

LWM Management Limited

MIFIDPRU008 Disclosures

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1. Introduction

Lumin Wealth Management Limited (“LWM”, “the Firm”) is a privately owned limited liability company, incorporated in the United Kingdom (“UK”), authorised and regulated by the Financial Conduct Authority (“FCA”) under firm reference number 580185.

The principal activities of the firm are the provision of investment management services to its sister company Lumin Wealth Limited (“LWL”), also incorporated in the United Kingdom (“UK”), and separately authorised and regulated by the Financial Conduct Authority (“FCA”) under firm reference number 775068, providing direct wealth planning services to retail customers.

This disclosure document is in relation to LWM.

2. Purpose

The purpose of this document is to set out the public disclosures required under MIFIDPRU 8 for LWM as at Disclosure Date at stated above, which represents the end of LWM’s most recent financial accounting period.

FCA requirements

As a UK investment firm undertaking activities within the scope of the UK Markets in Financial Instruments Directive (“MIFID”), LWM is subject to the prudential requirements of the Investment Firms Prudential Regime (“IFPR”) contained in the MIFIDPRU Prudential sourcebook for MIFID Investment Firms of the FCA Handbook. LWM is required to publish disclosures in accordance with the provisions outlined in MIFIDPRU8 of the IFPR. To avoid confusion, LWL is not a MIFID firm, and therefore has no such disclosure requirement.

The disclosures applicable to LWM are:

- MIFIDPRU 8.2 – Risk management objectives and policies
- MIFIDPRU 8.3 – Governance arrangements
- MIFIDPRU 8.4 – Own funds
- MIFIDPRU 8.5 – Own funds requirement
- MIFIDPRU 8.6 – Remuneration policy and practices

With regard to investment policy disclosure set out in MIFIDPRU 8.7, the Firm meets the conditions set out in MIFIDPRU 7.1.4R and therefore is exempt from the requirement to have an investment policy and to disclose this. These requirements are supplemented by the guidance set out in MIFIDPRU8 published by the FCA.

Under the IFPR’s firm categorisation, LWM is categorised as a non-small, non-interconnected (“non-SNI”) MIFIDPRU investment firm.

This report is prepared on an accounting individual basis and includes the following regulated entity only: LWM (FRN 580185).

The annual audited accounts of LWM set out further information which complements the information in this disclosure. The audited accounts are freely available from UK Companies House.

3. Governance & Risk Management arrangements

3.1 Summary of governance structure

Responsibility for direction and control for LWM sits with its governing body, the LWM Board, which meets quarterly. The Board comprises the C-Suite executives of LWM, i.e. the Chief Executive Officer (CEO), Chief Operating Officer (COO), and Chief Financial Officer (CFO).

The LWM Board has ultimate responsibility for all activities undertaken by the business, and risk management objectives and policies are a key driver within the overall business strategy to ensure effective and prudent management of the firm.

Governance of the firm is structured according to the size, nature and complexity of our business. As such, certain matters are delegated by the Board to four underlying LWM Committees, each with their own terms of reference defining their decision-making powers and areas of oversight:

- Executive Committee
- Investment Committee
- Risk & Compliance Committee
- Client Solutions Committee

3.2 Risk management

Risk management is central to governance at LWM. Our approach focuses on identifying, assessing, and controlling risks to protect clients, maintain operational resilience, and support sustainable business performance.

Responsibility for managing risks sits with business leaders, with oversight from senior management and relevant committees. Risk management is embedded across all functions, including oversight of outsourced providers.

Our framework promotes clear accountability, transparent reporting, and a strong risk culture. It ensures risks are managed within defined appetite levels and aligned with regulatory expectations, industry standards, and the firm's strategic objectives.

3.3 Risk management objectives

Our framework reinforces accountability, clear reporting, and a strong risk culture. Risks are managed within defined appetite levels and aligned with regulatory expectations and the firm's strategic objectives.

LWM executes risk management using third-party Governance, Risk and Compliance ("GRC system") software, which provides single source of truth data on risks, controls, issues and risk events, and actions arising from internal governance committees, calculating residual risk exposure at the function, legal entity or group level - incorporating LWL. This 'enterprise level' risk oversight is core to ensuring the following objectives are consistently met.

