shareholders are defined, implemented and monitored. Key decision-making follows a formal delegation of authority model to ensure an appropriate balance between management control and independent oversight. – CVC has a highly experienced and dedicated client management function through its Client and Product Solutions team, and a structured, repeatable fundraising approach that it is able to leverage across each of its strategies. The team has fostered strong relationships with clients, and is able to react to market demands for new products, including adapting fund strategies to meet individual preferences of clients. This is a key team within CVC, and one we continue to invest in. – Financial risks including financial planning and the size and variability of non-recurring revenue are managed by the Finance team. Investment valuations follow a defined policy and are subject to robust challenge through mature governance structures. Transparency of information flow between finance and investment teams ensure variable revenue is subject to appropriate haircuts. – The Group has a dedicated treasury function that oversees elements of balance sheet exposure, including monitoring large cash balances and managing counterparty risk through diversification and use of institutions and/or instruments of suitable credit quality. Whilst there are currency variations in revenue and expenses across the Group, these are diluted to acceptable levels through diversification of our operating geographies. Other significant balance sheet exposures are in the form of investments into funds, which are diversified by geography and sector. – Further information on specific financial risks and risk management are detailed in note 27 of the notes to the consolidated financial statements. – A dedicated Sustainability team operates within principles and objectives set by CVC's Sustainability Committee. These targets are monitored and reported to GRC and the Risk Committee.	During 2024, the Group completed its IPO and relevant reorganisation to support the new public company structure. This strategically important step will provide wider access to capital markets for future strategic growth and increasing awareness of the CVC brand. In addition, we closed the final acquisition of CVC Secondary Partners and acquired CVC DIF to provide further diversification of CVC's revenue streams by adding strategies that offer additional product lines complementary to CVC's existing strategies and investor base. Efforts are now focused on integrating these businesses (where appropriate) to ensure we are able to fully realise the objectives behind the acquisitions; this includes ensuring we take advantage of our distribution network and leverage operational economies of scale where possible. Despite some market headwinds, we achieved our fundraising objectives across multiple strategies. This included commitments from both existing and new clients, cross selling existing clients into different CVC products, and tapping into new pockets of capital such as private wealth, demonstrating our ability to both retain and diversify our client base. However, fundraising has been more challenging for some strategies. Our approach to managing corporate sustainability is covered in detail in the Sustainability Report. Annual investor meetings, and on-going interaction throughout the year, have promoted client engagement across strategies. These interactions enable us to continue deepening our client relationships, and to demonstrate our ability to deliver consistent investment performance.

Principal risks and uncertainties continued

The risk	What are the risks?	How do we manage them?	2024 year in review
Investment objectives **Risk Appetite: Moderate** **Trend over period: Stable**	– Fund performance could fail to meet client expectations. This could result from poor investment decisions, inadequate value creation plans, or due to the impact of geopolitical or macroeconomic events. Investment underperformance can manifest in several ways. A failure to meet financial targets such as capital growth may impact our ability to raise new funds as clients could seek alternative investments (fundraising risk is described under business and strategic risks); capital growth in our investments is the basis of non-recurring revenue as CVC shares in profits when we exit investments, as such lower capital growth equates to lower profit share. Furthermore, the Group bases forecasts for non-recurring revenue on estimated investment holding periods, so any delay to exits would also delay collection of the associated revenue, potentially leading to missed financial targets. The impact of fund and investment performance on the Group is a key factor analysed through the scenarios 2 and 3 of the viability statement on page 52 to 53. – Inadequate deal due diligence by deal teams or third party advisors could fail to identify risks that later result in financial, legal or reputational damage. – Deal teams may be unable to source quality investment opportunities, either through a deterioration in the CVC Network, or through unattractive market conditions. This could delay capital deployment affecting revenue generation and future fundraising. – CVC or its third party advisors could fail to identify sustainability risks or deliver meaningful changes to sustainability practices in our investee companies, leading to financial impacts, reputational damage or affecting future fundraising.	– The Finance team works closely with the investment and fundraising teams to ensure that assumptions driving financial targets are carefully calibrated. In respect of non-recurring revenue, haircuts are applied to budget assumptions to provide headroom given they are less predictable than recurring management fees and are subject to external market forces. – CVC has a long-established, highly conservative investment process which is underpinned by centralised investment committees, led by highly experienced Managing Partners, and which prioritise capital security and sustainable value creation. All investments are subject to CVC's well-developed due diligence processes, which draw on both internal expertise and external advisors to ensure potential risks and uncertainties are identified and managed. – CVC has in place robust portfolio monitoring processes that provide an early indication of any underperformance, including in-depth KPI monitoring, board representation, and regular contact with management teams. Monitoring is supported by the investment teams with oversight from highly experienced Portfolio Committees that critically analyse portfolio performance, and support early action planning in instances of performance impairment. – We have a natural hedge against economic cycles from our diversified product offerings and further diversification through broad geographic and industry exposure at the investment level, generally with a preference for investments in non-cyclical, defensive, sectors. CVC takes a long-term view, and has invested through multiple economic and market cycles, including the global financial crisis and COVID pandemic. Our clients trust us to navigate periods of market volatility, and the nature of private markets means we are able to be patient, particularly in terms of when we access the market to make new investments, or to sell existing portfolio investments. – The Sustainability team work with deal teams to build and track meaningful sustainability objectives in their value creation plans. The team also help track and manage any sustainability concerns identified during deal due diligence or through ongoing monitoring of portfolio company operations via our proactive ownership approach.	Our portfolio performance continues to be resilient across all strategies, with consistent value creation across Private Equity and Infrastructure through the year. Our investment portfolios continue to be resilient across all strategies, with consistent value creation across our combined Private Equity and Infrastructure portfolios, and all material CVC funds remain on or above plan. We have seen an increase in deployment activity across Private Equity, Credit and Secondaries and strong realisations. **Emerging risks** The global macroeconomic environment is showing signs of uncertainty. We are monitoring the impact of these macroeconomic risks on our portfolio companies, including within their supply chains and distribution. We are actively supporting our portfolio companies to help them navigate these uncertainties.

