James Brearley & Sons Limited

Governance Arrangements

Purpose

The purpose of this document is to set out the governance arrangements within the company and to describe the firm's overall approach.

The Company

James Brearley & Sons Limited is a private limited company incorporated in England and Wales and is not part of a group structure.

The company's legal and financial structures are one and the same due to the presence of a single corporate entity (albeit with two 100% owned subsidiary Nominee Companies).

Board of Directors

The Board of James Brearley & Sons Limited is responsible for the effective governance, overall management and long-term success of the company.

The Board operates in accordance with its Terms of Reference and is ultimately accountable to the company and its shareholders and is committed to upholding high standards of governance.

All Executive Directors have a job description clearly setting out their role and responsibility. Further, they each have a relevant Statement of Responsibilities. The Board also has two independent Non-Executive Director one of whom has extensive experience in financial services including as an Executive Director of a company consistent with the size and type of James Brearley & Sons Limited. The other non-executive director brings extensive corporate experience having spent a professional career advising on mergers and acquisitions.

Each director brings their own individual skills, business experience and understanding of both the company and its environment to Boardroom discussions. The directors believe that the Board is sufficiently extensive and between them they have the requisite skills to enable the Board to provide strategic leadership and effective stewardship and governance of the company whilst at the same time being small enough for productive engagement.

One of the Non-Executive Directors undertakes a competency assessment on the chairman. The chairman undertakes a competency assessment on the chief executive officer. The chief executive officer undertakes a competency assessment on the other Executive Directors.

Operation of the Board

The role of the Board is to provide strategic leadership within a framework of prudent and effective control and robust risk management.

The Board meets every month with prepared agendas covering standard monthly reports compiled by senior managers from the company's business and assurance functions. There is also a schedule of matters reserved specifically for the Board's decision-making.

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The Board sets the company's strategic approach and targets through its Strategy and Development Plan ensuring that the necessary financial, human and operational resources are available to meet its overall objectives.

The Board reviews performance at each of its monthly Board Meetings and receives details of the various sources of income derived from the company's Assets under Management and Assets under Administration with the contribution of those revenue streams to its fixed and variable costs. The Board also reviews the company's income and profit figures against its budgets.

The Board, through the firm's ICARA, monitors and reviews the company's capital and liquidity position to ensure that it has the required level of financial resilience.

The Board is key to establishing the company's culture and standards and ensures that its obligations to all stakeholders are understood and met. Further, built into the company's Strategy and Development Plan are values integral to maintaining its reputation in the marketplace, evidenced in its day-to-day operations and distilled through its management structure and recognises that its failure to demonstrate its desired culture will damage the company's reputation and impact upon its future success.

Section 172 of the Companies Act 2006, imposes a number of duties on directors to explain how they have discharged their duty to promote the success of the company which includes but is not limited to good governance.

The directors' Strategic Report incorporated in the company's Annual Report details how they have discharged their obligations.

The Senior Managers Regime

All Senior Managers (as defined under the Regime) pertinent to the firm are identified and their Senior Manager Functions determined.

Each Senior Manager is allocated one of the five Prescribed Responsibilities and has a relevant Statement of Responsibilities in place.

All Senior Managers are subject to appropriate vetting and an investigation into their financial soundness.

The Senior Managers Regime introduces a statutory duty of responsibility that requires a Senior Manager to take reasonable steps to prevent regulatory breaches from occurring or continuing to occur in their area of responsibility. To assist Senior Managers in their understanding of their requirements, guidance has been produced outlining the reasonable steps a Senior Manager may take and how those steps can be evidenced.

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Internal Controls

The Board is responsible for the company's framework of internal control and for reviewing its effectiveness. The framework of control is designed to manage rather than eliminate the risk of failure.

The company has a simple organisational and reporting structure and therefore does not have an internal audit function. Nevertheless, a director with relevant experience is designated day-to-day responsibility for operational areas of the business. Beneath that structure, the company has a tier of senior managers who carry responsibility for their designated operational function.

All members of staff bear responsibility for internal controls in that they are responsible for carrying out their part in undertaking control activities allocated to them.

