

threesixty

August 2023

Brooks Macdonald

Assessment report



Brooks Macdonald

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Purpose of this assessment report

This report is designed to assist intermediaries in carrying out their due diligence assessment prior to using the services of a discretionary investment manager (DIM), and on the regular review of such arrangements.

It is important to note the aim of the work undertaken by threesixty services LLP (threesixty), is to assess at a high level, the adequacy of the controls and procedures the firm has established to mitigate the regulatory and business risks arising from the provision of its discretionary management service to intermediaries. The focus of the assessment is to review controls and procedures, and therefore it is only part of the overall assessment that an intermediary should carry out when looking to use the services of a DIM.

Due Diligence: What is it, and why is it so important?

Research and due diligence are seen as one of the pillars of ensuring delivery of good outcomes and advice to clients i.e.

1. Competence: ensuring advisers are competent on the subject of the product or service concerned
2. Research and due diligence: the FCA use these terms to refer to the processes used to assess:
 - a) The nature of the product or service, for example both investment structure and performance
 - b) The risks and benefits
 - c) The provider – to establish whether it is appropriate to entrust the provider with client assets

It is important for intermediary firms to differentiate between the different aspects of research and due diligence.

Research is the initial filter from a range of products or services that potentially meet the requirements that intermediary firms are looking for in relation to a given scenario, in this case a discretionary investment manager. The research stage would identify a number of discretionary investment managers that may meet the intermediary firm's requirements.

Due diligence is the next stage of the assessment process whereby a deeper analysis is conducted by the intermediary firm on the services of the discretionary investment manager identified at the research stage.

This assessment report should form part of an intermediary firm's due diligence process conducted on a discretionary investment manager.

Both research and due diligence form part of a wider range of regulatory requirements including the FCA regulatory principles that 'a firm must conduct its business with due skill, care and diligence' and 'a firm must pay due regard to the interests of its customers and treat them fairly', product governance and suitability, which together, combine to help intermediary firms deliver good client outcomes.

Assessing suitability: where advisers are competent and understand the individual products or service, they should be able to assess for each client if the solution is suitable.

In relation to looking at any services to be provided by a DIM, intermediaries need to understand the above factors in order to assess whether the proposed solution is suitable for their clients.

In early February 2016 the FCA issued its findings following a thematic review into firms' research and due diligence processes ([FCA - TR16/1: Assessing suitability: Research and due diligence of products and services](#)). It has provided some useful pointers for firms on what helps to ensure appropriate research and due diligence processes are in place. The review covered how firms select products, funds, platforms as well as the services of DIMs.

Whilst the FCA's findings are high level comments, the particular references that have relevance to the assessment of discretionary management services are as follows:

1. The key driver of good research and due diligence is a corporate culture of challenge. The FCA commented 'The better firms had either in-built challenge in the process and/or individuals who were knowledgeable, enthusiastic and challenged the firm's approach. Where there was no culture of challenge within the firm, the research and due diligence process showed weaknesses.
2. The size of a firm is not a barrier to carrying out good research and due diligence.
3. Processes and tools used in research and due diligence will vary depending on the circumstances, and the FCA does not set out specific requirements. The emphasis is on the firm to take reasonable steps to ensure the solutions are suitable for their clients.
4. Research and due diligence need robust systems and controls in order to be effective.

5. Firms need to be structured in their research and due diligence process in order to ensure that information is up to date and challenged adequately.
6. Research and due diligence should be an objective process and 'not a case of retro-fitting due diligence to justify the outcome the firm had already previously decided upon.'

The Due Diligence process

As noted previously the FCA has not set out a defined process for firms to follow when assessing the services of a discretionary fund manager. The approaches taken will vary in different circumstances, and to a large extent are influenced by the type of service the intermediary is seeking from the DIM. It is also possible that the solutions you identify for your clients may involve the services of more than one DIM. However, whether you are seeking to merely refer your clients to a DIM and chose to let them take responsibility for the suitability of advice, or you intend to advise your clients on a model portfolio operated by the DIM, in which you take responsibility for the suitability of advice, the process should encompass the following stages:

1. Define why you need a DIM
2. Set out the key criteria by which you will assess the DIM
3. Identify and list the DIMs that you will research
4. Reduce/filter the list based on your key criteria
5. Gather information – Multiple sources and of various types, for example:
 - Companies House/ FCA register checks
 - Accounts
 - Website and other internet information
 - 3rd party reports, for example threesixty, ARC
 - Research databases, for example Defaqto
 - DIM's own material – Due diligence packs or brochures
 - A due diligence questionnaire sent to the DIM
6. Meet the shortlist of firms
7. Decide on which one or more DIMs to use – document why and the approval process followed by your firm's senior management
8. Monitor and record performance of the DIM(s)
9. Periodic review of DIM(s) and report findings to senior management

It is important to document each stage of the process so that you are able to demonstrate the process if called upon to do so.

The threesixty assessment: Our methodology

The assessment consists of a combination of a series of remote meetings which generally takes 2 days, and a review of various documented procedures and papers supplied by the DIM prior, during and after the meetings.

During the assessment our business risk consultant meet with key individuals within the DIM from different sectors of the business to allow them to explain in more detail how their firm operates and the controls and procedures that are in place. In general, the assessments involve meetings with senior representatives from Investment Management, Operations, Compliance, Risk Management, HR, Training and Competence and I.T.

On occasions the DIM will inform us that certain documents that we request are not available due to the confidential nature of the information they contain. In cases in which this has occurred we simply note that the document could not be provided due to the confidential nature of the information.

The threesixty assessment: The report format

The report that follows is divided into the various subject headings as follows:

- Corporate governance / Systems and control
- Client and referring intermediary arrangements and financial promotions
- Recruitment
- Training & competence
- Discretionary investment management procedures
- Outsourcing
- Financial crime
- Complaints
- Business continuity

The aim is that the review of the combination of different areas of the business ensures that all the key aspects of the business are reviewed. In each section our overall focus is to attempt to explain what procedures the DIM firm has put in place to control its business, and to manage the risks so as to ensure good client outcomes can be achieved.

The threesixty assessment: How to use it

As noted above the threesixty report is only part of the information that you will need to gather within the overall due diligence process. In part it aims to provide some independent verification for you that certain key procedures and controls are in place within the DIM. However, it will also hopefully help you to construct further questions that you may wish to ask the DIM during the due diligence process.

Assessment report

threesixty has only reviewed those documents made available on our review. We have not investigated their efficacy and practical use. All reasonable precautions have been taken to ensure that the information contained is correct, threesixty services LLP does not accept any responsibility for errors, inaccuracies, omissions or any inconsistencies. This information should not be relied upon by third parties and should not be considered as an endorsement as to individual suitability of the firm for a financial advisers' clients.

The assessment report does not include any comment on the firm's procedures in respect of holding client money, or assets, in accordance with FCA rules as this is outside the scope of our assessment.

Brooks Macdonald: Key details

| | |
|------------------------|--|
| Firm name | Brooks Macdonald |
| Turnover | £122.2m* (year to 30 June 2022) |
| Established since | 1991 |
| Funds under management | £16.2bn* (as at 31 December 2022) |
| Contact details | Karl Heap Head of Strategic Partnerships Karl.Heap@brooksmacdonald.com 07752 580476 |
| Useful links | www.brooksmacdonald.com |

*Figures relate to Brooks Macdonald Group PLC



ARC performance is available for Brooks Macdonald upon application.

Brooks Macdonald are happy to provide potential and existing supporting IFAs with its ARC performance data upon application and as appropriate. To request this information, please contact Karl Heap, Head of Strategic Partnerships, on 07752 580476 or by email: Karl.Heap@brooksmacdonald.com

Assessment findings

A. Corporate governance and systems and controls

This section explains how the business is structured and managed. It seeks to explain the key procedures that control the risks within the overall business.

Review findings

1. Brooks Macdonald Asset Management Limited is a 100% owned subsidiary of Brooks Macdonald Group PLC (Brooks Macdonald). This company has been a member of the Alternative Investment Market (AIM) since 2005. The overall operation manages £16.2bn on behalf of clients (as at 31 December 2022), which include private investors, trusts, charities, pension funds and institutions.
2. The corporate governance and strategic planning within the Group is directed by the Board of Brooks Macdonald Group PLC which has several sub committees to support its work. The Board is further supported by the Executive Risk Management Committee (ERMC) chaired by the Group Chief Executive Officer (CEO), the Executive Committee (EXCO) and business risk management committees (chaired by the business heads) and the Investment Committee (chaired by the Chief Investment Officer).
3. Formal terms of reference for the following committees can be accessed via the Shareholders Resources section of the firm's website. These committees are as follows: Audit, Nominations, Remuneration, Risk and Compliance and Disclosure. The committee's terms of reference were last updated in July 2022 apart from the Disclosure Committee which is reviewed by a wider group including external advisers as required.