Principal risks and uncertainties continued

The risk	What are the risks?	How do we manage them?	2024 year in review
People **Risk Appetite: Low** **Trend over period: Stable**	– Our people are our greatest asset. However, a deterioration in CVC's reputation, brand or financial health could impact our ability to attract and retain people with the right skills to achieve strategic or investment objectives, or to manage the operations of the business with due skill and diligence. – Whilst we have robust recruitment and screening processes, and place great emphasis on culture, the actions of individual employees could fail to meet CVC standards or values. This could lead to reputational damage or an inhospitable working environment.	– The People team is responsible for helping attract and retain the best employees. – By investing in continuous learning and development, we ensure our people are at the forefront of industry trends and advancements. – We also offer mentoring programmes to all employees, and encourage and support ongoing professional and soft-skills training. – Regular employee feedback through appraisals, including annual '360 feedback' reviews, ensures we identify and act on development needs quickly and effectively. – We prioritise creating an inclusive and supportive workplace culture. Our goal is to foster an environment where every employee feels valued and can contribute their best work. – For information on how we engage with our people, please see the stakeholder engagement section on page 78.	Headcount increased, as a result of acquisitions and as we grew our business operations teams. This included establishing an office in Cape Town as a business operations hub. A key challenge as we move forward through these periods of growth is maintaining the CVC culture that has made us successful to date. We aim to carefully manage the integration of new entities or locations to ensure employees are aligned to CVC values and culture, including through senior leadership spending time with various teams across the CVC Network, relocating key employees to new locations, and encouraging global connectivity through regular leadership touchpoints and townhalls. We are also acutely focused on supporting the required behavioural change that flows from enhancing and formalising our governance and controls structure, as described under the operational principal risk. **Emerging risk** Significant legislative and policy changes in labour law are on the horizon for a number of our key jurisdictions, including the UK, the EU and the US. We continue to monitor any changes closely to understand the potential impacts to our people strategy and approach.

