<u>JAMES BREARLEY & SONS LIMITED</u>

<u>PILLAR 3 DISCLOSURE AS AT 30th APRIL 2020</u>

INTRODUCTION

Basis of Disclosure

This Pillar 3 disclosure for James Brearley & Sons Limited (JBS) is prepared in accordance with the requirements established under the Capital Requirements Directive ('CRD') and the Capital Requirements Regulation ('CRR'), collectively referred to hereinafter as CRD IV. This is the framework for implementing Basel III in the European Union. CRD IV sets out certain capital adequacy standards and disclosure requirements to be implemented by regulated firms.

The Capital Requirements Directive (CRD) is the framework for the implementation of Basel III in the European Union. The CRD consists of three Pillars:

- Pillar 1 – The Minimum Capital Standards: these set out the minimum prudential capital requirements for credit, market and operational risk;
- Pillar 2 – Supervisory Review Process; where firms and regulatory authorities assess whether the firm should hold additional capital not covered in Pillar 1; and
- Pillar 3 – Market Discipline, requires firms to publish details about their risks, capital and risk management, making this information publicly available.

In order to meet the disclosure requirements in the EU CRR, JBS maintains a policy on the appropriateness, verification and frequency of this disclosure and shall disclose information that is material and not proprietary or confidential in accordance with Article 432 CRR. JBS makes no use of derogations from prudential or liquidity requirements.

IFPRU 11 transposes the requirements and under CRD IV the disclosure requirements are defined by Part 8 of the Regulations (Articles 431 to 455).

This Pillar 3 disclosure has not been audited by JBS's external auditors nor does it constitute any form of financial statement and it should not be relied upon in making any judgements about JBS.

The prudential category of JBS has been determined as an IFPRU €125K Limited License firm.

Disclosure Frequency

This Pillar 3 disclosure is made at least annually. JBS has an accounting reference date of 30 April and this disclosure is made as at 30 April 2020 and will be published on the firm's website as soon as practicable after the publication of the Firm's annual accounts.

GOVERNANCE AND RISK MANAGEMENT

Board of Directors

The JBS Board of Directors (the Board) is the governing body of JBS. The Board meets monthly. The role of the Board is to provide strategic leadership within a framework of good corporate governance, prudent and effective control and robust risk management systems that enables risks to be identified, assessed and mitigated accordingly. The Board sets the company's strategic approach and targets, ensuring that the necessary financial, human and operational resources are available for the company to meet its overall objectives. The Board reviews management performance in assessing how the company's overall objectives are being met. The Board is key to establishing the company's culture and standards and ensures that its obligations to shareholders and other stakeholders are clearly understood.

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. The Board has ultimate responsibility for the company's risk management framework and for undertaking the ultimate assessment as to the performance and effectiveness of all risk management processes.

The Board's Executive Directors have the responsibility for the daily management and oversight of the company supported by other senior management personnel. This management structure is key to the company's risk management framework.

The firm has risk management policies and procedures to identify, assess, mitigate, monitor and manage all applicable risks including the company's exposure to credit risk, market risk, liquidity risk and operational risk such that all risks are managed within the company's risk appetite as set by the Board.

JBS is a private limited company incorporated in England and Wales with Company Number: 03705135. JBS is privately owned and is not part of a group.

The firm's legal and financial structures are one and the same due to the presence of a single corporate entity JBS (albeit with several 100% owned subsidiary Nominee Companies). JBS meets the definition of a non-significant IFPRU firm.

The directors of JBS have no directorships outside of the firm.

The Recruitment Policy of the firm is applied to all recruitment. When recruiting for a Board position, the directors will implement the principles of the firm's Recruitment Policy ensuring that the most appropriate candidate is selected based upon the culture, knowledge, skills and expertise of the individual.

JBS is an equal opportunity employer. The firm is committed to ensuring within the framework of the law that its workplaces are free from unlawful discrimination on the grounds of colour, race, nationality, ethnic or national origin, gender (including gender reassignment), sexual orientation, religion or belief, age, marital status or physical or mental disability. The firm values diversity and is committed to promoting diversity within the workplace by seeking to ensure that all individuals are treated fairly with dignity and respect and by recognising and encouraging individual contribution within the organisation.

