Hayfin Capital Management LLP

MIFIDPRU 8 Disclosure

October 2025

1. Introduction

The Financial Conduct Authority ("FCA" or "Regulator"), in its Prudential Sourcebook for MiFID Investment Firms ("MIFIDPRU"), sets out the detailed prudential requirements that apply to Hayfin Capital Management LLP ("HCM" or the "Firm"). In particular, Chapter 8 of MIFIDPRU ("MIFIDPRU 8" or the "public disclosure requirements") sets out public disclosure obligations with which the Firm must comply.

Hayfin Capital Management LLP ("HCM") is classified under MIFIDPRU as a non-small and non-interconnected investment firm ("non-SNI MIFIDPRU investment firm"). Accordingly, MIFIDPRU 8 requires the Firm to disclose information on the following areas:

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

This document has been prepared by HCM in accordance with the requirements of MIFPRU 8. Unless otherwise stated, all figures are current as at the 31 December financial year-end.

2. Governance Arrangements

Overview

HCM believes that effective governance arrangements help the Firm achieve its strategic objectives while also ensuring that risks to the Firm, its stakeholders and the wider market are identified, assessed, managed and mitigated.

The Executive Committee sits at the level of Hayfin Management Holdings Limited, the ultimate parent company of the Hayfin group (the "Group"). The Executive Committee is responsible for all decisions regarding the day to day management of the Group, including HCM, which do not fall within the scope of responsibilities of the Remuneration Committee, and is therefore responsible for defining and overseeing the governance arrangements at the Firm.

In line with MIFIDPRU 8.3.1 (2), the table below sets out the number of directorships, both executive and non-executive, held by each member of the Executive Committee:

Management body member	Position at HCM	Number of directorships held	
		Executive	Non-Executive
Timothy B Flynn	Chief Executive (SMF 1) Partner (SMF 27)	1	0
Mark James Tognolini	Chief Executive (SMF 1) Partner (SMF 27)	1	0

Executive Committee

Hayfin ensures that the Executive Committee:

- has overall responsibility for Hayfin Capital Management LLP and Hayfin Emerald Management LLP (the "FCA Firms");
- approves and oversees implementation of the FCA Firms' strategic objectives, risk strategy and internal governance;
- ensures the integrity of the FCA Firms' accounting and financial reporting systems, including financial and operational controls and compliance with the regulatory system;
- oversees the process of disclosure and communications;
- has responsibility for providing effective oversight of senior management;
- monitors and periodically assesses:
  - the adequacy and the implementation of the FCA Firms' strategic objectives in the provision of investment services and/or activities and ancillary services;
  - the effectiveness of the FCA Firms' governance arrangements; and
  - the adequacy of the policies relating to the provision of services to Clients; and take appropriate steps to address any deficiencies and
- has adequate access to information and documents which are needed to oversee and monitor management decision-making.

Hayfin ensures that the Executive Committee defines, approves and oversees:

- the organisation of the FCA Firms, including the skills, knowledge and expertise required by staff as well as the FCA Firms' resources, procedures and arrangements;
- a policy regarding the services, activities, products and operations offered or provided, in accordance with the risk tolerance of the FCA Firms and the characteristics and needs of the FCA Firms' Clients, including carrying out stress testing, where appropriate; and
- a remuneration policy that aims to encourage responsible business conduct, fair treatment of Clients as well as avoiding conflicts of interest in the relationships with Clients.

Audit and Risk Committee

The Audit and Risk Committee ("ARC") is responsible for the oversight of the risk framework of the Group, including at the level of HCM. Its primary responsibilities are to review key financial and operational risk information and to assist management in reviewing and periodically assessing the Group's risk management framework. The ARC's other main duties are to oversee the integrity of the Group's financial reports and the effectiveness of the Group's systems and controls.

Remuneration Committee

The Remuneration Committee is responsible for decisions regarding the exercise of discretion which is conferred on the Remuneration Committee by the legal framework of the Group, including but not limited to: decisions regarding compensation entitlements of certain senior Hayfin employees and operating partners; any changes to the vesting terms of the management incentive plan; approving dividend payments in certain circumstances; appointing the chairperson of the ARC; determination of the Group value in accordance with the shareholders' agreement; and the price paid for a good leaver's incentive shares (if any) in excess of agreed amounts.

3. Risk Management Objectives and Policies

This section describes HCM's business strategy and risk management.

Business Strategy

The Firm acts as an investment manager and advisor directly and indirectly to commingled funds and separately managed accounts ("Funds"). The Firm manages four core debt investment strategies: Direct Lending, Special Opportunities, Tactical Solutions and High Yield and Syndicated Loans. The Firm also manages a Private Equity strategy.