Principal risks and uncertainties continued

The risk	What are the risks?	How do we manage them?	2024 year in review
Legal and regulatory **Risk Appetite: Low** **Trend over period: Stable**	– Inadequate internal processes for monitoring and managing the regulatory environment could result in a failure to identify or comply with regulatory obligations or expectations, leading to regulatory censure, fines or restrictions on activities. A lack of understanding of regulatory requirements or regulators' expectations could result in a failure to obtain or maintain requisite permissions for activities conducted in different jurisdictions. – CVC could fail to manage its legal affairs in a way that sufficiently protects from disputes, leading to reputational damage or financial loss. – We operate in a large number of jurisdictions and our corporate structure has inherent complexity. This could lead to governmental agencies in our operating jurisdictions forming differing views to CVC on matters such as tax planning or financial arrangements such as transfer pricing. Equally, CVC could fail to identify or adhere to local tax requirements given the number of jurisdictions. These risks could lead to regulatory censure, fines or unexpected tax liabilities.	– Our specialist legal, compliance and tax teams, organised to support the business. During 2024, we hired a new Chief Legal and Compliance Officer to develop maturity and integration of the legal, risk and compliance functions across the Group. – In addition to established compliance monitoring, we undertake regular horizon scanning, both internally and with external advice, to identify new requirements or amendments to existing requirements.	Private markets activities have come under increasing focus due to tightening of financial services regulation on the industry. Corporate transparency and an increased focus on transactions recordkeeping have been key themes in financial services regulation. We continue to monitor and manage these areas closely. Changes to legislation are under constant review. Key changes during the year include new EU regulations covering Digital Operational Resilience (DORA), and the EU AI Act requiring certain changes to governance and risk management practices in order to demonstrate compliance in this strategically beneficial area where we have several initiatives under development and deployment. **Emerging risks** Changes to, and implementation of global tax rules are a key focus and in particular the introduction by the OECD of a global tax regime, known as Pillar Two. We have monitored these changes closely and sought expert advice to ensure the tax provisions and disclosures are appropriate; however, the rules and guidance continue to evolve and as a result the impact on CVC's future tax liabilities could change. We have also seen an increase in routine tax enquiries and changes to existing regimes that could impact on our corporate arrangements (such as transfer pricing), fund structures and investments, and have a direct impact on our employees, including the UK government's amendments to tax of carried interest.

Principal risks and uncertainties continued

The risk	What are the risks?	How do we manage them?	2024 year in review
Operational **Risk Appetite: Low** **Trend over period: Improving**	– The Group could fail to design or operate an effective control environment. This increases the risk of errors and omissions in operational processes, fraud, or other operational failings. – Our information security or cyber controls could fail to protect information assets from internal or external threats, leading to unnecessary risks to data compliance, privacy and security. – Inadequate oversight of third parties could result in operational errors or disruption, increased risk profile, or excessive spend. – Plans to manage disruption and ensure continuity of critical processes and availability of infrastructure could be ineffective. – Operational infrastructure may not meet the increasing demands resulting from growth or operational complexity, and this could affect strategic objectives, product development or deployment and operational performance. – Our initiatives to leverage AI technologies to gain operational efficiency and scale could increase the likelihood of related risks occurring, such as the use of inaccurate information supporting decisions (e.g. through hallucinations), maintenance of data privacy/confidentiality, and reliance on third party technologies (specifically given many providers and vendors of AI tools are new, immature businesses).	– We have specialist risk management, information security, data privacy and Internal Assurance teams who design, oversee and audit operational risk and control frameworks. – Our information security programme consists of an overarching framework designed to deliver policies and control operations consistent with international standards. This is supported by an identify and access management programme, security operations capability, vulnerability management programmes (including use of external penetration testing specialists), and a global security awareness programme with mandatory training for all employees. The broader technology environment includes project and change management functions and protocols. – Our third party risk management framework takes a risk-based approach to overseeing key third parties to ensure there is adequate due diligence undertaken and appropriate oversight of their ongoing fitness and performance. – Risk assessments are maintained to identify higher risk areas of the business so that resources can be focused on ensuring appropriate controls are in place or identifying gaps and weaknesses that need control improvements. A centralised risk event reporting process also supports this process. The risk assessment programme is used to help inform the internal audit plan. – A new governance framework for AI has been established that challenges both proposed use cases and technology solutions. A key feature of the framework is an enhanced risk assessment that assesses risks within the use case, the technology, the vendor, and the impact on and readiness of internal technology/ data infrastructure. Any control enhancements identified through the risk assessment are included in a 'path to green' plan that limits implementation stages until key controls are delivered. In addition, we have provided comprehensive training to the business on both the advantages and risks of using AI tools. Prior to being granted access to AI tools, relevant employees must complete the training and attest to certain policies that have been updated to include specific clauses designed to manage AI related risks.	As noted in the 'Risk management developments' section, we have embarked on a journey comprising several initiatives to enhance, formalise, and mature our governance and controls structures to reflect the needs of a publicly listed organisation that continues to see increased growth and complexity alongside a more public profile. We have focused on enhancing our operational control environment in several areas, including: – We are enhancing the risk assessment and operational resiliency programmes to provide a deeper understanding of the design and effectiveness of business controls and to ensure our critical processes have appropriate continuity plans. This also helps identify efficiencies as we integrate our operational capabilities. – We have invested in our third party governance and oversight structures, including building a central third party risk management team and developing existing technology to improve our oversight of third-party risks by ensuring adequate risk-based due diligence and monitoring procedures are in place. – The information security project has made significant progress in aligning information security management systems to the global ISO 27001:2022 framework. We are investing in both people and technology to ensure our information security posture is reflective of our public profile through enhancing and standardising Group-wide policies and processes, embedding a security aware culture through employee training, and centralising identity and access management controls. – As we use technologies such as AI to innovate and equip our teams with the best available tools, we introduce new risks into the business. We have established a new AI governance framework to ensure the technologies support efficiency, and we manage them in a safe and secure way, in compliance with relevant regulations. Whilst progress has been made in advancing these improvement programmes, they will continue to be a key focus area into 2025. Thereafter, they will be under ongoing review as part of a continuous improvement process in line with our objective of delivering operational excellence. **Emerging risks** Key risks under review as we move into 2025 are ensuring we can provide the operational capacity and capabilities needed to deliver the Group's strategic growth targets, including operational challenges relating to new product features and investor pools. AI will also continue to be an emerging risk area as the internal use case proposals and technology develop alongside the external legal and regulatory landscape.