Audit committee

This committee's purpose is to assist the Board in meeting its responsibilities for matters including:

- Review and challenge the effectiveness of the Group's accounting policies and standards
- Ensure the integrity of the Group's financial statements
- Oversight and monitoring of the internal audit function, and
- Assess the independence of the external auditor

The Chairman of the Committee is a non-executive Director appointed by the Board, the remaining three members of the committee are also non-executive Directors. The Group Finance Director and the Chief Risk Officer and representatives of the external auditors also attend committee meetings. The committee meets once a year with the representatives of the external auditors without the management being present. The committee met six times in the last financial year.

The Internal Audit function was outsourced to KPMG in September 2018. An audit plan was established between the committee and KPMG have undertaken the review work since. The audit plan is regularly reviewed by the committee. Threesixty were advised a review of the provision of the Internal Audit function was undertaken in 2022 and KPMG remain as the provider of firm's internal audit function.

Nominations committee

This committee was established in March 2017 and responsibilities include evaluating the effectiveness of the Group Board taking into consideration its structure, size and composition (including the skills, knowledge, experience and diversity) and making recommendations to the Group Board with regard to any changes.

The committee is attended by the Chairman and four non-executive Directors. It is responsible for succession planning for directors and other senior executives, considering the challenges and opportunities facing the Group, and the skills and expertise needed on the Board in the future. An

important part of this is to consider the diversity of the Group Board and senior management in all respects, including gender. The Nominations committee met two times in the last financial year ending 30 June 2022.

Remuneration committee

This committee is attended by four non-executive Directors and in consultation with the Chief Executive Officer determines the specific remuneration packages of each executive Director, and certain senior executives including base salary, annual bonus, long-term incentives, benefits, and terms of employment. It is also responsible for setting the broad parameters of annual salary reviews across the Group. The committee met four times in the year ended 30 June 2022.

Risk and Compliance committee

The Board delegates responsibility for risk, compliance and internal control systems to the Risk and Compliance committee. This committee is responsible for reviewing and approving the group's Risk Management Framework. It monitors identified risks and the effectiveness of mitigating action, keeping risk assessment processes under review, reviewing the impact of key regulatory changes on the Group, assessing material breaches of risk limits and regulations as well as reviewing client complaints. This committee met five times in the year ended 30 June 2022.

The Risk and Compliance committee is attended by four non-executive Directors. Representatives from the legal, risk and compliance functions attend committee meetings as necessary to report on compliance monitoring findings, the results of risk and control assessments and changes to the risk register.

Disclosure committee

This body was established as a committee of the Board in July 2018. Its members are made up of the Chairman (chair), the Audit committee chair, the Chief Executive, and the Group Finance Director. This committee determines whether specified information relating to the Group is inside information that should be disclosed to the market in accordance with the Group's obligations under AIM Rule 11 and the Market Abuse Regulations. This committee was not required to meet in the year ended 30 June 2022.

4. Brooks Macdonald's approach to risk management and its overall Risk Management Framework is summarised within the Strategic Report within the Report and Accounts of Brooks Macdonald Group PLC for the year to 30 June 2022 ('Group Accounts'). More detail on the company's approach to risk is contained within the IFPR Public Disclosure 2022 for the same period. Both these documents are available on the firm's website at: www.brooksmacdonald.com.
5. The firm's Risk Management Framework is documented extensively within the Strategic Report section of the Group Report and Accounts, the Report and Accounts notes the firm's 'Continued dynamic approach to risk identification and management in order to support positive client outcomes'. The Risk Management Framework consists of six inter-related steps:
 - Risk identification
 - Risk appetite
 - Risk analysis
 - Controls assessment
 - Additional actions
 - Reporting
6. threesixty were provided with an overview of the firm's risk framework by the Head of Group Risk. The firm has completed its Risk Transformation Project with risk embedded within the business as all risk events are reported to the Risk Team via a Central Incident Reporting mechanism which enable the risk

team to oversee the firm's risks and enable the provision of management information to the Risk Committee. Risks are reviewed by the Risk Team based on bottom-up management information as well as from a top-down perspective.

7. Brooks Macdonald operates a control framework using the 'Three lines of Defence' approach. This is intended to create a clear delineation of responsibilities between:
 - First line of defence in the form of the business entity management. The Business Assurance team conducts first-line oversight and reports to the managing director of investment management.
 - Second line of defence is in the form of the Group's independent Risk Management, Compliance and Financial Crime teams. With responsibility for setting policy, oversight of risk exposures and escalation of issues to senior management.

The Group's Risk Management function consolidates the business unit risk register and undertakes reviews and analysis of the risks. The Risk Management function also works with individual business areas to conduct a programme of Risk and Control Self Assessments (RCSA) based on the Bottom-Up Risk Map, the Assessments are conducted across the Group on a semi-annual basis, the output from the Assessments is reviewed by the Risk Committee.

The Compliance function is responsible for oversight of regulatory compliance, including providing advice to the business and the completion of a regular routine monitoring and thematic review plan. The Financial Crime function is a dedicated team responsible for the prevention of financial crime.
 - Third line of defence is made up of external advisers and auditors who can provide independent assurance of the design and effectiveness of the Group's Risk Management Framework. Brooks Macdonald established an outsourced internal audit function in 2018.
8. With the introduction of the Investment Firm Prudential Regime (IFPR) the firm is now required to undertake an ICARA assessment. An overview of the firm's ICARA assessment process was provided by the Head of Group Risk, noting the role of the risk team alongside the finance team, operational delivery, and the business. Both EXCO, ERM and the Board are key stakeholders in the process with the Board responsible for approving the ICARA.
9. Due to the confidential nature of the Board reports, minutes of meetings and the risk register these documents were not provided to threesixty for review. However, details of the firm's key risks can be found in the Strategic Report section of the Group report and accounts. The firm monitors its risks against the Group's risk appetite statement, when assessing risks the firm considers client outcome, the control environment and financial performance and resources.
10. Compliance monitoring within Brooks Macdonald is managed by the Group Compliance Monitoring Team which is part of the wider Compliance team. Compliance monitoring forms part of the Second Line of Defence. A risk-based approach is taken, considering the nature, scale and complexity of the business, and the nature and range of financial services and activities undertaken. This is achieved through conducting a range of thematic reviews and undertaking regular monitoring which together form the basis of the Compliance Monitoring Plan. Included within the core monitoring plan is a section covering CASS. threesixty were advised by the Head of Compliance Monitoring that a thematic review on training & competence had recently been completed and are currently scoping a review on record keeping. A copy of the Compliance Monitoring Plan for 2023 was provided to threesixty as part of the assessment.
11. An annual assessment is undertaken by the Head of Compliance Monitoring to ensure the compliance monitoring plan remains fit for purpose and defines the frequency of monitoring; the next assessment is due to commence in August 2023 to define the compliance monitoring plan for 2024. The Monitoring Team tracks progress against the compliance monitoring plan throughout the year and reports to the UK Investment Management Risk Committee, the ERM and PSCROC. Monthly management information on progress in respect of compliance monitoring is also submitted to the Risk Team.

