By email: Neal Prunier nprunier@ilpa.org
October 2024

Dear Neal,

Re: ILPA Quarterly Reporting Standards Initiative – BVCA response

The BVCA is the industry body and public policy advocate for the private equity and venture capital (private capital) industry in the UK. With a membership of over 620 firms, we represent the vast majority of all UK-based private capital firms, as well as their professional advisers and investors.

The BVCA is supportive of, and has been involved in, the ILPA Quarterly Reporting Initiative since its inception, being a member of the ILPA Satellite Group and holding regular meetings with ILPA colleagues. We welcome the opportunity to input into the consultation and thank ILPA for its work on this important topic. The BVCA understands and agrees with ILPA's goal of creating "evolved quarterly reporting standards that can be adopted across the industry, driving greater convergence, and improving the experience for all participants." This marks the first update to the ILPA Reporting Template since 2016 meaning that significant time has passed since the last update which underlines the need to complete this review and update the template, while at the same time creating a new template for the industry.

The BVCA, following consultation with members, has decided not to complete the surveys published by ILPA as we are not in a position to meaningfully respond to the majority of the questions. However, we have shared the surveys and materials with our members on numerous occasions and have encouraged them to respond. We have therefore limited our response to the below key points that have been agreed with our members. This feedback focuses on timing and flexibility, highlighting the need for time to comply, careful consideration on implementation and for which funds, and optionality, including the option to comply or explain in certain circumstances. We have also provided high level comments on each template, including the importance of the "other" expense categories in the reporting template and the need for limitations in the performance template, for example around performance calculations.

We hope that our feedback is helpful to ILPA as it completes this review. We would like to thank ILPA for the very open, collaborative and transparent approach it has taken in completing this review.

General comments applicable to both templates

Timing & implementation

- The implementation date and inclusion of funds, whether at the outset of their life cycle or grandfathered, is a fundamental concern for members and impacts how members answer the consultation. This will also determine how much complexity, work and cost is involved across the defined timeframe.
- There should be a fixed "prospective date" for compliance as it will be very complicated to retrospectively re-cut booked data for the incremental new categories and enhanced disclosure, particularly where prior years are locked down, have been audited and numbers have been reported. Our members, both GPs and LPs, think that retrospective application

has little benefit given the historic periods are locked down and decisions have already been made or regulatory findings submitted. Re-opening prior periods will expose GPs, and indeed LPs, to increased risk.

- Q1 2026 is preferable as a prospective date as it allows the most time for our members to prepare for the new reporting, including the time to discuss the templates with LPs. If GPs wish to adopt earlier there is the opportunity to do so.
- We would suggest therefore that funds raised after the go live date of the QRSI should be the first to apply the new templates. The new templates should not apply to prior funds and that templates should apply from the same date.
- The surveys helpfully ask whether smaller GPs should be given more time to apply the templates. We agree with this approach. GPs of smaller sizes (named as Emerging and/or mid-market managers) may need longer to comply given they have fewer resources available.
- We think that some LPs may need guidance on how to make the distinction between these GPs and so it will be important to include very clear definitions that address this. As a measure of this, "active AUM" is preferable to "number of funds" as it removes funds in dissolution and legacy funds in run off which may no longer be charging fees. Active AUM will also remove smaller GPs which have multiple funds but low relative value, which we think is important.

Flexibility & buy-in

- ILPA should aim to incorporate flexibility, for example, with options to report certain metrics made clear in specific guidance, into the templates as a one size fits all approach may not give the best outcomes for GPs and LPs. Our members may have nuances (structure, size, geography, investment focus) and so it is vital that there is flexibility in reporting for the benefit of all parties.
- GPs will need some discretion around how to apply the new templates to their funds and structures and indeed these may already be discussed with LPs. We would advocate for optionality to explain edits and omissions as it will be very difficult for GPs to get this 100% right (especially first time) due to the depth of information required.
- We are concerned with the addition of line items related to other entities in the templates, for example with NAV facilities. These facilities are often structured below or outside the fund and are recorded in different legal entities. Should there be an impact on the fund, these are already reflected via the specific asset fair values (and therefore the fund NAV). We think that the templates should only capture events occurring in the fund which impact the fund NAV.
- ILPA should consider including the option to comply or explain in areas where the GP may not have the information or indeed where the line item/topic is not relevant. The GP could provide an explanation for not including a piece of information in specific circumstances ("comply or explain").
- We would like to see benchmark providers such as Preqin, CA and Pitchbook sign up to or publicly endorse the performance measurement approach adopted within the QRSI to ensure consistency of application within the industry and like-for-like data comparisons which critically provide a level playing field for all users of benchmarking, including but not limited to GPs and LPs.