Direct Lending, Tactical Solutions and Special Opportunities are the Firm's private credit strategies through which the Firm aims to provide specialised lending solutions to middle-market companies and private credit situations, primarily originated in Western Europe. Direct Lending focuses on vanilla, senior secured investments, whereas Special Opportunities targets higher complexity, higher risk situations in which the Firm assesses the credit risk to be lower than the risk perceived and priced by the market. The Tactical Solutions strategy targets investments that sit between the Direct Lending and Special Opportunities strategies. The private credit strategy also invests capital in two dedicated industry funds in the Healthcare and Maritime sectors.

The High Yield and Syndicated Loans strategy focuses on both European and U.S. high-yield bonds and syndicated loans.

Hayfin's Private Equity Solutions team partners with sponsors in a structure-agnostic way to acquire equity exposure to European mid-market companies. The principal focus of investment is equity co-investments and providing liquidity to existing assets through GP-led secondary solutions.

Shareholder value is primarily driven by growing the Firm's fee-paying AUM and therefore management fees, which in turn is driven by its ability to raise and deploy capital.

Risk Management

Hayfin has established a risk management framework to ensure that it has effective systems and controls in place to identify, assess, manage, monitor and report risks arising in the business. The Executive Committee has ultimate responsibility for the effectiveness of risk management in Hayfin and believes the risk management framework the Firm has implemented is appropriate and proportionate, in view of the nature, scale, and complexity of the business.

The business areas and management are the First Line of Defence ("1LOD"). As such they own the risk assessments for their areas, understand the corresponding risk exposures and support effective systems to manage and mitigate their risks which includes robust and comprehensive controls and documented procedures.

The Risk and Compliance functions act as Second Line of Defence ("2LOD") providing independent oversight of the business areas and management. The Risk and Compliance teams produce management information that is provided to the Risk and Compliance Committee and ARC to assist in supporting these control functions.

The Compliance team designed an annual compliance monitoring plan in conjunction with Hayfin's third-party compliance consultant. It is managed by Hayfin's Compliance team and executed by the compliance consultant, with results being reported through both the Risk and Compliance Committee and ARC.

An independent external auditor provides a Third Line of Defence ("3LOD"), conducting the audit of the financial statements. Hayfin currently does not have an internal audit function.

To provide a uniform and structured approach to identification and classification of risk across Hayfin, risks are categorised under Strategy/Business, Financial and Operational Risks. Hayfin's approach is to identify and assess specific risks within these groups, mitigate and manage these risks, and monitor and report against these risks. Doing so provides the foundation to enable the Firm to deliver against its strategic objectives. A library of risks sits below each risk group. These risks and their definitions are subject to periodic review to ensure they remain relevant to the internal and external environment within which Hayfin operates.

Effective risk management is key to the success of delivering HCM's strategic objectives. The primary objectives of risk management at Hayfin are to ensure that there is:

- A strong risk culture so that employees can identify, assess, manage and report against the key risks the business is faced with;
- An appropriate balance between risk and the cost of control;
- A defined risk appetite within which risks are managed; and
- A swift and effective response to incidents to minimise impact.

4. Own Funds Requirement

HCM is required to always maintain own funds that are at least equal to the Firm's own funds requirement. The own funds requirements are the higher of the Firm's:

- **Permanent minimum capital requirement ("PMR")**: The PMR is the minimum level of own funds required to operate at all times and, based on the MiFID investment services and activities the Firm currently has permission to undertake, is set at £75,000;
- **Fixed overhead requirement ("FOR"):** The FOR is intended to calculate a minimum amount of capital that HCM would need available to absorb losses if it has cause to wind-down or exit the market, and is equal to one quarter of the Firm's relevant expenditure; and
- **K-Factor requirement ("KFR"):** The KFR is intended to calculate a minimum amount of capital that HCM would need available for the ongoing operations of its business. The K-factor that applies to the Firm's business is K-AUM (calculated on the basis of the Firm's AUM).

HCM's own funds requirement, inclusive of its harms assessment, is currently set by its FOR.

One of the strategies adopted to manage adherence to the Firm's own funds requirement is by maintaining a healthy own funds surplus above the own funds requirement. If own funds drop to an amount equal to 120% of the Firm's own funds threshold requirement, the Firm will immediately notify the ARC and if own funds drop to an amount equal to 110% of the Firm's own funds threshold requirement, the Firm will immediately notify the regulator. The ARC will escalate to the Executive Committee which will consider the necessary steps to be taken to increase the own funds buffer; which may include injecting more own funds into the Firm. Liquid Assets are also monitored in a similar way.