Due to the size, nature and complexity of its business, the firm has determined a separate risk committee is not required. The firm has a Risk Management Policy that sets out the business's attitude and approach towards the risks that it faces. The firm has identified 22 Significant Risks and mapped them across to the Pillar 2 risks as detailed in IFPRU in the context of those risks that could materially impact on the firm's Capital Resources.

Each risk is monitored and assessed by the manager responsible for the operational/business area to which it relates and, in each case, includes, amongst other things, a series of risk control measures together with an assessment of the likelihood of the risk occurring and its impact if it did.

To reflect the actual decision-making process that is undertaken, the firm has established, what it considers to be, an appropriate framework. It consists of a suite of Policies and Procedures. The owner, who is a Senior Manager, of each Policy reflects the area of the business over which that individual has the delegated responsibility. The Company's Policies and Procedures are updated annually and also in conjunction with its external Compliance consultants every 3 years.

PRUDENTIAL CAPITAL REQUIREMENTS

Internal Capital Adequacy Assessment Process (ICAAP)

JBS has an ICAAP document that is formally approved by the Board at least annually. The ICAAP documents the assessment of the risks to which the company is exposed and the associated capital requirements. Identified risks are assessed against all relevant mitigating controls to ensure that sufficient capital resources are maintained.

As at 30 April 2020 JBS's capital resources and capital resources requirements were as follows:

Capital Resources	**£**
Core tier one capital:	
Ordinary Share Capital	15,024
Share Premium Account	1,696,462
Audited Profit and Loss and other reserves	3,882,831
Capital Reserve	1,060,000
Share Options Reserve	403,743
Total Capital Resources /Own Funds	**7,058,060**
Tier 2 Capital – Revaluation Reserve	**70,573**
Risk Weighted Exposures	**£**
Pillar 1 Consolidated Credit and Market risk	1,214,555
Pillar 1 Capital Resources Requirement	**1,214,555**
Common Equity Tier One Ratio	**481%**

Pillar 1 Requirements

Total Capital Resources /Own Funds	7,058,060

Pillar 2 Requirements

JBS has determined that the risks below are those that could apply in the calculation of the Pillar 2 requirement. However, the Board has determined that it is appropriate for the firm to set aside £240,000 as additional capital for Operational (Suitability and Governance) and Business Risk against the Pillar 2 risks.

Credit Risk

Client / Counterparty Debtors - the firm is exposed to Credit Risk from the potential for default either by a client or by a counterparty to fulfil their contractual obligations. Given the firm's wide range of relatively small retail clients for whom it acts in an agency capacity in the execution of orders, it is not considered that the firm is exposed to material default. The firm does not formally offer clients any credit lending arrangements and instances of where a client owes money generally arise from where fees or charges are applied to a client's account that has insufficient funds available. The aggregated amounts of such overdrawn clients' accounts are not considered material.

Bank Default - The firm utilises the Royal Bank of Scotland (RBS) as its main banking counterparty and Santander as the main holder of its cash funds. Concentration Risk is a factor for consideration, but the firm believes the potential risk of either bank failing, to be low as is the likelihood of any severe short term deterioration in either banks' financial standing, allowing for action to be taken by the firm to mitigate any material exposures that may result.

Market Risk

Asset Price Movements- The firm is not exposed to asset price movements.

Interest Rate Risk - The firm's exposure is connected to the holding of cash balances for clients and the resulting revenue stream earned therefrom. Recent years have seen this revenue remain relatively low, which we expect to continue for the foreseeable future. The firm has no external borrowings and so is not exposed to this risk on debt positions.

Exchange Rate Risk - The firm is not exposed to any losses from adverse changes in currency exchange rates as its locations are in the UK and the firm does not take significant positions in currencies other than in GBP.

Liquidity Risk

The firm's exposure is managed and controlled through its Liquidity Risk Management Policy which documents the approach and requirements to the management and mitigation of this risk.