Policies and Procedures

To reflect the actual decision-making process that is undertaken within the company, the Board has established what it considers to be an appropriate framework. The company has a suite of policies and procedures to maintain a culture of good governance.

The owner of each policy reflects the area of the business over which that individual has the delegated responsibility. The manager of that area then establishes procedures designed to adhere to the Policy and includes internal controls. The company's Policies and Procedures are updated annually and also in conjunction with its external regulatory consultants every three years.

Assurance

The company's Compliance function provides assurance over the firm's compliance with its regulatory requirements.

The Compliance function has 2 roles: to provide advice and assistance to management and to monitor and assess the company's compliance with its regulatory requirements through its Compliance Monitoring Programme.

In regard to monitoring, the compliance function undertakes a schedule of tests which are designed to check the controls that the company has in place to manage the risks of non-compliance. In designing the tests those elements that pose the greatest risk are focused on, after having considered all possible causes of the risk of non-compliance. The schedule, therefore, consists of tests designed to check the internal controls that the company has implemented to manage the identified compliance risk, are working as expected.

To augment its internal compliance arrangements, the company has contracted the professional services of a firm of regulatory consultants. This resource is used to provide additional assurance to the Board on the firm's Compliance Monitoring Programme in the form of a quarterly assurance report and obtain a second opinion on any regulatory matter.

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Risk Management

The Board considers risk management to be a dynamic and constantly developing process within which the Board challenges the principles and workings of the company's risk management framework.

Due to its size, nature and complexity, the company does not operate a Risk Management Committee. Nevertheless, it has a comprehensive Risk Management Policy that sets out the business's attitude and approach towards the risks that it faces and is designed to ensure that risks are identified, monitored and reported.

The business has identified 25 Significant Risks grouped under the following categories: Operational Risk (further categorised as Human Resources, Systems and Regulatory); Liquidity Risk and Business Risk.

Each risk is monitored and assessed by the senior manager responsible for the business/operational area to which it relates and, in each case includes, amongst other things, a series of risk control measures together with a Risk Tolerance Classification that is based upon the likelihood of the risk occurring and its impact if it did. Each risk is assessed for its impact not only on the firm but on clients and the marketplace.

Those senior managers of the firm are responsible for identifying new and emerging risks or significant changes to existing risks and report as such in line with the Board's reporting structure.

All risk assessments are subject to formal review in line with the reporting schedule as detailed in the firm's Risk Management Policy.

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Remuneration

Due to its size, nature and complexity, the company does not have a Remuneration Committee. Nevertheless, it does have a comprehensive Remuneration Policy.

The Board is responsible for the overall remuneration of the company and, more specifically, the responsibility for overseeing that the company's remuneration is designed to ensure that the business does not encourage excessive risk taking and that employees' interests are aligned with those of the firm and its clients. The aim of the policy is to augment the company's business strategy and promote the long-term success of the company within an appropriate environment consistent with positive behaviours and ethical values.

Conflicts of Interest

In accordance with the Companies Act 2006 and, more specifically, the company's Articles of Association, the Board has the power to sanction any potential conflict of interest that may arise and impose any conditions that it thinks appropriate, for example, requesting that a director abstains from any relevant discussion.

All directors must submit a declaration stating any outside directorship that could give rise to a conflict of interest.

Code of Ethics

The company has a Code of Ethics Policy.

All employees of the company are bound by its Code of Ethics Policy that establishes the standards expected from everyone in personal account trading, managing conflicts of interest, the receiving and giving of gifts and hospitality and to act in a way that never interferes or conflicts with the company's business or the interests of its clients. Sections of the Policy not only apply to its employees but also to close relatives, spouses and others in whose affairs they might have a beneficial interest.

Employees are expected to understand and respect the spirit of the Policy and always act in a way that demonstrates the company's commitment to its clients and to doing the right thing. The company recognises that any activity that compromises its integrity has the potential to harm its reputation.

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Anti-Bribery

The company prohibits doing business by the offering, the giving, the solicitation or the acceptance of any gift, hospitality or bribe: to or from any person or company in order to gain any commercial, contractual or regulatory advantage for the company or to gain any personal advantage, financial or otherwise.

Compiled by Nigel Corrie (Director responsible for Governance)

April 2026