MIFIDPRU 8 DISCLOSURE

SHARD CAPITAL PARTNERS LLP

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1 OVERVIEW

This disclosure has been prepared in accordance with the MIFIDPRU 8 handbook of the Financial Conduct Authority ('FCA'). Unless otherwise stated, all figures are as of 31st March 2025 financial year-end.

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 Shard Capital Partners LLP ("SCP" or the "Firm").

In Chapter 8 of MIFIDPRU ("MIFIDPRU 8" or the "public disclosures requirements") sets out public disclosure obligations with which the Firm must comply, further to those prudential obligations.

SCP is classified under MIFIDPRU as a Non-Small and non-interconnected investment firm ("Non-SNI MIFIDPRU investment firm"). As such, MIFIDPRU 8 requires SCP to disclose information on the following areas:

- Risk management objectives and policies (MIFIDPRU 8.2)
- Own funds (MIFIDPRU 8.4)
- Own funds requirements (MIFIDPRU 8.5)
- Remuneration policies and practices (MIFIDPRU 8.6)
- Investment policy (MIFIDPRU 8.7).

These disclosures will not include information deemed propriety or confidential by the Board of Directors ('Board') of SCP. As per MIFIDPRU 8.1.8R for qualitative disclosures, the firm will provide those that are appropriate to its size and internal organisation and to the nature, scope and complexity of its activities. All quantitative disclosures are made as of 31st March 2025.

2 FREQUENCY OF REPORTING

MIFIDPRU 8.1.10R in the FCA handbook defines the requirements for the frequency of publication of disclosures. The Board has reviewed these requirements and determined that these disclosures will be made on an at least an annual basis on the date it publishes its' annual financial statements and will be published on SCP's website (www.shardcapital.com). As per MIFIDPRU 8.1.11, The Board will consider making more frequent public discloses where circumstances demand it.

3 RISK MANAGEMENT OBJECTIVES AND POLICIES (MIFIDPRU 8.2)

3.1 MIFIDPRU 4 – OWN FUNDS REQUIREMENTS

When assessing the adequacy of the Own Funds Requirement, the Firm has considered the key risks to the Firm's operating model. Due to our prudential classification as a Non-SNI, the Firm's own funds requirement is based on the higher of the:

- Permanent Minimum Requirement ('PMR'); or
- the Fixed Overheads Requirement ('FOR'); or
- the K-Factor Requirement ('KFR').

On this basis, the firm's requirement was the KFR which at financial year-end of 31st Mar 2025 is £0.847m, which was satisfied by CET1 capital of £1.650m. Further details are provided in the table in Section 6.

3.2 MIFIDPRU 5 – CONCENTRATION RISK

The firm is required (see MIFIDPRU 5.2.2G) to monitor and control all sources of concentration risk. In accordance with the guidance the firm has identified the following concentration risks and has implemented the control strategies below:

3.2.1 THE LOCATION OF THE CLIENT MONEY

Although all client money is held in designated client money accounts, holding all the firm's client money at one institution raises the risk of significant or total loss should there be a failure of some kind at the relevant bank. Therefore, it is prudent to diversify the holdings across several institutions to reduce the overall exposure to one institution and reduce the overall risk profile.

The firm maintains relationships with two banks that provide client money accounts as defined in CASS 7.13.12R. The diversification across these two banks is defined under a diversification policy and monitored daily and reported monthly to the CASS Committee.

There are also Client Transaction Accounts at three institutions to hold client money to settle security transactions. Excess money is not held at these institutions.

For all relationships the firm conducts ongoing relationship reviews and an annual due diligence review.

3.2.2 THE LOCATION OF THE CLIENT ASSETS

Although all relevant client assets are held in segregated accounts, holding all the firm's client's assets at one institution raises the risk of significant or total loss should there be a failure of some kind. Therefore, it is prudent to diversify the holdings across several institutions to reduce the overall exposure to one institution and reduce the overall risk profile.

The firm maintains relationships with three institutions that provide custody asset accounts as defined in CASS 6.2.1R. The Operations team monitor the usage of the custodians and is monitored monthly at the CASS Committee.

For all relationships the firm conducts ongoing relationship reviews and an annual due diligence review.

3.2.3 FIRM'S OWN CASH DEPOSITS

Similar to client money, holding all the firm's money at a single institution opens the firm up to significant and potentially terminal levels of risk should that firm fail. Therefore, firm money should be held across multiple institutions to help diversify holdings and reduce the risk profile.

The firm uses two UK banks to hold cash deposits to reduce the risk of leaving the firm exposed if one becomes insolvent. The firm also conducts ongoing reviews (at least annually) of each of the institutions to determine if they remain suitable to hold firm money. There is a process of active monitoring of currency balances across institutions to limit any potential mismatches.