Risk management objectives:

- Maintain a transparent, accountable risk culture.
- Operate within a clear risk appetite supported by early-warning indicators.
- Respond quickly and effectively to incidents.
- Balance risk and control costs to support sound decision-making.

3.4 Risk management principles

Prudent risk-taking underpins Lumin Wealth's business model. Our objective is to protect clients and market integrity while ensuring capital is deployed effectively to support sustainable growth.

Risk management is built on five principles:

1. **Accountability** – Each business area owns and monitors its risks and controls.
2. **Reputation** – Safeguarding our brand is essential to client trust and long-term value.
3. **Financial resilience** – Risk appetite is set and reviewed to protect capital and income.
4. **Transparency** – Open, realistic risk reporting supports informed decisions and a no-blame culture.
5. **Independent oversight** – The Risk & Compliance function provides independent second-line challenge, with external Compliance auditors reviewing effectiveness.

3.5 Risk management governance

The LWM Board holds overall responsibility for effective risk management. Our Risk Management Framework uses the industry-standard three-lines-of-defence model to ensure strong governance and client protection.

Risk oversight operates at multiple levels: top-down governance of strategic, financial, and operational risks, and bottom-up identification, assessment, and monitoring within day-to-day activity. This is primarily facilitated via our GRC System.

Independent assurance in the third line of defence is assured through our use of external compliance consultants, who conduct annual compliance audits and periodic file reviews to validate the effectiveness of our controls and provide objective challenge.

3.6 Risk Management responsibilities

The LWM Board sets Lumin's strategy and oversees performance, risk, and the effective operation of the Three Lines of Defence. It approves the ICARA, Risk Policy (Incorporating Risk Appetite Statement) and associated policies, promoting a strong risk culture across the firm.

Operational oversight of the Risk Management Framework is delegated to the Risk & Compliance Committee, which convenes quarterly and assesses enterprise-level risk based on outputs from our GRC System, including escalation from any of the other internal governance committees set out in 2.1 above. These committees also consider key risk matters, including control efficacy, client outcomes, investment oversight, and operational performance, escalating issues via the GRC System as required.

3.7 Risk Appetite

Risk appetite is defined with the Lumin Wealth Risk Policy, approved by the Board and expressed through qualitative statements and quantitative limits. The GRC System is used to monitor adherence to risk appetite, supported by stress and scenario testing at the business function level where required. Risk appetite statements are owned and reviewed at least annually, with oversight delegated to the Risk & Compliance Committee.

3.8 Three-Lines-of-Defence

First-line business areas own and manage their risks; the second line Compliance function provides oversight and challenge; and third-line assurance is delivered through independent reviews and audits by third party consultancies. Both first and second lines of defence record risk management activity via direct input to, and operation of, the GRC System, but appointed and appropriately qualified, trained and experienced Risk Owners within each business function.

4. Own funds

Table 1 shows a break-down of LWM's regulatory Own Funds, based on the audited financial statements for the year ended 31 December 2025. The financial statements were approved by the Board on 24 April 2026 and will be filed at Companies House in due course.

Table 1:

Description	Value	Description	Value
1. Own funds	£675,873	2. Tier 1 capital	£675,873
3. Common equity tier 1 capital	£675,873	4. Fully paid up capital instruments	£100
5. Share premium	£199,994	6. Retained earnings	£476,392
7. Accumulated other comprehensive income	-	8. Other reserves	-
9. Adjustments to CET1 due to prudential filters	-	10. Other funds	-
11. (-) total deductions from common equity tier 1	-	12. CET1: Other capital elements, deductions and adjustments	-
13. Additional tier 1 capital	-	14. Fully paid up, directly issued capital instruments	-
15. Share premium	-	16. (-) total deductions from additional tier 1	-
17. Additional Tier 1: Other capital elements, deductions and adjustments	-	18. Tier 2 capital	-
19. Fully paid up, directly issued capital instruments	-	20. Share premium	-
21. (-) total deductions from tier 2	-	22. Tier 2 - Other capital elements, deductions and adjustments	-

Table 2 shows a reconciliation of LWM's regulatory Own Funds with its balance sheet as at 31 December 2025, based on the audited financial statements. The financial statements were approved by the Board on April 2026.