Footnote – the risks underlined are risks relating to the Group's business, industry and markets set out in section 1.1 of the Company's prospectus. You can find this at **www.cvc.com/shareholders/ipo-documents.**

Viability statement

Viability statement

Under the UK Corporate Governance Code, the Board must undertake an assessment of the prospects and viability of the Group.

The Group's future viability and prospects are supported by:

- a large proportion (over 80%) of management fees in 2025 to 2027 being from funds that are already active;
- a largely predictable cost base, with over 68% of it personnel expenses[1] related;
- a strong balance sheet, with adjusted cash and cash equivalents €533m as at 31 December 2024; and
- optionality during stress events including reduced variable remuneration, reduced dividend payments and the use of revolving credit facilities.

Assessment of prospects

The Group assesses its long-term prospects primarily by creating a strategic business plan, which it updates regularly to take account of fund activity and expected returns, changes to fundraising expectations, and updated cost forecasts.

Although the strategic business plan covers a substantially longer period, we selected the three-year period to December 2027 for the viability statement as it broadly follows the deployment lifecycle of our Europe / Americas funds and therefore is the period for which assumptions are most reliable due to the high visibility of earnings from fees and investment returns.

The strategic business plan reflects the Group's strategy, including plans to scale existing strategies, develop new products and build new investment strategies.

Key assumptions within the strategic business plan include:

- fundraising, which drives management fees and underpins the ability to earn carried interest and investment returns from future funds;
- the amount and timing of fund returns and investment realisations, which drive income recognition and cash flow from carried interest and investment in CVC's funds; and
- progress against the current year's budget, which underpins the strategic business plan, is monitored throughout the year and is updated on a quarterly basis.

Assessment of viability

To provide this assessment, the Board must consider the principal risks that could affect the Group, which we outline on pages 47 to 51.

The specific risks likely to have the greatest impact on the performance, liquidity and solvency of the Group in the three-year period are:

- deterioration in fund performance; and
- liquidity issues driven by reduced exit activity.

A significant deterioration in fund performance means lower investment valuations and lower carry recognition. This could have an adverse effect on the Group's reputation and its ability to raise capital for future funds. This in turn would reduce MFE, and the potential to earn carried interest and investment income in the future. If such an event were sufficiently material, this could impact the Group's ability to remain compliant with its financial covenants under the terms of the existing private placement notes and revolving credit facility.

Reduced exit activity across the Group's investment strategies would reduce both carry distributions and co-investment distributions from CVC fund investments. This could create liquidity constraints, impacting our ability to fund our co-investment commitments.

The Board reviews the key risks regularly and considers the options available to mitigate these risks to ensure the ongoing viability of the Group. The Group's viability requires consideration of the capital and liquidity required for regulatory capital and working capital purposes. The strategic business plan has undergone stress-testing, which considers the impact of the Group's key risks materialising over the three-year assessment period. The stress scenarios applied to the three-year period are as follows:

Scenarios:	Links to principal risks:
Scenario 1: Deterioration in fund performance affecting fundraising **Assumptions:** No further uplift in investment valuations. No further uplift in carry recognition. 30% reduction in fundraising targets.	Business and strategy risk
Scenario 2: Liquidity issues **Assumptions:** 50% reduction in co-investment distributions. 100% reduction in carry distributions. Mitigated by a 50% reduction to shareholder distributions and a 50% reduction to performance fee compensation.	Investment objectives risk
Scenario 3: Combination of Scenario 1 and 2	

1. Pro forma personnel expenses for the year ended 31 December 2024 excluding exceptional costs but including performance fee compensation. Total expenses excludes the change in fair value of the forward liability.