3.2.4 EARNINGS

This risk is related to the concentration of revenue within the business. If a firm's profitability and ability to remain a going concern is dependent on a few or single business units and or clients, then it is particularly sensitive to changes in these areas. The loss of a single key client or team can mean that the firm is no longer profitable, and in the absence of another department picking up the slack, cash reserves, or external investment, then it may need to wind down its operations.

MI showing the concentration related to earnings by business unit is reviewed by the board monthly and is further discussed and evaluated at quarterly Board Risk Committee and Board Meetings. It is the Board's aim to diversify earnings across multiple business units over time to ensure no reliance on a single income stream.

3.3 MIFIDPRU 6 – LIQUIDITY

MIFIDPRU 6 in the FCA handbook defines the prudential requirements with regards to liquidity and liquid assets. The primary driver of making firm's hold a minimum amount of liquid assets is to fund the initial stages of a wind-down process, should one become necessary.

3.3.1 BASIC LIQUID ASSETS REQUIREMENT

MIFIDPRU 6.2.1 R defines the basic liquid assets requirement that applies to the firm. It requires SCP to hold an amount of core liquid assets that are equal to the sum of:

- One third of the amount of the firm's fixed overhead requirement
- 1.6% of the total amount of any guarantees that are provided to clients.

3.3.2 CORE LIQUID ASSETS

MIFIDPRU 6.3 defines what a firm is allowed to consider as core liquid assets to satisfy the basic liquid assets requirement. They are broadly defined as:

- coins and banknotes,
- short-term deposits at a UK bank
- assets representing claims on or guaranteed by the UK government or the Bank of England (for example UK gilts and Treasury bonds)
- units or shares in a short-term regulated money market fund, or in a comparable third country fund.

SCP satisfies the basic liquid assets requirement by holding the relevant amount in short term deposits at UK branches of banking institutions.

These holdings are held in GBP in line with MIFIDPRU 6.3.1. The Firm's GBP deposits will be monitored daily to ensure that they remain sufficient to satisfy the basic liquid assets requirement.

Because SCP deals on its own account, it is not permitted to include trade receivables as core liquid assets. In addition, assets that belong to a client, even if they are held in the firm's name, and assets that are encumbered or subject to a restriction that would prevent them from being realised, are also excluded from being core liquid assets.

3.4 PRINCIPAL RISKS

The firm has conducted a comprehensive risk assessment exercise of potential harms to the business in line with MIFIDPRU 7 Annex 1 across all business areas to ensure that all significant risks are identified. The firm has developed a comprehensive Risk Register that contains the details of each risk identified, along with the controls associated with that risk. All risks are categorised in terms of potential risk to clients, the firm itself or the markets.

3.4.1 LIQUIDITY RISK

Liquidity risk is the risk that a firm, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due or can secure such resources only at excessive cost.

Liquidity is defined as 'cash in hand', liquid demand deposits with central banks and other credit institutions, and investments in secure, easily realisable securities, such as government bonds.

3.4.2 COUNTERPARTY CREDIT RISK

Counterparty Credit Risk is defined as the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.

3.4.3 CREDIT RISK

Credit risk is defined as the risk of loss resulting from a borrower or party to a contract failing to re-pay or live up to a contractual obligation. This risk can also occur due to concentration of exposures with any single entity or group of entities, or from a country freezing foreign currency payments or defaulting on its obligations.

3.4.4 OPERATIONAL RISK

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risk is inherent in all activities, products, processes and systems within SCP, in outsourced activities and all interactions with external parties. Key operational risks include change management and new business processes & oversight and operational resilience & business continuity.

3.4.5 BUSINESS RISK

Business risk is defined as the risk that SCP is unable to deliver against its strategic plans or objectives. This includes lower than expected profits, where a loss occurs rather than taking a profit, or where returns are exceptionally volatile.

3.4.6 REGULATORY RISK

Regulatory risk is defined as the risk of legal or regulatory sanctions, material financial loss, or loss to reputation a firm may suffer because of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its activities.

3.4.7 FINANCIAL CRIME & AML RISK

Financial Crime & AML risk is defined as the risk of legal or regulatory sanctions, material financial loss, or loss to reputation a firm may suffer because of its failure to comply with Anti Money Laundering and other financial crime laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its activities. Financial Crime & AML risk is the risk that the firm could be used to facilitate financial crime, including money laundering.

The nature of the products and services that SCP offers means that it is at risk of being used to facilitate financial crime. This includes market abuse, money laundering, fraud and bribery. The compliance function carries out financial crime & AML risk assessments across all of SCP's business lines. All staff are provided periodic and ongoing training to help identify potential cases of financial crime and to understand their obligations.