12. The compliance team undertakes 'horizon scanning' on regulatory developments and implements and embeds new regulations, all regulatory projects are tracked by the ERM.
13. There are three teams within the compliance team: monitoring, advisory and international. Threesixty was advised the firm had recently recruited a new Head of Compliance who was currently within their probationary period prior to taking the Senior Management responsibility.
14. Brooks Macdonald has a compliance manual which is accessible by all staff. The manual has a description, summary, and a link to each of the firm's compliance policies. Policies include personal account dealing, inducements, conflicts of interest, insider dealing, financial promotions, Chinese Walls, and operational risk.
15. threesixty were advised the compliance manual had recently been revised by the compliance team as part of its annual review and approved by the firm's Policy Committee. The firm will be communicating the revised compliance manual to all staff, the compliance manual is hosted on the staff intranet to enable staff access as well as stored within the firm's Policy Hub.
16. All staff are required to confirm that they have read, and understood, the appropriate Group policies. Policies are subject to review by the Policy Committee, when significant policy changes occur, these are communicated to all staff. The firm operates a tiering approach with Tier 1 policies reviewed annually, Tier 2 policies are reviewed every 18 months, the policy review process is managed by the Risk Team.
17. Threesixty was advised the firm has a Conflicts of Interest Policy in place, a copy of the Personal Conflicts of Interest Policy was provided to threesixty as part of the assessment. In addition to the policy the firm has supporting registers. The conflicts of interest registers are reviewed by the compliance team, threesixty was advised the conflicts of interest review process was under review at the date of the assessment.
18. A Conduct Risk and Treating Customers Fairly Policy is in place, it was noted this policy was under review as part of the firm's Consumer Duty project.
19. Brooks Macdonald has a Target Market Guide dated April 2023 which is available for intermediaries in the firm's 'Due Diligence toolkit' section of the firm's website which documents the firm's assessment of its services.
20. threesixty was advised the firm's product governance documents had all been reviewed recently as part of the firm's Consumer Duty project, the overarching document in respect of the firm's approach to Product Governance, is documented in a Product Design & Governance Policy. The latest version of the Policy is dated July 2023, it was recently reviewed by the Policy Committee.
21. The firm's Product Governance are overseen by the Product, Suitability & Conduct Risk Oversight Committee (PSCROC) which meets monthly and is governed by a terms of reference. The committee is responsible for the governance framework for the firm's products and services and has oversight of all product reviews undertaken. EXCO is responsible for approving any new products or services or product withdrawals as well as any material changes to its products or services.
22. A Senior Manager & Certification Regime (SM&CR) Working Group is in place to manage the on-going requirements of the SM&CR regime. The SM&CR Working Group includes members of the business, compliance, and HR. The SM&CR Working Group meets monthly to review on-going SM&CR matters and reports to the firm's Executive Risk Management Committee. Threesixty was advised the firm was recruiting to hire dedicated resource to manage the firm's processes which are currently managed by compliance and HR.
23. An overview of the firm's Consumer Duty project was provided to threesixty by the firm's Head of Compliance Advisory Team. A project team is in place with a Senior Manager as project sponsor, there are workstreams aligned to the four outcomes with a representative from EXCO and compliance on each. A Steering Committee oversees the project and provides updates to the Risk Management Committee.

24. As part of the Consumer Duty project the firm has created a Consumer Duty: due diligence toolkit which is accessible via the UK Investment Management section of the firm's website. The toolkit includes useful resources for financial intermediaries including a Value Assessment Report as at 30 April 2023 for each of its services.
25. In July 2022, Brooks Macdonald completed its migration to the SS&C platform, the new relationship is overseen at several levels by the firm including regular meetings between compliance and risk with their counterparts at SS&C.

threesixty were not provided with minutes of meetings of the various committees as noted above, or certain registers due to the confidentiality of the information contained and did not carry out any detailed audit work on processes. However, from discussions with representatives during the review including the Head of Group Risk and members of the compliance team it would appear Brooks Macdonald have a structured approach to managing the risks within their business and regularly review their approach to these risks.

The firm's project to implement the FCA's Consumer Duty requirements appears organised and has provided the required deliverables to date.

B. Client and referring / introducing intermediary arrangements and financial promotions

This section looks at how the DIM deals with clients and what are the legal and procedural arrangements with introducing intermediaries. It looks at the contracts and on boarding procedure and what checks they will do on the intermediary business. It seeks to identify whether or not the process, and the responsibilities of all parties are clear.

This section also looks at how the DIM markets itself, and what controls it has to ensure that promotions are clear, fair and not misleading.

Review findings

Services available for intermediaries and their clients

1. **Managed Portfolio Service (MPS):** a suite of risk rated model portfolios covering a range of objectives, available exclusively to clients of intermediaries. The suite consists of 5 active growth portfolios, 2 active income portfolios, 3 passive portfolios, 3 responsible investing portfolios and 5 Distribution Technology risk targeted portfolios. The portfolios are widely available across third party platforms and direct through Brooks Macdonald where the minimum investment is £20,000. Factsheets and an on-line proposal generator are available to assist intermediaries in their use of the MPS.
2. **Bespoke Portfolio Service (BPS):** this service is available to clients with a minimum of £250,000 to invest who are looking for a portfolio to suit their specific investment needs. Each client is allocated a dedicated Investment Manager to manage their portfolio who will meet with the client and his intermediary on a regular basis to review their portfolio. The BPS service is available using both accumulation and decumulation strategies.
3. **AIM Service:** this service is available to clients with a minimum of £100,000 to invest who are interested in the benefits of accessing investments that benefit from Business Property Relief.
4. **Responsible Investment Service ('RIS')**: this service offers clients access to two different RIS strategies, 'Advance', which looks to invest in companies in providing sustainability solutions or who have strong ESG credentials and 'Avoid', which avoids investments in companies associated with gambling, tobacco, pornography, armaments, and alcohol. Both RIS strategies are available via the BPS service with 'Advance' accessible to MPS clients via five external platforms.
5. **Multi Asset Funds:** four multi asset funds are available offering either income, growth or both investment objectives and are available in different currencies, the minimum investment amount is £1,000 direct with Brooks Macdonald. The minimum investment amount via platforms varies according to the platform. The four multi asset funds are based on the core Centralised Investment Proposition.

Following the acquisition of Cornelian Asset Managers by Brooks Macdonald the range of multi-asset range has increased to include an additional eleven funds, the SVS Cornelian Funds. The SVS Cornelian Fund range is available using two approaches, either Risk Managed Funds or Risk Managed Passive Funds.
6. **Brooks Macdonald Investment Solutions (BMIS):** a relatively new service available to intermediary clients is available as either a platform MPS solution, or via a range of multi asset funds. BMIS is viewed as a partnership between Brooks Macdonald and intermediary firms. Brooks Macdonald will work with firms to create an investment solution for each firm using the Brooks Macdonald centralised investment proposition. Details of the BMIS service including details of the process, a flyer and a case study are available on the firm's website.

Suitability responsibility between Brooks Macdonald and their professional intermediary

1. Brooks Macdonald have a clearly developed approach defining the responsibilities between the introducing intermediary and Brooks Macdonald as the investment manager. This is outlined in the application pack and agreement that is signed by the client and the introducing intermediary. It is also explained within the Introducer Agreement that the intermediary is required to complete before potential clients are introduced to the firm.
2. Where the client is referred to Brooks Macdonald via an intermediary, Brooks Macdonald will agree with the intermediary as to how suitability responsibilities (initial and ongoing) are apportioned. Either the intermediary will be responsible for assessing the client's suitability, or Brooks Macdonald will be responsible. Brooks Macdonald check that ongoing advice is being provided (if applicable) by the intermediary every two years by obtaining confirmation from each registered intermediary that their underlying clients risks and objectives reflect the client's requirements.
3. In relation to the Managed Portfolio Service (MPS) the intermediary will always be responsible for the suitability assessment. In such cases where the Platform Managed Portfolio Service is accessed via assets held on an external third-party platform, the intermediary will be required to enter into an agreement appointing Brooks Macdonald as the discretionary manager and confirming that the intermediary is the 'permitted adviser', as agent, of their individual investor client in the operation of the Platform MPS service on an 'agent as client' basis. Brooks Macdonald will categorise the intermediary as a per se professional in this arrangement in accordance with FCA rules. Where clients access the MPS service directly with Brooks Macdonald the relationship between the intermediary and Brooks Macdonald is based on the 'reliance on others' arrangement.
4. In relation to the Bespoke Portfolio Service (BPS) the client can agree that either, the intermediary, or Brooks Macdonald will be responsible for suitability. The preferred approach is that the intermediary is responsible for the professional advice to their client, and in such cases the division of responsibilities is noted within the application pack details as follows:
 - The introducing intermediary/professional adviser is responsible for collecting information about the client's financial position, assessing suitability of the service and advising the client on their investment objectives and risk profile.
 - Brooks Macdonald is responsible for creating and managing an investment portfolio on a discretionary basis in accordance with the client's investment objectives and risk profile.
 - The introducer's agreement that is completed with the intermediary confirms the basic details of the intermediary, regulatory status, adviser charge details, confirmation of suitability arrangements, confirmation that the intermediary has carried out client verification procedures, but that Brooks Macdonald will also carry out its own additional anti-money laundering checks. In particular, it notes the intermediary will warrant that on an ongoing basis they will ensure that the client understands the respective roles of both the intermediary and Brooks Macdonald.
5. There are different application forms depending on what type of agreement is applicable for the client and whether the intermediary or Brooks Macdonald is taking responsibility for suitability.
6. The client agreement contained within the application pack includes a declaration that the intermediary must complete which confirms the following:
 - That the intermediary has completed the Anti-Money Laundering checks
 - That the intermediary has confirmed the purpose of the investment is not to evade or avoid tax
 - That the intermediary has been appointed as the client's professional adviser
 - That the intermediary has carried out a suitability assessment

- That the intermediary has advised the client on either the MPS or BPS based on the client's objectives and risk profile
 - That the intermediary has full and continuing authority from the client to give instructions to Brooks Macdonald
7. Brooks Macdonald conducts initial and ongoing (2 yearly) intermediary due diligence.

