

Hayfin Emerald Management LLP

MIFIDPRU 8 Disclosure

October 2026

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 Emerald Management LLP (“HEM” 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.

HEM 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 HEM in accordance with the requirements of MIFIDPRU 8. Unless otherwise stated, all figures are current as at the 31 December financial year-end.

2. Governance Arrangements

Overview

HEM 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 day-to-day management of the Group, including HEM, 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 HEM	Number of directorships held	
		Executive	Non-Executive
Timothy B Flynn	Chief Executive (SMF 1) Partner (SMF 27)	2	1
Mark James Tognolini	Chief Executive (SMF 1) Partner (SMF 27)	2	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.

Management Committee

The Management Committee (“ManCo”) exists to inform and strengthen Executive Committee decisions by sharing insight, surfacing risks, and stress-testing thinking at the enterprise level. It is made up of senior leaders representing various functions (including a Co-CEO as Chairperson). Any matter requiring a formal decision is escalated to the Executive Committee, to which the ManCo reports. The ManCo is purely advisory and holds no formal decision-making authority, which rests solely with the Executive Committee.

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 HEM. 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. The ARC approves the Firm’s ICARA annually (or more frequently in the event of material change in the business).

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 HEM’s business strategy and risk management.

Business Strategy

The Firm acts as an originator and investment manager of European collateralised loan obligation (“CLO”) vehicles. Appointments as manager to CLO vehicles are governed by Collateral Management Agreements (“CMA”) which, inter alia, set the investment criteria, management fees payable and notice periods. Appointments to warehoused vehicles are governed by Warehouse Agreements, which do not yield management fees. The CMA may only be terminated for cause, which is narrowly defined to include such conduct as willful breach, fraud or insolvency of the manager.

HEM is a MiFID regulated investment manager and typically satisfies risk retention requirements via the manager originator route. HEM complies with applicable EU risk retention requirements by holding at least a 5% net economic interest in the CLO vehicles that it manages. HEM has the flexibility to hold vertical or horizontal retention strips of CLO structures, but generally holds the retention vertically.

HEM considers that the duality of its position of both acting as investment manager to and holding the risk retention in CLO vehicles, is complementary such that HEM is best placed to maximise performance on behalf of clients. A positive outcome also serves to maximise revenues receivable by HEM as well as preserve HEM’s on-balance sheet exposure.

HEM’s ultimate parent company is Hayfin Capital Holdings Limited (“HCHL” or “Hayfin”). Hayfin is a private credit alternative asset manager, headquartered in London. HEM has an intercompany agreement with Hayfin Capital Management LLP, a member of the Hayfin group, which provides services to HEM including employees, operations, technology infrastructure and office space.

HEM's profitability is reliant on the performance of its CLO vehicles under management and its ability to launch new CLO vehicles.

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

An independent external auditor provides a Third Line of Defence ("3LOD"), conducting the audit of the financial statements. The Firm continues to review the current risk management framework to ensure it remains appropriate and proportionate for the size and complexity of the business, and currently does not believe it is suitable for the nature and scale of the business to have an internal audit function.

To provide a uniform and structured approach to identification and classification of risk across Hayfin, risks are categorised by principal risk category in accordance with the Firm's Risk Taxonomy, being Compliance and Legal, Financial, Operational, Business and External risks. Hayfin's approach is to identify and assess specific risks within these categories, mitigate and manage these risks, and monitor and report against these risks which provides the foundation for the Firm to deliver against its strategic objectives. A library of risks sits below each risk category, and 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. The Firm conducts a formal annual Risk and Control Self-Assessment ("RCSA"), through which it identifies key risks and each residual risk is assessed against the appetite levels defined in the Firm's Risk Appetite Statement. The Risk Appetite Statement is reviewed at least annually and informs the ICARA process.

Effective risk management is key to the success of delivering HEM'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

HEM 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 highest 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 HEM 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 HEM 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).

HEM's own funds requirement is currently set by its FOR, as this is the highest of the three metrics. The potential for harm associated with HEM's business strategy, based on the Firm's own funds requirement, is low. This is due to the relatively stable revenues and asset base.

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 110% of the Firm's own funds threshold requirement, the Firm will immediately notify its management body, as well as the regulator. The management body 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, with Risk and Compliance Committee and ARC thresholds set at 115% and 110% respectively of the relevant liquid assets requirement.