The below table illustrates the various components of the HCM's own funds requirement:

Requirement	**£'000**
(A) Permanent Minimum Capital Requirement ("PMR")	75
(B) Fixed Overhead Requirement ("FOR")	18,060
(C) K-factor requirement ("KFR")	4,113
- K-AUM – *risk arising from managing and advising on investments*	4,113
- K-COH – *risk from order execution and reception and transmission of orders*	-
(D) Own Funds Requirement (Max A; B; C)	**18,060**

HCM is also required to comply with the overall financial adequacy rule ("OFAR"). This is an obligation on HCM to hold own funds and liquid assets which are adequate, both as to their amount and quality, to ensure that:

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

Where HCM determines that the FOR is insufficient to mitigate the risk of a disorderly wind down, the Firm must maintain additional own funds required for winding down, above the FOR, that is deemed necessary to mitigate this risk. Similarly, where the Firm determines that the KFR is insufficient to mitigate the risk of harm from ongoing operations, the Firm must maintain an 'own funds required for ongoing operations', above the KFR, that is deemed sufficient to ensure the viability of the Firm throughout economic cycles.

The Firm's own funds threshold requirement is the higher of:

- the Firm's PMR;
- the sum of the Firm's FOR and its additional own funds required for winding down; and
- the sum of the Firm's KFR and its additional own funds required for ongoing operations.

This is the amount of own funds that HCM is required to maintain at any given time to comply with the OFAR.

Liquid Assets Requirement

HCM maintains core liquid assets in compliance with the Basic Liquid Asset Requirement (“BLAR”) under MIFIDPRU 6. HCM has assessed liquid assets required to fund ongoing operations and additional liquid assets required to fund wind-down as part of the ICARA process, and maintains liquid assets in compliance with the Liquid Assets Threshold Requirement (“LATR”).

5. Own Funds

As at 31 December 2024, HCM maintained own funds of £47.0 million. The below regulator-prescribed tables provide a breakdown of the Firm’s 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	**OWN FUNDS**	**46,851**	
2	**TIER 1 CAPITAL**	**46,851**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**46,851**	
4	Fully paid-up capital instruments	9,115	1
5	Share premium	-	
6	Retained earnings		
7	Accumulated other comprehensive income	-	
8	Other reserves	43,568	1
9	Accumulated other comprehensive income	-	
10	Accumulated other comprehensive income	-	
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(5,832)	
19	CET1: Other capital elements, deductions and adjustments	(5,832)	2,3
20	**ADDITIONAL TIER 1 CAPITAL**	-	
21	Fully paid up, directly issued capital instruments	-	
22	Share premium	-	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	
24	Additional Tier 1: Other capital elements, deductions and adjustments	-	
25	**TIER 2 CAPITAL**	-	
26	Fully paid up, directly issued capital instruments	-	
27	Share premium	-	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	-	
29	Tier 2: Other capital elements, deductions and adjustments	-	

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements				
		Balance sheet as in published/audited financial statements	**Under regulatory scope of consolidation**	**Cross-reference to above template**
		As at 31 December 2024	As at 31 December 2024	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements (in £'000)				
1	Right of use asset	17,663	26,805	
2	Property, plant and equipment	10,636	11,780	
3	Intangible assets	5,207	5,372	19
4	Investments in subsidiaries	626	314	19
5	Restricted cash and deposits	41	1,158	
6	Trade and other receivables	96,067	107,695	
7	Amounts due from Members	75	38,453	
8	Cash and cash equivalents	7,259	10,594	
9	Financial assets at fair value through profit and loss		143,981	
	Total Assets	**137,575**	**346,152**	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements (in £'000)				
1	Lease liabilities	20,906	31,979	
2	Trade and other payables	41,744	49,703	
3	Borrowings	17,360	136,428	
4	Amounts due to Members	4,881	-	
	Total Liabilities	**84,891**	**218,110**	

Shareholders' Equity (in £'000)				
1	Eligible Members' LLP capital	9,115		4
2	Share capital		122,361	
3	Share-based payment reserve	33,274		8 (audited only)
4	Retained earnings	10,295	3,887	
5	Cumulative translation adjustment		1,794	
	Total Equity	**52,684**	**128,042**	

Own funds: main features of own instruments issued by the Firm	
HCM's own funds consists solely of Common Equity Tier 1 Capital. The main features of the own funds issued by the Firm issued are highlighted below:	
Placement	*Private*
Instrument type	*Eligible Members' LLP capital*
Amount recognised in regulatory capital (GBP thousands, as of most recent reporting date)	*9,115*
Accounting classification	*Equity*
Perpetual or dated	*Perpetual*
Write-down features	*Ranks last on winding up*

6. Remuneration Policy and Practices

Overview

As a non-SNI MIFIDPRU investment firm, HCM is subject to the 'basic' and 'standard' requirements of the MIFIDPRU Remuneration code. The purpose of the requirements on remuneration are to:

- promote effective risk management in the long-term interests of the Firm 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 HCM's remuneration policies and practices are 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 the Firm and the services that it provides to its clients.