Ensuring portfolios remain suitable

1. Brooks Macdonald is always responsible for the content of the client's portfolio. In the case of the MPS services, the centralised MPS investment team is responsible for ensuring that each MPS portfolio is invested according to the relevant investment mandate.
2. For the Bespoke Portfolio Service (BPS), the Investment Managers are required to ensure that portfolios managed on a discretionary basis are suitable, considering the clients investments profile and the defined mandate.
3. Where a direct instruction is received from the client to amend their investment profile and the suitability obligation lies with the intermediary, written confirmation is requested from the intermediary that the updated investment profile is suitable.
4. In view of the ongoing responsibility which Brooks Macdonald has to ensure that the data it holds in relation to mutual clients of intermediaries is accurate and relevant it requires biennial attestations by the Professional Adviser (Professional Adviser Ongoing Suitability Attestation) of the following:
 - That it has reviewed the list of current clients on the Brooks Macdonald Adviser Portal
 - Is the appointed adviser of each of the clients as their Professional Adviser
 - Has continuing authority from each client in respect of any instructions given to Brooks Macdonald
 - Has carried out an assessment of suitability of the Bespoke Portfolio Service or Model Portfolio Service as relevant in accordance with requirements

DIM Due Diligence

Brooks Macdonald has a due diligence questionnaire document dated April 2023 which was provided to threesixty as part of the assessment and is updated quarterly and is available on request covering a wide range of areas including:

- Corporate Information
- Background to Brooks Macdonald
- Key Personnel
- Investment Process
- Portfolio Management and monitoring
- Suitability Assessment
- Communication
- Compliance
- Fees and other costs

Assistance to intermediaries and training

Brooks Macdonald operates the Advisor Academy series, 'Connected' which is available on-line. This provides weekly market commentary as well as regular webinars.

Intermediaries are able to access their client's information using the online Portal, 'InvestBM' via the firm's website.

It was also noted that the Brooks Macdonald website is a useful source of information for intermediaries and their clients.

In February 2017 Brooks Macdonald and several other major investment management firms formed a partnership called the DFM Connect (formerly DFM Alliance) to offer intermediaries a platform for improving client outcomes through information, education, and collaboration. The aims of the DFM Connect are to:

- Educate advisers on the benefits of outsourcing investment management
- Provide a knowledge base for advisers to draw upon when undertaking DFM due diligence
- Work collaboratively with advisers to assist in improving business practices for the benefit of the end client
- Debunk the myths around working with a DFM and what it means for advisory business

This has now evolved into the DFM Connect and has had a significant uplift in 'members'.

Procedures in respect of dealings with intermediaries

From a review of an Application Pack issued to the client and intermediary and the Client Guide, the respective roles of both parties are well set out. The firm has created a Consumer Duty Toolkit on the firm's website which provides documents to assist intermediaries with their obligations to undertake due diligence on a discretionary investment manager prior to introducing clients to such services.

Financial promotions

Brooks Macdonald has procedures in place to approve all forms of communications / financial promotions: and ensure that they are fair, clear and not misleading. These procedures include:

1. A Financial Promotions Guidelines for Marketing Materials and Client Communications document which provides useful information for the marketing department and other areas of the business to consider when they are producing communications / financial promotions.
2. A Financial Promotions Policy and Procedure which states that all promotions must be approved by marketing and compliance. Compliance also review and approve other forms of client communication.
3. A flow chart is in place to assist individuals as to whether a communication is an invitation or inducement and the roles and responsibilities of each party involved in the process.
4. The financial promotion is drafted by the Products & Proposition Team (who are responsible for ensuring the firm's products and services are communicated correctly) with input from marketing and the front office before being sent to compliance for sign off.
5. A register is retained within the firm's recently implemented on-line financial promotions tool and all literature associated with the promotion is recorded and saved. The on-line system enables the firm to manage the financial promotions process electronically.
6. Financial promotions are reviewed as part of the compliance monitoring programme.

Based on a meeting with members of the compliance team, Brooks Macdonald appear to have a structured approach to the production and review of financial promotions.

C. Recruitment

This section aims to illustrate what procedures the DIM has in place to ensure that staff it employs are fit and proper. It looks at how the recruitment process works, and how staff are inducted into the business to ensure that they are aware of company procedures.

It will also look at remuneration policies to see if these have been clearly defined.

Review findings

An overview of the recruitment process was provided by the HR COO and the Head of Talent Acquisition. It was noted that Brooks Macdonald use Networx to manage their recruitment process. The system provides the required governance as well as providing a diversity focus. Networx enables the firm to access a wide arena in which to advertise vacancies and is more cost effective than using traditional employment agencies. The overall recruitment process includes the following:

1. Brooks Macdonald's defined process for the authorisation of recruitment involves:
 - Each March/April the Heads of Business submit their prospective recruitment plans for the financial year ahead commencing 1 July. The overall draft plan is then sent to the Executive Committee for approval or amendment.
 - Approved roles are added to the Recruitment Budget List which is then managed by Group HR during the year.
 - There is a procedure for additional approval to be obtained if additional roles are required during the year.
2. The recruitment process is supported by a six-stage process built into the Networx system covering the need for the role through to completion of the hire, the process is managed centrally by the Head of Talent Acquisition. The process commences with the completion of the role profile. Templates of profiles are contained on the firm's Cascade HR system to assist hiring managers. The six-stages are outlined on the firm's intranet, details were shared with threesixty on screen during the assessment.
3. Internal recruitment is encouraged within Brooks Macdonald. HR will upload a vacancy to the Brooks Macdonald intranet so the role can be advertised internally prior to seeking a candidate externally. Reference is also made to talent data and succession plans if appropriate.
4. If no internal candidate is suitable the role is added to the Networx system to manage the process, which will include several activities being undertaken, including working with the hiring manager to:
 - Draft an appropriate advert for the role and advertise the role online
 - Sift CVs received and send the best match to the hiring manager for review
 - Arrange and confirm interview dates and act as conduit between hiring manager and candidates
 - Work with recruitment agencies where the role requires it
5. In relation to experienced candidates, Brooks Macdonald seeks similar characteristics as with inexperienced candidates. However, in addition the company will seek to find qualified investment managers with proven track records in managing private client portfolios, particularly, regarding asset allocation and the selection of individual investments.
6. There is a three-stage interview process for all new joiners. The first interview is conducted by the hiring manager, the second interview will include members of the wider team with the final interview conducted by the Head of Talent Acquisition.
7. HR provide hiring managers with a guidance document ('The Hiring Process') to assist in the recruitment process. This document includes recruitment guideline notes explaining the process, the need to define

the key criteria for the role, along with helpful tips, and example interview questions. Hiring managers are also provided with interview packs to record the findings of the interviews with candidates.