Table 2

Description	Value	Description	Value
1. Balance sheet	£1,289,361	2. Assets - Breakdown by asset classes according to the balance sheet	£21,083
3. Tangible assets	£12,771	4. Investments	-
5. Debtors	£1,118,130	6. Cash at bank and in hand	£137,377
7. Total Assets Liabilities	£1,289,361	8. Creditors: Amounts falling due within one year	£613,488
9. Provisions for liabilities	£613	10. Total Liabilities	£614,101
11. Loans and other debts	-	12. Other reserves	-
13. Total Shareholders' equity	£676,486	14. Own funds requirement K-Factor requirement and fixed overheads requirement	£274,241
15. Permanent minimum capital requirement Own Funds Requirements	£75,000	16. K-factor requirement: (Sum of) K-AUM K-COH Total K-Factor Requirement FOR Amount	£274,241

The K-factors relevant to LWM include the following:

- K-factor requirement calculated based on Assets under Management (K-AUM). AUM is the average AUM measured on the last business day of each of the previous 15 months, excluding the most recent 3 months.
- K-factor requirement calculated based on Client Orders handled (K-COH). COH is measured as the rolling average of the value of the total daily client orders handled, measured throughout each business day over the previous six months, excluding the three most recent months.

Overall financial adequacy rule LWM is further required to disclose its approach to assessing the adequacy of its own funds in accordance with the overall financial adequacy rule (“OFAR”) as outlined in MIFIDPRU 7.4.7R.

To comply with the OFAR, LWM must always hold own funds and liquid assets which are adequate, both as to their amount and their quality, to ensure that:

- It 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
- Its business can be wound down in an orderly manner, minimising harm to consumers, or to other market participants.

5. ICARA process

The Internal Capital Adequacy and Risk Assessment (“ICARA”) process is LWM’s core mechanism for identifying key risks, assessing potential harms arising from its regulated and unregulated activities, and determining the appropriate level of own funds and liquid assets required to support the business.

ICARA is embedded within LWM’s Risk Management Framework and replaces the former ICAAP, strengthening the effectiveness of the firm’s internal assessments. Key components of the process include:

- Business strategy and growth planning
- Assessment of key risks and potential harms
- Evaluation of own funds and liquidity adequacy
- Capital and liquidity planning
- Stress testing and recovery actions
- Maintenance and review of the Wind-Down Plan

The ICARA process is reviewed at least annually, or more frequently where material changes arise. It determines the Own Funds Threshold Requirement under the Overall Financial Adequacy Rule (“OFAR”). This includes assessing harms linked to K-Factors and other risks, as well as evaluating the costs and liquid assets needed to support an orderly wind-down, benchmarked against the Fixed Overhead Requirement.

Regular stress testing and scenario analysis, together with the OFR and BLAR, inform the level of financial resources required to ensure ongoing OFAR compliance.

6. Own funds adequacy and monitoring

LWM’s approach to ensuring that it has appropriate own funds is its alignment with the Firm’s strategy and risk appetite. This is monitored via the GRC system, which provides a ‘heatmap’ of residual risks at the enterprise, legal entity and business unit levels.

Heatmapping updates automatically based on underlying real-time changes within the GRC System, including scheduled control reviews as part of each internal Risk & Control Self-Assessment (“RCSA”) – conducted annually, based on heatmapping - and ad-hoc amendments due to reported issues and risk events.

The GRC System outputs, as reviewed at the Risk & Compliance Committee, form the basis of risk assessment at LWM, supporting risk quantification and associated capital calculations. It is therefore closely aligned to both the ICARA and the Risk Appetite Statement within LWM's Risk Policy.

7. Liquid assets adequacy and monitoring

LWM assesses its compliance with liquid assets threshold requirement which is based on the sum of BLAR and any appropriate additional liquid asset requirement that is determined during the ICARA process, to ensure liquidity adequacy in stressed conditions and during an orderly wind-down as part of its OFAR.