3.4.8 INFORMATION SECURITY RISK

Information security risk is the risk of insufficient protection of information against accidental or malicious disclosure, unauthorised modification or destruction, or the inability to maintain the availability of information. Information refers to all information that is processed, stored or transmitted in any medium, including electronic, physical and verbal. SCP maintains robust policies and procedures to ensure the protection of data and information both physically and digitally.

3.4.9 CASS RISK

CASS Risk is defined as the risk of non-compliance with the Client Assets Sourcebook ('CASS'). The primary goal of explicitly monitoring CASS risk is to ensure that client money and assets are kept safe, both when the firm is a going concern and in the event of its failure.

3.4.10 CONDUCT RISK

The FCA does not give an explicit definition of Conduct Risk, preferring that firms develop their own definitions relevant to their nature, scale, and complexity of their business and considering the specific risks that each firm is exposed to. SCP has defined Conduct Risk as 'The risks attached to the way in which SCP and its staff conduct themselves that can adversely impact customer outcomes or market integrity.'

The purpose of the conduct risk framework is to ensure that all staff behave in a manner that is expected of them by the firm, its regulator, and any other relevant parties. In addition to setting minimum standards of conduct, SCP will also actively identify exemplars of good conduct and use these to further improve conduct throughout the firm. The risk identification process will be applied equally across the firm, recognising that both financial and non-financial misconduct can potentially occur in all areas of the business. Conduct risk will be factored into the firm's bottom-up risk assessment process and will be assessed in the same way as other areas of risk.

4 GOVERNANCE ARRANGEMENTS (MIFIDPRU 8.3)

Below is a summary of the roles and responsibilities for each of the committees that are part of SCP's governance structure, and for each of the three lines of defence.

The firm uses the three lines of defence model with regards to its approach to risk management as follows:

- The first line of defence ('1LOD') comprises all the commercial and front-office operational functions, as well as all central functions except for risk and compliance.
- The second line of defence ('2LOD') comprises the risk management and compliance functions.
- Due to the size of the firm, SCP does not operate an internal audit function, which is the traditional core of the third line of defence ('3LOD'). SCP has retained third party consultants

to provide an audit function who conduct targeted reviews on various areas of the business throughout the year. SCP also periodically engages with other external consultants to conduct thematic reviews and subject matter experts to provide independent assurance on various areas of the business.

4.1 THE BOARD OF DIRECTORS

The Board of Directors of SCP has overall responsibility for the firm's affairs, and is responsible for:

- Determining the firm's strategy
- Identifying the risks relating to the firm's activities, processes and systems
- Setting the firms risk appetite and tolerance
- Establishing policies and procedures for assessing and managing risk.

4.2 THE BOARD RISK COMMITTEE ('BRC')

The BRC is made up of members of the Board of Directors. The primary purpose of the BRC is to assist the Board of Directors in maintaining sound risk management systems, monitoring the firm's risk exposures, setting the firm's current and future risk appetite and strategy, and overseeing the implementation of the Risk Management Framework. The BRC is chaired by the Chief Risk Officer.

4.3 THE MANAGEMENT RISK COMMITTEE ('MRC')

The MRC is a management level committee whose membership comprises senior managers from across all areas of SCP. The MRC exists to offer review, challenge and input into the management of risk within the firm, and to escalate risk matters to the BRC and Board as required. The Chief Risk Officer is the chair of the MRC.

5 OWN FUNDS (MIFIDPRU 8.4)

Under MIFIDPRU 8.4, the firm is required to disclose the following information regarding its own funds:

- A reconciliation of common equity tier 1 items, additional tier 1 items, tier 2 items and the applicable filters and deductions applied to calculate the own funds of the firm
- A reconciliation of point above with the capital in the balance sheet in the audited financial statements of the firm

  A description of the main features of the common equity tier 1 instruments, additional tier 1 instruments and tier 2 instruments issued by the firm

Composition of regulatory own funds as at 31 March 2025			
	Item	**Amount (£000)**	**Source based on reference numbers/letters of the balance sheet in the audited financial statements**
1	OWN FUNDS	1,650	
2	TIER 1 CAPITAL	1,650	Members' capital classified as equity
3	COMMON EQUITY TIER 1 CAPITAL	1,650	Members' capital classified as equity
4	Fully paid-up capital instruments	N/A	
5	Share premium	N/A	
6	Retained earnings	N/A	
7	Accumulated other comprehensive income	N/A	
8	Other reserves	N/A	
9	Adjustments to CET1 due to prudential filters	N/A	
10	Other funds	N/A	
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	N/A	
19	CET1: Other capital elements, deductions and adjustments	N/A	
20	ADDITIONAL TIER 1 CAPITAL	N/A	
21	Fully paid up, directly issued capital instruments	N/A	
22	Share premium	N/A	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	N/A	
24	Additional Tier 1: Other capital elements, deductions and adjustments	N/A	
25	TIER 2 CAPITAL	N/A	
26	Fully paid up, directly issued capital instruments	N/A	
27	Share premium	N/A	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	N/A	
29	Tier 2: Other capital elements, deductions and adjustments	N/A	