8. Hiring managers liaise with HR to make a conditional verbal offer to a successful candidate and an employment contract forwarded to the candidate. The contract is conditional on the successful completion of pre-employment checks such as receipt of references, credit and criminal record checks. Once the offer is made HR will complete the New Starter Contract details form which is then passed to the hiring manager to review.
9. Following confirmation of the New Starter Contract details, HR will begin the setup of the details of the new employee on the Cascade HR system, and ensure that the formal offer letter is issued, contract drafted, and pre-employment checks completed. They will also ensure other internal functions are made aware of the new employee such as payroll, employee benefits and IT etc. The new employee is then booked on the next available induction day after the start date, which is run by the HR function with input from other business areas along with a half day covering diversity / inclusivity and welcome drinks.
10. It was noted that post COVID the firm has adopted a flexible working policy with a majority of staff working 2-3 days in the office.
11. In relation to employees who will be Senior Managers under SM&CR before the Form A is submitted to the FCA by the Compliance Team, a pre FCA registration vetting checklist is completed by HR. This covers employment history and provides comments regarding any outstanding issues. HR will also conduct a regulatory reference and DBS check as part of the recruitment process. It was noted during the assessment the firm is looking to hire a new joiner whose remit would be to oversee the firm's SM&CR arrangements.
12. The Business Partners Team is responsible for liaising between HR and the business regarding employee matters, including recruitment and providing support to senior management.
13. Brooks Macdonald recruits trainees as part of the 'Investment 20/20' initiative as well as experienced Investment Managers. threesixty were advised four interns joined in June 2023. Details of the firm's involvement with the initiative can be found on the firm's website.
14. The Head of Talent Acquisition provided details to threesixty on the firm's Graduate Programme for 2023, Brooks Macdonald worked with a specialist provider to assist them in the programme. The programme has resulted in seven graduates joining the firm across investment management, risk and marketing.
15. Brooks Macdonald's Gender Pay Gap report for the period ending 5 April 2022 can be found on its website. The report makes the following comments in respect of this matter:

'Our gender pay gap report shows marginal improvement in some metrics and our deeper analysis provides certainty that men and women are paid equally for performing equivalent work. However, the difference between average (median) remuneration for men and women remains unacceptably wide. This results from the under-representation of women in higher-paid, client-facing roles, and addressing this issue remains a significant challenge.'
16. In respect of diversity in the recruitment process Brooks Macdonald has a diversity focus based on gender and backgrounds. To support this stated objective Brooks Macdonald uses diverse interview shortlists and panels.
17. Brooks Macdonald has a Diversity, Equity and Inclusion Working Group which meets monthly and is attended by representatives including the Chief People Officer and the business to oversee the firm's Diversity Strategy.
18. The Brooks Macdonald website details the firm's 'Our Promise' to create an inclusive culture, provide fulfilling careers and great recognition.

19. Brooks Macdonald is a member of the LGBT Great community.
20. The Remuneration Policy within Brooks Macdonald is governed by the Remuneration Committee which comprises at least three non-executive Directors of the Group. This committee sets the remuneration packages for executive Directors and certain senior executives. It also sets the broad parameters for the annual base salary review for all staff across the Group and reviews all awards made under long-term incentive schemes. Details of the Group's Remuneration Policy can be found within the firm's 'Investment Firm Prudential Regime - Public Disclosures 2022' for the year ending 30 June 2022 which can be found on the firm's website.
21. In general, the basis of remuneration within Brooks Macdonald is a base salary and a discretionary bonus. Within the Group Accounts there is a detailed section on the activities of the Remuneration Committee in respect of the firm, it notes the role of the committee is 'to ensure its overall approach to remuneration was competitive, market aligned and fulfils its role in optimising our risk culture and driving the right commercial outcomes aligned to long-term shareholder interests.'
22. Threesixty was advised the firm has introduced a new employee performance framework 'At Our Best', the firm has moved away from a 6 monthly and annual performance review to regular informal meetings and discussion with employees throughout the year. Employees are assessed against the firms' behaviours framework as well individual performance as part of the new framework as the firm has looked to create a link to its culture and provide a greater focus on employee development.

Following meetings with the HR COO and the Head of Talent Acquisition it was noted there have not been any significant changes to the recruitment process by Brooks Macdonald over the last year.

The Head of Talent Acquisition provided threesixty with details of the recruitment approach for recent senior manager replacements with the approach dependent on the skillset and level of seniority.

The new performance framework is an interesting development with regular meetings occurring throughout the performance period and a link to the firm's behaviours.

The firm continues to support new entrants to financial services with both a graduate programme and being a supporter of the 20/20 Initiative.

D. Training & Competence (T&C)

This section looks at how the DIM sets out its training and competence regime, and reviews what processes are in place to train, assess and monitor staff and investment managers in particular in their role of dealing with clients introduced from intermediaries.

Review findings

1. The firm has a T&C scheme which was last updated in August 2021. The T&C scheme was initially drafted by the firm's Learning & Development Team in conjunction with an external consultancy and subsequently revised by the Head of Talent and Development. The T&C scheme is the responsibility of the Managing Director of UK Investment Management with support from HR, Risk and Compliance, and Talent and Development. The T&C scheme encompasses a risk-based approach with individuals assessed against several areas relevant to assessing their level of knowledge and compliance. threesixty were provided with a copy of the T&C scheme as part of a previous assessment.
2. The T&C scheme covers all individuals who are involved in the provision of investment management activities for the firm and includes SM&CR requirements.
3. The T&C scheme includes details on how newly appointed Investment Managers (IMs) are on a 'Route to Competence' ('RTC') to achieve the required level of competence required for their role. The RTC considers knowledge, skills, and behaviours as part of each individual's assessment. Following appointment each new IM is subject to a gap analysis by their T&C supervisor which documents any gaps in knowledge or experience along with the required activities to be undertaken to achieve the required level of competence. All new IMs are required to undertake initial training which includes firm specific procedures on risk management and client servicing as well as training on AML, Vulnerable Clients, and Complaints. All training is completed within the firm's on-line training system Learning Curve.
4. The process for each new IM is documented. Each new IM is directly supervised by their T&C Supervisor until competence status has been achieved. Experienced new IMs typically achieve competence status within two months with inexperienced new IMs it can take up to six months. After the initial period a formal assessment is undertaken which will consider several areas including file review feedback, results of 1 to 1 meeting's and CPD progress. Subject to a successful assessment the Training Needs Record is passed from the T&C Supervisor to a Senior Certified Manager for approval which is then forwarded to HR to update the FCA Directory.
5. One competence has been achieved each IM is required to maintain their level of competence, this is regularly assessed by their T&C Supervisor at least quarterly using feedback from client meeting's, performance against KPIs and a review of training undertaken.
6. Levels of supervision for competent IM's are dependent upon a risk assessment undertaken by their Supervisor, based on that assessment IMs are graded either green, amber, or blue according to the level of supervision required. Quarterly meetings are held between all IM's and their T&C Supervisor.
7. It was noted Brooks Macdonald uses a computer-based training system, Learning Curve. This is used to record all training activity and assist in the delivery of online training and testing.
8. All information including qualifications both general and investment specific, training gap analysis and development plan, meeting notes with the line manager, Learning Curve records showing completion of Computer Based Training, details of Certificate of Statement of Professional Standing (SPS), and competency assessment sign off are recorded on each IM's T&C file.
9. The firm have defined the standards by which observation meetings of IM's by line managers is assessed and threesixty were previously provided with a copy of the document which sets out the standards.

10. Brooks Macdonald require all IM's to obtain an SPS from an accredited body. Therefore, all are required to complete a minimum of 35 hours CPD of which a minimum of 21 hours must be structured and the rest unstructured activity.
11. CPD is logged with the appropriate accredited body and the firm tracks the progress of CPD for each individual. Quality checks are then undertaken typically on a sample basis and CPD will only count if certain criteria are met. Records of CPD attained are then recorded on the Learning Curve system. Oversight of employees CPD is the responsibility of the individuals line manager.
12. Reviews are undertaken for each IM throughout the year with regular one to one meetings with their line manager / supervisor. These assessments are recorded on the Cascade system.
13. threesixty were previously provided with a template for a quarterly review for an existing IM which contained the following information: previous action point's: T&C RAG rating and supporting evidence.
14. All IMs are qualified to at least the required standard and are encouraged to study further as part of their ongoing development.
15. A list of current IMs and T&C Supervisor qualifications was provided, the information provided that all hold level 4 qualifications with the majority exceeding this.
16. threesixty were informed by the firms' Training & Competence Manager that the firm is reviewing its T&C arrangements. An overview of the scope of the project was provided by the T&C Manager.

Based on discussions with the T&C Manager the firm is continuing to enhance its training and competency framework to encompass a consistent structure across the different business areas.

E. Discretionary management procedures

This section looks at the procedures and controls the DIM has put in place to carry out the DIM service. It aims to assess how they arrive at decisions when managing funds, and how do they record and monitor the process. It looks at the structure of the process including the firm's investment philosophy, investment committees, research, how decisions are implemented and the controls in place to minimise the risk of errors and loss to clients.