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

Requirement	€m
(A) Permanent Minimum Capital Requirement ("PMR")	0.1
(B) Fixed Overhead Requirement ("FOR")	2.0
(C) K-factor requirement ("KFR")	1.1
- K-AUM – <i>risk arising from managing and advising on investments</i>	1.1
- K-COH – <i>risk from order execution and reception and transmission of orders</i>	-
(D) Own Funds Requirement (Max A; B; C)	2.0

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

- 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
- the Firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

Where HEM 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 HEM is required to maintain at any given time to comply with the OFAR. As at 31 December 2025, the Firm’s own funds threshold requirement was €15.0 million, being determined by the own funds required for ongoing operations (comprising the KFR of €1.1 million and additional own funds of €13.9 million in respect of potential harms to the Firm, principally arising from HEM’s investments in the CLO vehicles it manages), which exceeds both the FOR of €2.0 million and the own funds required for winding down of €0.2 million.

The Firm has further assessed risks within its Internal Capital Adequacy and Risk Assessment (“ICARA”) process under MIFIDPRU 7 and quantified additional own funds requirements in respect of ongoing operations and wind-down where applicable.

Liquid Assets Requirement

HEM maintains core liquid assets in compliance with the Basic Liquid Asset Requirement (“BLAR”) under MIFIDPRU 6. HEM 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”). As at 31 December 2025, the Firm’s BLAR was €0.7 million and its LATR was €1.8 million, against total liquid assets held of €5.0 million.

5. Own Funds

As at 31 December 2025, HEM maintained own funds of €57.1 million. The below regulator-prescribed tables provide a breakdown of the Firm’s own funds:

Composition of regulatory own funds			
	Item	Amount (EUR thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	57,100	
2	TIER 1 CAPITAL	57,100	
3	COMMON EQUITY TIER 1 CAPITAL	57,100	
4	Fully paid up capital instruments	86,064	1
5	Share premium	-	
6	Retained earnings	-	
7	Accumulated other comprehensive income	-	
8	Other reserves	-	
9	Accumulated other comprehensive income	-	
10	Accumulated other comprehensive income	-	
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	28,964	
19	CET1: Other capital elements, deductions and adjustments	-	
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 2025	As at 31 December 2025	
Assets (in €'000)				
1	Financial assets at fair value through profit and loss	190,837	190,837	
2	Trade and other receivables	8,468	116,990	
3	Amounts due from members	56,793	11,131	
4	Cash and cash equivalents	2,070	31,142	
5	Right of use asset		25,172	
6	Property, plant and equipment		12,974	
7	Intangible assets		7,424	
8	Investments in subsidiaries		296	
9	Restricted cash and deposits		172	
	Total Assets	258,168	396,138	
Liabilities (in €'000)				
1	Trade and other payables	404	27,662	
2	Borrowings	164,645	164,645	
3	Lease liabilities		41,377	
4	Amounts due to Members	7,055		
	Total Liabilities	172,104	233,684	
Shareholders' Equity (in €'000)				
1	Eligible Members' LLP capital	86,064	86,064	1
2	Share capital		11,350	
3	Retained earnings		-19,328	
4	Share-based payment reserve		84,368	
	Total Shareholders' equity	86,064	162,454	

Own funds: main features of own instruments issued by the Firm	
HEM's own funds consist solely of Common Equity Tier 1 capital. The main features of the own funds instruments issued by the Firm are set out below:	
<i>Placement</i>	<i>Private</i>
<i>Instrument type</i>	<i>Eligible Members' LLP capital</i>
<i>Amount recognised in regulatory capital (EUR thousands, as of most recent reporting date)</i>	<i>86,064</i>
<i>Accounting classification</i>	<i>Equity</i>
<i>Perpetual or dated</i>	<i>Perpetual</i>
<i>Write-down features</i>	<i>Ranks last on winding up</i>

6. Remuneration Policy and Practices

Overview

As a non-SNI MIFIDPRU investment firm, HEM is subject to the 'basic' and 'standard' requirements of the MIFIDPRU Remuneration Code. The purpose of the requirements on remuneration is 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 HEM's remuneration policies and practices is to establish, implement and maintain a culture that is consistent with, and promotes, sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profile of the Firm and the services that it provides to its clients.

In addition, HEM 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.

HEM 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 HEM 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 programme. 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.

HEM 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 remuneration 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

HEM 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 HEM 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 function¹;
- 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;

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.

- 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 Disclosures²

The table below quantifies the remuneration paid to staff in the financial year 1st January 2025 to 31st December 2025. 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: 1 st January 2025 – 31 st December 2025			
		Senior Management & Other material risk takers	Other staff
Total number of material risk takers		1	
Remuneration Awarded	Fixed (€)	350,259	1,929,066
	Variable (€)	487,500	1,365,000
	Total (€)	837,759	3,294,066
Guaranteed variable remuneration	Amount (€)	0	
	# Staff Awarded	0	
Severance payments	Amount (€)	0	
	# Staff Awarded	0	
Highest severance payment awarded to an individual (€)		0	

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. HEM 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.