In addition, HCM recognises that remuneration is a key component in how the Firm attracts, motivates and retains staff and sustains consistently high levels of performance, productivity and results. As such, the

Firm's remuneration philosophy is consistent with the belief that its people are the most important asset and greatest competitive advantage.

HCM is committed to excellence, teamwork, ethical behaviour and the pursuit of exceptional outcomes for clients. From a remuneration perspective, this means 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 the remuneration policy and practices

Remuneration at HCM is made up of fixed and variable components.

The fixed component of the remuneration comprises salary, which is permanent, pre-determined, non-discretionary, non-revocable and which is not dependent on the performance of the individual. The fixed component is set in line with market at a level to attract and retain skilled staff.

The variable component of remuneration broadly comprises annual variable remuneration paid in cash and long-term incentives. Long-term incentives are themselves split into three categories: (i) awards of carried interest; (ii) awards of equity which are made via a restricted share scheme and; (iii) a management incentive program. Variable remuneration is paid on a discretionary basis, and takes into consideration the Firm's financial performance, the financial performance of each business unit, and the financial and non-financial performance of the individual in contributing to the Firm's success. All staff members are eligible to receive variable remuneration.

When assessing the level of variable remuneration to be paid, the Firm applies a number of both financial and non-financial performance criteria at the level of the firm, the relevant business unit and the individual to whom the remuneration is payable. At the level of the Firm, in determining the variable remuneration which can be awarded, current and future risks or anticipated risks to the Firm, as well as the Firm's liquidity requirements on a current and a look-forward basis are taken into account. Furthermore, other matters relevant to the long-term success of the Firm such as ensuring that remuneration is aligned with the interests of the Firm's shareholders and its clients and seeking to attract and retain talent, amongst others, are taken into consideration.

As to both the business unit and the individual level, the Firm awards variable remuneration where the employee or the business unit in which the employee sits has contributed to the long-term interests of the Firm, measured against factors such as profitability. Further, at the individual level, no employee shall be encouraged to take, or rewarded for taking, excessive risks for the purpose of generating short-term profit.

HCM ensures that the variable and fixed components of the total remuneration are appropriately balanced and that the fixed component represents a sufficiently high proportion of the total remuneration. This allows for a fully flexible policy on variable renumeration and the possibility of paying no variable remuneration component, which the Firm would do in certain situations, such as where the Firm's profitability is particularly constrained, or where there is a risk that the Firm may not be able to meet its regulatory capital or liquidity requirements.

Governance and Oversight

Governance and oversight is provided by the Remuneration Committee, the scope of which is described in Section 2.

Material Risk Takers

HCM is required to identify its material risk takers; that is, those members of staff whose professional activities have a material impact on the risk profile of the Firm and of the assets that the Firm manages. The types of staff that have been identified as material risk takers at HCM are:

- members of the senior management team;
- those with managerial responsibility for a client-facing or client-dealing business unit of the Firm;
- those with managerial responsibilities for the activities of a control function[1];
- those with managerial responsibilities for the prevention of money laundering and terrorist financing;
- those that are responsible for managing a material risk within the Firm;
- those that are responsible for managing information technology; information security; and/or outsourcing arrangements of critical or important functions; and
- those with authority to take decisions approving or vetoing the introduction of new products.

Quantitative Remuneration Disclosures[2]

The below table quantifies the remuneration paid to staff in the financial year 1st January 2024 to 31st December 2024. For these purposes, 'staff' is defined broadly, and includes, for example, employees of the Firm itself, members, employees of other entities in the group, employees of joint service companies, and secondees.

Period: 1st January 2024– 31st December 2024			
		Senior Management & Other material risk takers	Other staff
Total number of material risk takers		19	
Remuneration Awarded	Fixed (£)	6,149,178	33,355,822
	Variable (£)	8,535,448	29,624,793
	Total (£)	14,684,627	62,980,615
Guaranteed variable remuneration	Amount (£)	0	
	# Staff Awarded	0	
Severance payments	Amount (£)	Omitted	
	# Staff Awarded	Omitted	
Highest severance payment awarded to an individual (£)		Omitted	

[1] A control function is defined as a function (including, but not limited to, a risk management function, compliance function and internal audit function) that is independent from the business units it controls and that is responsible for providing an objective assessment of the Firm's risks, and for reviewing and reporting on those risks.

[2] MIFIDPRU investment firms are typically required to split the quantitative data in the above table, where relevant, into categories for senior management and other material risk takers. The regulator however allows firms to aggregate or altogether omit the information to be disclosed for senior management and other material risk takers, where splitting the information between these two categories would lead to the disclosure of information about one or two people. HCM has relied upon this exemption, MiFIDPRU 8.6.8R(7), and has aggregated the disclosure of fixed/variable/total remuneration awarded and omitted the disclosure of severance payments, in order to prevent the individual identification of a material risk taker.