Review findings

Brooks Macdonald has procedures to control and monitor the discretionary management services it provides to the clients of referring/introducing intermediaries. The procedures include the following:

1. The Investment Committee is responsible for Brooks Macdonald's investment process, and it oversees its delegation to the Asset Allocation Committee (AAC), Asset Selection Committee, and Brooks Macdonald's research process. The committees meet monthly, or more frequently if circumstances require.
2. The Investment Committee is comprised of the Chief Investment Officer (Chair), Head of Research, Head of International Investment Management, Senior Advisor to the Investment Committee, Head of Risk Managed Funds and an External Advisor to the Investment Committee. In addition to the members there are also four attendees who attend each Investment Committee meeting, these are a Non-Executive Director, a Research Analyst, Head of Investment Risk and a Senior Portfolio Director, who is a formal committee member. It was noted the role of the Investment Committee is to support the CIO in delivering and managing the firm's investment process.
3. threesixty were provided with a copy of the Terms of Reference of the Investment Committee dated July 2023 which was approved by the Investment Committee.
4. Minutes are taken for each meeting and e-mailed to all members of the Investment Committee. Once conclusions have been agreed these are communicated to the relevant Investment Managers. Due to the confidentiality of information contained threesixty were not provided with copies of the minutes of the Investment Committee. Delivery expectations are in place both for the issue of minutes and the provision of papers in advance of meetings.
5. The Investment Committee is accountable to the Brooks Macdonald Board and either the CIO or Head of Research provides updates at each Brooks Macdonald Board meeting. A report is also produced by the CIO following each Investment Committee meeting which is circulated to the Executive Risk Management Committee and the Executive Committee.
6. The Investment Committee has delegated the responsibility for setting the asset allocation strategy to the AAC which meets monthly. threesixty were informed the AAC is chaired by the CIO and includes other experienced investment professionals.
7. A new Ideas Forum is in place to review alternative ideas and concepts to assess if they can benefit the firm's investment process. The Forum meets fortnightly with a set agenda, minutes and action points, the Forum reports into the Investment Committee. The Forum is attended by Portfolio Managers and sector team heads.
8. There are Monday Morning Meetings which provide an overview of the sectors along with commentary from the Head of Research where any changes to the firm's buy list are discussed. On a quarterly basis performance data is also reviewed.
9. Investment Managers are members of a sector team that specialise in an individual sector of the market in relation to research. Each sector team is headed by a Senior Investment Manager and each team reports to the Asset Selection Committee with buy and sell recommendations. Research involves a combination of quantitative screening, and qualitative reviews of those investments deemed most attractive. The initial analysis would be carried out using tools such as Refinitiv, Morningstar, Financial

Express and Bloomberg. This is followed up with qualitative analysis in a process Brooks Macdonald describe as an analysis of the 'Seven Ps' i.e.

- The fund's investment Philosophy
- It's investment Process
- The People, and resources, involved in its management
- It's Performance (understanding how it has generated returns in the past and what to expect in the future)
- It's current Positioning (understanding the risks it is undertaking and how the manager is positioned – i.e., under what circumstances it is likely to perform well or poorly)
- It's Price (we ensure that any costs we bear in relation to the investments we make are minimised)
- Our ability to Partner with them over time (by building strong relationships with fund managers we are able to leverage their resources and benefit our clients further)

The investment team are currently working on improving the communication aspect of the performance and positioning aspect of the process.

10. The Asset Selection Committee (ASC) is chaired by the Head of Research and approves the research outputs and buy and sell recommendations before these are issued to the investment teams. The membership of the ASC has recently increased with additional Investment Managers and Portfolio Managers attending on a fixed term basis. Each buy and sell recommendation that is submitted for approval must be supported by a detailed due diligence questionnaire which includes information obtained using Asset Q.
11. Buy and sell lists are regularly reviewed by sector teams. All Investment Managers have access to the research from each of the sector teams.
12. In relation to bespoke portfolios, Investment Managers are responsible for construction of the client's portfolio in accordance with the client's investment profile and using the defined investment process. The firm's policy is that Investment Managers are granted a degree of discretion in constructing client portfolios. This discretion is in the form of tolerance levels around the asset allocation set out by the Asset Allocation Committee. Investment Managers are also responsible for selecting the individual securities that are purchased within each asset class (normally, from investments listed on the central buy list approved by the Investment Committee). However, they must also abide by the investment policies established by the Investment Committee regarding managing investment risk. The use of discretion by an Investment Manager is documented and is then system monitored daily, and action taken as and when required. Investment Managers have the discretion to invest up to a maximum of 5% of the portfolio outside the buy list.
13. If an Investment Manager has a strong conviction to use a new investment there is a rigorous pre-approval process which is documented in the Investment Guide (the Investment Guide is the responsibility of the Investment Committee). The new investment would only be permitted once the process and oversight are completed which would include a review by the ASC.
14. The Head of Research advised each of the regional offices has a team / office model. All teams use the same buy list. Models are reviewed on an on-going basis using the BITA system and formally quarterly by the Investment Team against the house model to review any dispersion / against tolerance. The Head of Research advised any differences are due to client specific requirements.
15. The Investment Guide is available for the use of Investment Managers which covers the investment process and procedures that they need to work with. threesixty was advised that the Investment Guide was currently under review.
16. In relation to new investment mandates utilising the Bespoke Portfolio Service an Investment Manager will have a period of six months in which to fully invest the portfolio in line with the set tolerance of the

guidance portfolio set out by the AAC. In relation to Managed Portfolio Service there is no phasing of investment, and all funds are invested in the respective model as soon as possible.

17. ESG is integrated within the investment process, the firm uses Asset Q analysis, proprietary quantitative analysis including performance against peers and benchmark and a Sustainalytics report. The firm was currently considering an additional Consumer Duty aspect to the process.
18. The Responsible Investment Service ('RIS') uses the central Brooks Macdonald asset allocation and research process. In addition, a quantitative ESG analysis report is used from Morningstar as well as qualitative analysis using eight in house sustainability themes for the Advance RIS strategy which includes cleaner energy, resource efficiency, water and waste management and sustainable transport. An RIS Suitability Guide is available for intermediaries on the firm's website.
19. Brooks Macdonald use a Risk Monitoring System (BITA – Better Intelligence Through Analysis) to monitor the construction and ongoing rebalancing of portfolios to ensure they are compliant with the mandate and the defined investment policies of the firm. This includes a traffic light report system flagging any breaches to both the Investment Team and the Business Assurance team daily. The system is overseen by the Business Assurance team which reports to the Managing Director monthly.
20. Where an in-house fund is to be included within a discretionary portfolio certain policies and criteria are in place to ensure the conflicts of interest are managed. The total exposure to in-house funds is limited to 5% of assets under management.
21. Brooks Macdonald issue periodic reports quarterly and threesixty were provided with an example to review. Ad hoc valuation reports are provided at all review meetings, and on request, and a year-end tax report is also sent annually.
22. The level of involvement between the investment manager, intermediary and client will be agreed as part of the initial take on process. However, Brooks Macdonald note that the organisation of investment managers into teams ensures that clients and their intermediaries will always have access to an investment manager, either a lead investment manager or a designated deputy. Generally, an investment manager at Brooks Macdonald will hold a meeting with each client and their intermediary on at least a 6 monthly or annual basis.
23. Investment managers are supported by a team of portfolio managers; investment managers typically are engaged in client contact with portfolio managers responsible for investment research and portfolio construction.
24. Brooks Macdonald has a Portfolio Implementation Team to focus on the implementation of dealing orders enabling investment managers to focus on managing investments and client relationships.
25. Brooks Macdonald has procedures in place for preparing past performance data. A member of the investment team is responsible for reviewing performance data and providing the data to Asset Risk Consultants (ARC) which enables the firm to provide comparisons with average performance against their peers. Performance data is overseen by the Head of Research and is reviewed by the Investment Committee.
26. There is an order execution policy in place which is the responsibility of the Best Execution Oversight Committee. The policy was last reviewed and approved by the Policy Committee in July 2022. The Best Execution Oversight Committee ('BEOC') is responsible for the oversight of the effectiveness of the Best Execution activities of the firm.
27. Brooks Macdonald uses Liquid Metrix to assist the firm's analysis of best execution. Weekly analysis is undertaken by the Operational Oversight Team in respect of best execution.
28. Any breaches, errors or near misses are reported to the Risk Team for investigation and analysis.
29. The Group has been a signatory to the United Nations Principals for Responsible Investment since December 2020.

30. Brooks Macdonald has outlined its approach to the Shareholder Rights Directive within its Responsible Investment Policy which can be found on the firm's website.

The review did not include any detailed audit work of the operation of Brooks Macdonald's procedures, nor a review of the minutes of the Investment Committee due to the confidentiality of the information.

However, based upon the discussions with the Head of Research the firm appears to have a process in place that is regularly monitored and where possible enhanced to create consistent performance across portfolios.