- It is critical that buy-in of applying the templates is provided by fund administrators (US, Europe, and Asia) to ensure consistency. We would ask that ILPA ensure Fund Administrators 'sign up' to the QRSI which will ensure consistent application.

Reporting template

- We think the existing proposed list is extensive and that no further items should be added.
- We agree with the insertion of "other" expense categories to capture items not listed and agree no amount limit applied to this category.
- Management fee calculation: we think that the requirement on management fees should be limited to a core input calculation and not attempt to include every line item via a full calculation. Given the variability of fund structures and calculations this otherwise introduces too much complexity. In the scenario that an LP wants a full calculation, the GP can (and currently does) resolve and aim to provide it outside the template.
- Partnership section: we recommend that this should not include NAV facility expenses where these are structured outside the fund. It is common practice that NAV facilities (and their related expenses) are structured below the fund and their impact in the fund is therefore accounted for through fair values which roll into the fund NAV. NAV facility expenses should only be included if the NAV facility is structured within the fund. This should be made clear in the template.
- Portfolio company section: these flows are not in the funds' books as they occur elsewhere in different legal entities. We understand why ILPA has included this section and line items however we think it is overly complex and difficult to aggregate multiple legal entities into a singular report. There would also be an intrinsic time lag in the data, if it could be complied in this manner, as entities might prepare or report on different timescales. This requirement also assumes that the GP has control over the data to aggregate it as proposed. We think this section should be optional or at a minimum phased in at a later date.
- Related Persons: The suggestion to use US GAAP is US centric and raises concerns for members who do not use US GAAP and / or are not US based. The definition should be driven by GAAP as defined in a fund's LPA or similar governing legal framework as this is the scope of contract between the GP and its LPs.
- There is a risk that the creation of new reporting or performance metrics could create confusion if consumed beyond a private equity context. For example, if NAV facility flows related to a different legal entity are aggregated with fund flows (when already in the fund NAV).

Performance template

- As noted earlier, the funds this applies to determines how our members might respond to the questions in the survey, as that will define the complexity, cost and level of work involved.
- If legacy funds are caught, then there is a high probability that the categories cannot currently be captured and would require historical data rework. For example, many of our members will not capture data at the level of granularity or specific categories listed.
- Our members suggest that reporting should only be provided after a full four quarters of operating results after final close. This will allow for the appropriate time to gather the

required information. If this is not possible, then we think that a good middle ground and settling point would be the first full quarter starting after final close. For example, a fund with a February 2025 final close would issue its first quarterly report under these guidelines for June 2025, deliverable in August-September 2025.

- We think that ILPA should not introduce a "partially realised" category. Our members have said that this category will be too subjective, will create uncertainty, and introduces variability across reporting which will undermine ILPAs objectives. We think it should be left as realised or unrealised only.
- Gross IRR/MOIC: should be defined as flows between the fund and investments (including intermediate holding structures/SPVs). Net IRR/MOIC is a fund (incorporating parallel partnerships and feeders)/LP level metric transaction.
- Performance calculations should be limited to fund level financing (eg: sub lines). Calculations should not include NAV lines as these are generally financings that sit outside the fund, as noted earlier in this response.
- We would advise against introducing US regulatory topics, for example, US Marketing rules, as this will likely create confusion and volatility in numbers, particularly for LPs who are not US based. IRRs/MOICS should stick to accounting cash flows.

We welcome further discussion with ILPA as they finalise their templates and during their launch and implementation. Please do not hesitate to get in touch (please contact Ciaran Harris at charris@bvca.co.uk) if you have any comments or questions.

Yours sincerely,

Jonathan Martin

Chair, BVCA Accounting, Reporting & Governance Committee