Viability statement continued

Having reviewed the results of the stress tests, the Board concluded that the Group would have sufficient capital and liquid resources, and that there would be no breach of covenants in each of the respective scenarios, subject to taking appropriate action to sustain the Group's ongoing viability.

Appropriate controllable management actions include:

- reducing variable compensation costs (which represent c.35% of payroll costs);
- changing the timing of, or reducing the size of, the Group's dividends; and
- using or extending debt facilities.

A stress event could potentially be more severe than those modelled. In this scenario, other actions are available that may reduce the impact of more severe scenarios, but the Board has not specifically modelled this as these scenarios are considered to be remote and, as such, the analysis would not be meaningful. In place of this, the Group has produced a reverse stress test to identify circumstances under which the business model becomes unviable. The most plausible of these is a severe macroeconomic shock that results in the write-down of the value of a significant number of investments held by the funds.

This would immediately affect fund performance and income from carried interest, performance fees, and investment returns. However, even in severe stress scenarios, this is unlikely to have an immediate impact on viability, given the long-term contractual nature of management fees. If the impact is more permanent, this could affect the ability to exit fund investments and raise new funds, and this could in turn impact the Group beyond the period covered in this viability assessment.

The reverse stress test determines the level of reduction to EBITDA to trigger a breach of the Group's financial covenants, in the absence of any management actions. Such a scenario is considered to be extremely remote, as it requires forecast operating costs to increase by 17%, compounded annually over the three-year period versus the strategic business plan at the same time as recognising no further uplift in investment valuations or carry recognition. While the occurrence of one or more of the principal risks has the potential to affect future performance, none of them are considered likely, either individually or collectively, to give rise to trading deterioration of the scale required by the reverse stress test to threaten the Group's viability over the three-year period.

Conclusion

Based upon the assessment set out above, the Board has a current reasonable expectation that the Group will be able to continue in operation, with adequate liquidity and capital, and meet its liabilities as they fall due over a viability horizon of at least three years.

Going concern statement

In accordance with the UK Corporate Governance Code, the Board has a responsibility to evaluate whether the Group has adequate resources to continue operating for the foreseeable future and for at least the next 12 months from the signing of the financial statements.

Assessment of going concern

In carrying out their going concern assessment, the Board considered a wide range of information, taking into account both the Company's and the Group's current performance and outlook, using information available up to the date of the issue of the financial statements.

This included:

- the Group's strategic business plan;
- the Group's risk appetite and approach to managing risk; and
- the current financial position and resources of the Group.

Business model

As shown by the table below, a high proportion of the Group's total revenue is made up of management fees, which are under long-term fund management contracts. When considered together with a largely predictable cost base, of which over 68% is personnel related[1], the Group has a good level of visibility of income, expenditure and future profitability when projected over the next 12 months and beyond.

	Dec-24	Dec-23
MFE (€m)	780	557
Pro forma management fees as a % of total revenue (%)	88%	86%
MFE margin %	59%	52%
Pro forma personnel expenses as a % of total expenses[1] (%)	68%	66%

Key assumptions made in the forecasts that underpin the Board's going concern assessment are set out above within the viability statement.

Liquidity and resources

As at 31 December 2024, the Group had a strong balance sheet with adjusted cash and cash equivalents of €533m (Dec-23: €291m), and a €600m revolving credit facility (Dec-23: €600m). The Group's liquidity position is monitored frequently, to ensure that funding is always available to meet liabilities as they fall due. This includes monitoring the amount and timing of all operating expenses and detailed forecasting on the value and timing of drawdowns to and distributions from fund investments.

Stress testing

In making their assessment the Board has considered scenarios prepared in conjunction with the viability statement, including lower returns from fund investments, which would impact income recognition and cash flow of the Group, as well as a reverse stress test. The directors are satisfied that, even under these stressed scenarios, the Company and the Group would remain a going concern and would not be in breach of any financial covenants.

Conclusion

The Board acknowledges its responsibilities in relation to the financial statements for the year to 31 December 2024. After making their assessment of going concern for at least 12 months from the date of the approval of the financial statements, the directors consider it appropriate to prepare the financial statements of the Company and the Group on a going concern basis.

1. Pro forma personnel expenses excludes exceptional costs but includes performance fee compensation. Total expenses excludes the change in fair value of the forward liability.