The firm looks at liquidity from two perspectives. Firstly, from a day-to-day perspective concerning the amount of cash available to meet the firm's liabilities as they arise on an on-going basis and secondly, the firm assesses liquidity with a longer term perspective in order to ensure mechanisms are in place to monitor and retain liquidity levels such that future liabilities will be capable of being paid as they arise.

The firm maintains substantial cash funds. It is the firm's cash funds that are at the core of its overall capital adequacy as well as being the core of its Liquidity Risk Management systems. As part of the firm's Liquidity Risk Management Policy, the Board sets a Liquidity Risk Tolerance annually in the form of a Quick Ratio calculation and any drop below the prescribed indicator warning levels require the consideration of immediate action.

Operational Risk

The firm recognises that there are extensive scenarios that could arise that expose the firm to the erosion of capital from factors connected to Operational Risks. These scenarios, in connection with technology, system or human failure, fraud, conduct and regulatory risks as well as the risks of the consequences of a loss of confidence by clients from reputational damage are all contained within the firm's Operational Risk Registers.

The firm has additional Operational Risk mitigation in the form of insurance protections which provide cover against Professional Indemnity claims, Directors and Officers liability claims and Crime committed against the firm.

Business Risk

The firm recognises that there are scenarios that could impact on the firm's ongoing profitability and, therefore, have the potential to threaten its present level of capital resources. The monthly Finance report to the Board details the various sources of income derived from the firm's Assets under Management and Assets under Administration together with the contribution of those revenue streams to its fixed and variable costs. The receipt of this information enables the Board to monitor the ongoing profitability of the firm and to take any appropriate decisions should that be challenged.

Pillar 2 risk requirement	£
Credit Risk	0
Market Risk	0
Liquidity Risk	0
Operational Risk	120,000
Business Risk	120,000
Total Pillar 2 risk requirement	**240,000**

REMUNERATION

Decision Making Process

The firm does not operate a formal Remuneration Committee separate to the Board of Directors. The Board of Directors retains full responsibility for the setting of the firm's Remuneration Policy and in doing so takes account of all pay, benefits and conditions of employment across the firm. This includes the setting of plans and parameters for bonus schemes and the determination of all remuneration packages. Salary reviews are generally undertaken in May and bonus considerations shortly thereafter. Bonuses are based on the profitability of the firm, along with individual performance assessments. Any share options are not linked to future performance.

The remuneration packages received by the Executive Directors are determined by the Non-Executive Director of the company. There are no individuals being remunerated greater than £500K per annum.

Pillar 3 Disclosures for the year ended 30 April 2020

a) Role of the relevant stakeholders

The Board of Directors takes full account of the firm's strategic objectives in setting the remuneration policy and is mindful of its duties to shareholders and other stakeholders. The Board of Directors seeks to ensure the preservation of shareholder value by ensuring the successful retention, recruitment and motivation of employees.

b) Code Staff criteria

The following group of employees have been identified as meeting the FCA's criteria for Code Staff:

i. Directors: Executive and Non-Executive Directors

c) The link between pay and performance for the remuneration of Code Staff is made up of Fixed Remuneration (i.e. salary and benefits) and Variable Remuneration (i.e. bonuses). Variable Remuneration is designed to reflect the success of the company with a view of both short term benefits from such success and also longer term benefits and the delivery of value for shareholders. Consequently, in determining any bonus award in favour of an Executive Director all decisions will be based on a) the profitability and performance of the company and b) non-financial criteria linked to an assessment of the firm's culture and conduct. The structure of remuneration packages for Code Staff are such that the proportion of Fixed Remuneration is sufficiently large to enable the company to operate a flexible and reward based Variable Remuneration policy.

d) Aggregate remuneration cost for Code Staff

There were 5 Code Staff with their aggregate remuneration totalling £863k. Fixed salary remuneration accounted for £681k of the total with the remaining £182k being Variable remuneration. No other remuneration was awarded during the year, and no remuneration was deferred. No individual was a beneficiary of a sign on or severance payment. No breakdown between business area is recorded given the limited number of Code Staff.

Compiled by: Simon Trippier