LWM's monitoring and reporting of its liquidity position is undertaken through by the Finance team, with oversight from Compliance. Any triggers or breaches are escalated to Board level directly and in conjunction with the Compliance function.

8. Wind-down

LWM has a wind down plan, which provides an overarching governance framework for the process of ceasing its operations while ensuring minimal adverse impact to clients, markets or the entity's counterparties. It provides a detailed guide and practical steps to assist the Board and senior management in making timely and effective decisions to wind down LWM in the event of a severe financial stress. The wind-down plan includes key actions and a timeline from when a wind-down is triggered, through to the preparation, execution and endpoint of the process.

The wind-down plan is reviewed and updated annually and feeds directly into the annual ICARA process, documentation and regulatory submissions.

9. Remuneration policy and practices

9.1 Qualitative disclosures

The Remuneration information included in this section is provided in accordance with the FCA requirements set out in MIFIDPRU 8.6 and SYSC19G. LWM has made disclosures for Remuneration in the following areas:

1. Remuneration Policy
2. Link between Performance and Remuneration
3. Quantitative Disclosures (including information on Materials Risk Takers ('MRTs'))

9.2.1 Remuneration policy

LWM's Remuneration Policy is reviewed annually under SYSC 19G.3.4 and applies to all staff and MRTs. Its purpose is to promote sound risk management, responsible

conduct, avoidance of conflicts of interest, and alignment with the firm's long-term strategy. The policy is gender-neutral and consistent with the Equality Act 2010.

Remuneration is structured to balance risk and reward and to ensure incentives do not compromise LWM's capital position. Key principles are:

- Alignment with LWM's business drivers, vision, and strategic priorities.
- Reinforcement of positive culture, conduct, and customer outcomes.
- Clear, simple, and transparent communication of reward structures.

Total reward typically comprises salary, benefits, and discretionary variable pay, with salary levels set considering affordability, market data, and internal fairness. Due to its size, nature and complexity of the business activities, LWM is not required to have a Remuneration Committee, instead, the Board reviews senior management and MRT remuneration annually, assessing MRT awards in the context of all variable compensation granted in the year.

9.2.2 Link between performance and remuneration

Staff performance at LWM is assessed on an ongoing basis, with the annual appraisal informing remuneration decisions. Conduct is a core component of this assessment. All staff receive fixed pay and may be considered for discretionary variable pay where eligible.

Key management staff, including those carrying out a control-function, are remunerated independently of the business areas they oversee, in line with the objectives of their functions. LWM's bonus scheme is fully discretionary, based on the overall performance of the firm, and is not guaranteed. Front-office staff are not rewarded based on sales targets or incentives alone, or in a way that could conflict with client interests.

Variable remuneration is adjusted for current and future financial and non-financial risks, including capital and liquidity impacts, and individual conduct. Variable pay is aligned to the timing and likelihood of future revenues.

9.2.3 Quantitative disclosures

In accordance with MIFIDPRU 8.6, LWM has identified its MRTs in accordance with SYSC 19G.5. This assessment is carried out annually in concurrence with the annual Remuneration Policy review, to identify staff whose activities have a material impact on the Firm's risk profile and any changes.

The criteria applied to identify MRTs during this reporting period are:

1. The staff member is a member of the Board
2. The staff member is head of a material business unit that;
 - (i) undertakes a regulated activity, or;

- (ii) has management responsibility for an individual carrying out a control function

3. The staff member holds an SMF responsibility

The Firm had 12 staff classified as MRTs during the reporting period.

Total aggregate remuneration for the Firm for the year ended 31 December 2025 was £2.1 million, of which £2.1 million was paid to MRTs.

This total remuneration includes salaries and cash bonuses paid.

Category	Value
Fixed proportion	£1,387,779
Variable proportion	£699,733
Total amount of guaranteed variable remuneration	-
Number of MRTs receiving guaranteed variable remuneration	-
Total amount of severance payments awarded	-
Number of MRTs receiving severance payments	-
Highest amount of severance payment awarded	-

10 Associated Policies

- Risk Policy
- Remuneration Policy