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements			
		Balance sheet as in published/audited financial statements	**Cross- reference to template OF1**
		As at period end 31 March 2025	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements			
	Current Assets	7,974	
	Total Assets	7,974	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements			
	Current Liabilities	3,533	
	Total Liabilities	3,533	
Members' Interests			
	Members' capital classified as equity	1,650	ITEM 3
	Members' interests - other reserves classified as equity	(633)	
	Total Members' Interests	1,017	

Main features of own instruments issued by the Firm
CET1 instruments are wholly comprised of Limited Liability Partnership Members Capital classified as equity.

6 OWN FUNDS REQUIREMENTS (MIFIDPRU 8.5)

Under IFPR, FCA regulated firms are required to always hold an amount of own funds greater than the total own funds requirement. As a non-SNI firm, SCP's own funds requirement is the highest of:

- Permanent Minimum Capital Requirement ('PMR')
- Fixed Overhead Requirement ('FOR')
- K-Factor Capital Requirement ('KFR')

The firm must take action to address any breaches of these requirements immediately, and if those actions are proven to be ineffective, should trigger the firm's wind down process.

As of 31st March 2025, the firm's CET1 regulatory capital position was as follows:

Requirement	**£000**
(A) Permanent Minimum Capital Requirement ("PMR")	750
(B) Fixed Overhead Requirement ("FOR")	183
(C) K-factor requirement ("KFR") comprising of:	847
K-AUM	*46*
K-CMH	*196*
K-ASA	*283*
K-COH	*1*
K-NPR	*319*
K-DTF	*1*
K-CON	*0*
(D) Own Funds Requirement (Max [A; B; C])	847

Threshold condition 2.4 in the FCA handbook (COND 2.4) requires that firms always maintain appropriate financial and non-financial resources that are appropriate when considering the regulated activities that the firm is authorised to conduct or is seeking to conduct in the future.

The FCA has introduced an Overall Financial Adequacy Rule ('OFAR', MIFIDPRU 7.4.7R) that establishes the standard the regulator will apply when determining if a regulated investment firm has adequate financial resources. The purpose of the rule is to ensure that firms maintain an adequate level of liquid funds to ensure viability throughout the economic cycle, including addressing harms that may arise, and to wind down the business in an orderly manner whilst minimising harm to consumers or other market participants should the need arise.

The OFAR requires that SCP calculate an 'own funds threshold requirement' and a 'liquid assets threshold requirement' as part of the ICARA process. These requirements represent the firm's assessment of its own requirements, which may be supplemented by the FCA at its discretion. The quality of own funds and liquid assets that firms must hold will vary depending on its business model and operating model.

The firm must take action to address any breaches of these requirements immediately, and if those actions are proven to be ineffective, should trigger the firm's wind down process.

7 RENUMERATION POLICIES AND PRACTICES (MIFIDPRU 8.6)

SCP's governance structure includes a Remuneration Committee, whose membership includes the Board of Directors and Senior Human Resources representative.

The Firm utilises both Fixed and variable remuneration as part of its Remuneration Policy.

Where fixed and variable compensation are referenced, these can be interpreted as:

- base salary (fixed) and discretionary bonus (variable) for employees;
- fee structure (fixed) and percentage of profit (variable) for contractors; and
- allocation of profits (variable) for partners.

Specific additional principles are applicable to material risk takers (MRTs) whose activities have a material impact on the risk profile of the Company.

The Company considers the application of its remuneration principles when compensating all staff.

In line with MIFIDPRU 8.6.8(7) additional quantitative information regarding remuneration for MRTs is not disclosed. Remuneration within SCP is linked to both the performance of the firm as a whole and to the individual. Several considerations are made with regards to individual remuneration, including performance against regulatory objectives, and the determination of performance and conduct is aligned with the FCA's expectations under the Senior Managers & Certification Regime ('SMCR').

Remuneration Summary for FY2025:

	£'000s
Fixed Remuneration	1,055
Variable Remuneration	398
Total Remuneration	1,455

There were no severance payments to MRTs in the period.

8 INVESTMENT POLICY (MIFIDPRU 8.7)

The firm is excluded from the requirements of MIFIDPRU 7.3 due to the value of its assets, trading book and derivatives business. However, the firm recognises the importance of the governance forums prescribed by those requirements. The firm has therefore established a Board Risk Committee and a Renumeration Committee. Due to the size of the firm, it was determined that it is not necessary to establish a Nomination Committee.