F. Outsourcing

This section looks at the extent that a DIM outsources key tasks to 3rd parties, and if it does what processes are in place to monitor this activity and minimise any adverse impact to clients.

This section is not relevant to all firms as not all firms outsource key tasks to 3rd parties.

Review findings

1. Brooks Macdonald have a number of arrangements with third parties in relation to financial and non-financial issues and have developed systems and procedures to mitigate the risks of these arrangements. In relation to financial issues Brooks Macdonald has arrangements with firms such as custodians and banks which are considered critical outsourcing arrangements.
2. To mitigate the risks of outsourcing due diligence takes place prior to the commencement of any outsourcing arrangement. For any potential suppliers of services to Brooks Macdonald a prequalification questionnaire is required to be completed by the third party as part of its tender for services. The questionnaire focuses on key questions about the provider and covers areas like criminal records, public liability, service issues and financials. The questionnaire is used as an initial screening document before a deeper dive is conducted on the third party.
3. Due diligence is reassessed on an ongoing basis with quarterly reviews with third-party Custodians and Credit Institutions by the Third-Party Service Provider Management Team.
4. There are detailed service level agreements (SLAs) in place with third parties who provide key services to Brooks Macdonald, and there is a process of monitoring performance by way of regular meetings with the third party. The SLAs with third parties are reviewed on an annual basis.
5. The firm has an Outsourcing Policy dated March 2023 which was provided to threesixty as part of the assessment. The Outsourcing Policy & Outsourcing Register are both used by the firm to manage risks associated with third party service providers and ensure that providers are subject to the required levels of due diligence, both documents are the responsibility of the Chief Operating Officer.
6. In September 2022 Brooks Macdonald announced its new strategic partnership with SS&C Technologies, a provider of software and technology services to the financial industry was now live. SS&C provides a platform for Brooks Macdonald to operate its services. The transition to SS&C was a major project for Brooks Macdonald and was managed by a project team which includes both internal resource and an external company to assist deliver the project.
7. threesixty were advised there are daily, weekly, and monthly meetings with SS&C as well as senior management governance meetings to ensure the services being provided to Brooks Macdonald by SS&C meet requirements. Oversight within Brooks Macdonald is provided by the Operational Oversight Team. The monthly service review meeting is a key meeting between the two firms to review the SS&C service provision. There are also weekly meetings between the Head of Operational Oversight and the SS&C CASS Co-Ordinator.
8. As part of the Brooks Macdonald governance oversight framework there are also regular meetings between representatives from Compliance and Risk and SS&C.
9. In addition to meetings with SS&C there are internal escalation processes within Brooks Macdonald which include a Chief Operating Officer Risk Management Committee which reports to the Chief Operating Officer Management Committee which in turn reports to the ERM Committee.
10. Service Level Agreements are in place between Brooks Macdonald and SS&C, threesixty was advised these were currently under review.

11. Threesixty was advised there are project deliverables post 'go live' that are being managed between the Brooks Macdonald Change Team which are overseen by the Change Management Committee and reviewed by a joint Steering Committee for Change with SS&C.
12. The CASS Oversight Committee reviews the reports and findings produced by the CASS Oversight and Control function on the banks used by the company considering the bank's size, reputation, and credit rating. The overriding principle being that money is held in several banks and not concentrated in one place. An annual CASS audit is conducted by PWC. The firm is categorised as a CASS medium firm under the FCA rules. A Senior Manager is responsible for the firm's CASS obligations. All outsourced IT services with a CASS impact are included in the CASS Resolution Pack.
13. A Financial Risk Committee is in place which is chaired by the Group Finance Director with other attendees including the Chief Operating Officer and the Chief Risk Officer. The committee is tasked with oversight of internal financial risks and counterparty risk. A copy of the Financial Risk Committee Terms of Reference was provided to threesixty as part of the previous assessment.
14. The Technology Director confirmed the Service Management Team monitors third party IT outsourced relationships. The monitoring involves monthly service review meetings, and daily operational calls. IT contracts include data security testing and annual penetration tests conducted by independent firms. All providers are located in the UK and can be readily visited if required. A current IT project is underway to harmonise the various CRM systems into one solution.
15. In addition, Brooks Macdonald requires that IT service providers agree contracts that would enable the service to be novated immediately to Brooks Macdonald in the event of a business failure of the outsourced service provider.
16. There is an on-going project to review the arrangements with Brooks Macdonald's key service providers. This is a group-wide initiative within the Brooks Macdonald Group.

Based on discussions with the Head of Operational Oversight it would appear Brooks Macdonald have a defined approach to Outsourcing and the due diligence to be undertaken on third parties which is under ongoing review and is seen as a high priority.

The migration to SS&C has been a significant project for Brooks Macdonald, there appears to be good oversight framework in place which will evolve over time.

G. Financial crime, anti-money laundering, data security, fraud and the Bribery Act

This looks at how the DIM assesses its risks of being subject to financial crime and how they mitigate the risks by way of business controls and procedures, monitoring, training and reporting.

Review findings

1. Brooks Macdonald Group PLC has in place an FCA Customer and Client Manual which outlines the Group's approach to dealing with financial crime. threesixty were advised there were minor changes to the Manual when updated by the firm's Deputy Money Laundering Reporting Officer (DMLRO) in September 2022 and is currently under review. When key changes are made to the Manual training is provided to relevant staff, the Manual is stored on the firm's intranet for reference.
2. The firm has a dedicated Financial Crime Team responsible for ensuring there are appropriate systems and controls in place to prevent financial crime. There are four members of staff within the team, it is headed by the Head of Financial Crime / MLRO supported by the DMLRO and two financial crime analyst who are responsible for advisory support and quality assurance.
3. The agreement with any introducing intermediary notes that Brooks Macdonald will expect all introducing intermediaries to carry out Anti-Money Laundering (AML) verification checks on clients introduced. However, the agreement also notes that Brooks Macdonald will carry out their own additional checks.
4. The firm's FCA Customer and Client Manual includes the firm's Customer Due Diligence Procedures. Included within the manual are detailed procedures to identify clients and as part of this:
 - Due diligence is completed for all new business relationships including customers, third parties, partners, and suppliers. This is irrespective of whether they have been introduced by a regulated intermediary.
 - Due diligence includes electronic verification of identity and address, as well as checks against PEP, sanctions, and adverse media lists. Clients are screened both at take on and on an on-going basis. Any on-going issues that are identified are reviewed by Investment Managers with the Financial Crime Team aiding where required.
 - The Customer Due Diligence Procedures assess clients as low, medium, and high risk following the completion of a risk assessment. High risk is defined as PEP, Offshore Company, Offshore Trust, Offshore Charity & Non-UK resident. As part of Brooks Macdonald's customer due diligence checks, where a client is deemed to be high risk, they are reviewed by the Client Approval Forum.
 - Source of funds and origin of wealth are obtained as part of the client take on process.
5. A payment screening tool is used by the Financial Crime Team which is used for transaction monitoring purposes to monitors client transactions on an on-going basis for abnormal or suspicious behaviour.
6. A Client Approval Forum meets on an ad hoc basis, at least monthly basis. The Forum's term of reference were currently under review at the date of the assessment including in the review will be a review of the Chairperson. The Client Approval Forum was chaired by the Chief Risk Officer, other attendees include the Head of UK Investment Management and the Head of the Financial Crime Team. The Client Approval Forum is responsible for the oversight of client specific financial crime risks. Its remit includes a review of all new high-risk clients and reviewing existing clients that have been categorised as high risk, these are clients who tend to be UK domestic PEPs, the Client Approval Forum also review international clients. The Client Approval Forum reports into the ERM and the Risk & Compliance Committee.
7. Updates of AML procedures are provided on the staff intranet system. All staff are required to confirm on an annual basis that they have read and understood the procedures.

8. Training on financial crime issues including Sanctions is provided at induction when new employees start, and via the computer-based T&C system 'Learning Curve'. All employees are required to complete AML training annually. The records of modules completed are contained within the T&C system. Threesixty were advised financial crime training is due to be provided to the regional offices by the DMLRO based on recent changes to AML processes within the firm. Additional general training is being considered with an external provider by the Financial Crime Team.
9. Written procedures are in place for the recording of any gifts and hospitality received by its employees. Any gifts over a certain value must also be signed off either by a Line Manager or a Senior Manager (depending on the value of the request). An annual declaration must be signed by all staff confirming they have reported any gifts or hospitality in line with the procedures.
10. The firm has in place several financial crime policies including an Anti-Bribery & Corruption Policy, Anti-Financial Crime Policy, Sanctions Policy and an AML/CTF Policy which are reviewed annually.
11. Brooks Macdonald has a Data Protection Policy. This includes the firm's approach to data protection and includes detail of employees' responsibilities on this matter as well as how the processes are reviewed by Compliance and reported to management.
12. Brooks Macdonald's data security arrangements include an element of independent penetration testing on its IT systems to ensure they are secure from external threats.
13. An annual MLRO report is produced and presented to the Board setting out an overall assessment of the financial crime framework. The DMLRO confirmed the last MLRO report was for the year ending 30 June 2022 had been presented to the Board and the ERM in November 2022. A copy of the report was not provided by Brooks Macdonald for review due to the confidential nature of the report.
14. In addition to the annual MLRO report an annual AML / Sanctions assessment was conducted by the DMLRO which was presented to the ERM and Board for approval at the Board meeting as the annual MLRO report.
15. In January 2023 the Anti-Bribery & Corruption assessment was updated and reviewed by the ERM. At the date of the assessment the Fraud Risk Assessment was under review by the DMLRO which will also be reviewed by the ERM and Board for approval.

Brooks Macdonald did not provide threesixty with certain documents such as the MLRO report due to the confidentiality of information contained within the documents. However, based on discussions with the Deputy Money Laundering Reporting Officer, the firm appears to have detailed policies and procedures in respect of financial crime which are regularly reviewed.

H. Complaints

This looks at how the DIM handles complaints and ensures that they are independently handled and that the process is fair and clear.

Depending on the arrangement the intermediary has with the DIM this may be a case of assessing how the DIM deals with complaints from the intermediary's clients, or if there is no direct relationship with investor clients how the DIM deals with any potential complaints from the intermediary as a professional client.

Review findings

1. Brooks Macdonald has in place a Complaints Handling Policy. A copy of the Complaints Handling Policy was previously provided to threesixty as part of the assessment. The Complaints Handling Policy is currently the responsibility of the Chief Risk Officer, but this was under review at the date of the assessment.
2. Two types of complaints are recorded by the firm: complaints and queries, complaints are formal client complaints whereas queries are where clients have expressed doubt, raised a question, or requested clarification on a specific matter. Both are recorded in the Incident Management System and then investigated and analysed by the Central Risk Team and reported to Senior Management.
3. All complaints are currently investigated by the Client Incident Manager, a member of the Central Risk Team who has a specific remit to liaise with clients and the Financial Ombudsman Service.
4. Threesixty was advised the investigation aspect of the complaints process is currently under review with the intention to move this aspect from the Central Risk Team to the compliance team, the Central Risk team would however retain oversight.
5. Complaints procedures are explained to staff as part of their induction and all staff must confirm that they have read and understood the complaints policy on an annual basis. Complaints training is provided to staff upon joining as well as on an ad hoc basis following a review of Complaints trend analysis.
6. Details of the firm's complaints handling process and contact points are outlined in the complaints handling section of the firm's website.

threesixty were provided with an overview of how complaints are managed by the Head of Operational Risk. Based on discussions, Brooks Macdonald appear to have appropriate procedures to deal with complaints.

I. Business continuity / disaster recovery

This section looks at the arrangements the DIM has put in place to ensure that if a disaster did occur, they could respond quickly, and either maintain their service to clients, or restore the service in an acceptable time frame in order to minimise any risk of loss.

Review findings

1. Brooks Macdonald has an Operational Resilience Framework in place which encompasses Operational Resilience, Business Continuity Planning, Disaster Recovery and Crisis Management.
2. It was noted Brooks Macdonald have a Group wide Crisis Management Plan (CMP) which is the responsibility of the Chief Operating Officer. The Plan deals with the overarching processes and methodology to ensure that Brooks Macdonald is sufficiently prepared to access the necessary people and resources to respond to, and manage, a major incident. Its aim is to supplement and provides the emergency response component of the existing Business Continuity Management Policy. Threesixty was advised the latest version of the Business Continuity Management Policy was reviewed in 2022. Threesixty was advised the Group CMP was also reviewed by the firm's Operational Resilience Manager.
3. The objectives of the CMP are to:
 - Ensure staff and client safety is managed as a priority
 - Provide an effective management response in order to limit damage and maintain business operations where possible
 - Satisfy statutory and regulatory requirements
 - Maintain the confidence of stakeholders via clear communication
4. The CMP defines the responsibilities of the Crisis Management team (CMT). It was noted that each team member has an aide memoire setting out a summary of the CMP arrangements. Each team member also carries a business card size 'Crisis Card' which contains key information for the CMT members.
5. Brooks Macdonald completed a review of their Business Impact Assessment using Business Optix to ensure all their business process have been mapped. The assessment identifies the impact over time of various incidents and rating their impact as either negligible, low, moderate, or high. This assessment has assisted the firm in its Operational Resilience Project (see below). Threesixty was advised another review is to take place following the completion of the SS&C project.
6. threesixty were informed that the firm undertakes a test of its disaster recovery arrangements each year which includes a full replication test for its key system.
7. A key element of Brooks Macdonald's disaster recovery arrangements for the London office is that in the event of any disaster they would be able to move critical functions to the Tunbridge Wells office in which spare capacity of workstations is maintained as part of the plan. It is recognised that most staff are able to work remotely / from home. threesixty were advised the firm's dealing team are now able to access both the London and Tunbridge Wells sites remotely.
8. Brooks Macdonald has the facility to contact all staff members via SMS and a mobile application in case of a disaster event occurring. Both systems were tested extensively prior to the COVID-19 pandemic.
9. The risk of the loss of IT arising from inadequate or failed systems is noted as one of the business level principal risks recorded the Risks section of the Group Accounts.
10. As an enhanced firm Brooks Macdonald are in scope for the FCA Operational Resilience regulation. The initial project identified the firm's strategic important business services along with supporting important business services to meet the initial regulatory requirements. Since last year's assessment the firm has

revisited its important business services and had commenced a project to introduce a new system to document and record the firm's operational resilience information, the firm is looking to finalise the project by October 2023.

11. threesixty was advised the firms had been the subject of an internal audit on is implementation of the FCAs Operational Resilience requirements, it was noted several action points will be addressed by the introduction of the new system. The firm's Operational Resilience Policy has recently been reviewed by the Policy Committee.
12. Brooks Macdonald has a dedicated Cyber Security Team to assist the firm in mitigating the impact of cybercrime on the business. The Director of Cyber Security provided threesixty with an update on the firm's strategic approach to cyber security as part of the assessment. The firm has a 3-stage plan Cyber Transformation Plan using a defined methodology in respect of their cyber security arrangements that covers Technology, Process and People / Policy.
13. The firm is in the growth phase of its Cyber Transformation Plan building on the initial stages and now focusing on its interaction with third parties and working with those third parties including intermediaries to ensure all parties benefit from the cyber security measures being put in place.
14. Additional applications to prevent the firm from being the target of cyber security attacks are assessed regularly by the Cyber Security Team, an example of how one of the applications was provided to threesixty as part of the assessment by the firm's Head of Cyber Security.
15. Brooks Macdonald has successfully re-obtained the Cyber Essentials Plus accreditation through the National Cyber Security Centre which requires an on-site verification audit of the firm's technical capabilities.
16. The Cyber Security Team have several Standards and Policy documents, which are approved by the Chief Operating Officer Management Risk Committee.
17. All Employees receive cyber security training as part of the new joiner induction process. All employees undergo monthly cyber simulation testing and for those that don't pass are enrolled in training.
18. threesixty was advised the firm has an Information Security Policy in place as well as other policies including an Acceptable Use Policy, Information Security, Bring Your Own Device Policy and an Information Technology Policy, threesixty was advised all had been reviewed in the last year.

From a meeting with the Head of Operational Governance it appears the firm has documented procedures in respect of Business Continuity / Disaster Recovery/ Operational Resilience which are regularly reviewed and are continuing to evolve their operational resilience framework with the implementation of a new system to assist the firm manage its regulatory obligations.

Based on discussions with the firm's Director of Cyber Security it is apparent the firm has in place technology, processes, and procedures to mitigate the risk of the firm being exposed to cyber security attacks. Cyber security is an ever-changing area, based on discussions with the Director of Cyber Security the firm is building a framework to prevent the firm from being subject to cyber security and is extending its framework to third parties including intermediaries that it works with.