

## PURPOSE AND SCOPE

The purpose of this policy is to establish a clear framework for identifying, reporting and managing regulatory breaches and operational incidents within Impact Financial Services Limited.

The firm is committed to maintaining high standards of regulatory compliance and governance. Any breach of regulatory rules, internal policies or procedures must be promptly identified, documented and addressed.

This policy applies to:

- Mortgage Advisers
- Protection Advisers
- Managers and Supervisors
- The T&C Manager
- All employees and contractors of the firm

## DEFINITION OF A BREACH

A breach occurs where:

- regulatory rules have not been followed
- internal policies or procedures have not been followed
- there is a risk of customer harm
- there is a failure in internal systems or controls

Breaches may arise from:

- adviser actions
- operational errors
- system failures
- procedural weaknesses

## EXAMPLES OF POTENTIAL BREACHES

Examples include but are not limited to:

- incorrect or unsuitable advice provided to a client
- failure to complete a full fact-find before making a recommendation
- failure to provide required disclosures
- failure to follow AML procedures
- data protection or confidentiality breaches
- mis-handling of customer complaints
- failure to follow internal compliance procedures
- inaccurate or misleading information provided to customers

### ✔ Good Practice

- Adviser identifies a documentation gap and reports it immediately
- Error in client file is corrected and re-reviewed before submission
- Adviser proactively flags a near-miss to their manager

### ✘ Poor Practice

- Adviser notices a missing fact-find but proceeds with the recommendation
- Errors are concealed or not disclosed to management
- Near-misses are dismissed as insignificant and not reported

## BREACH CLASSIFICATION

Breaches are assessed according to their severity.

### Minor Breach

A procedural or administrative error that:

- does not result in customer harm
- can be easily corrected
- does not indicate a systemic issue

*Examples may include minor documentation errors.*

### Significant Breach

A significant breach may involve:

- failure to follow regulatory requirements
- unsuitable advice risk
- potential customer detriment
- repeated procedural failures

*These breaches require review by management and may require remedial actions.*

### Reportable Breach

A serious incident that may require notification to the regulator. Examples:

- systemic failures in compliance controls
- significant customer harm
- serious misconduct
- major data protection breaches
- failures impacting multiple customers

*The firm will assess whether notification to the FCA is required.*

## BREACH IDENTIFICATION AND REPORTING

All staff and advisers are responsible for identifying and reporting potential breaches.

If a breach is identified, the individual must:

- Report the issue immediately to their Manager
- Record the incident in the firm's internal reporting system
- Provide all relevant information relating to the incident

**Failure to report a breach may itself constitute a compliance concern.**

### ✓ Good Practice

- Breach reported on the same day it is identified
- Full details and supporting evidence provided with the report
- Adviser cooperates fully with the investigation

### ✗ Poor Practice

- Breach reported days or weeks after it was identified
- Vague or incomplete information provided to management
- Individual avoids involvement in the review process

## BREACH ASSESSMENT

Once reported, the breach will be assessed by:

- the relevant Manager
- the T&C Manager
- senior management where appropriate

The assessment will consider:

- the severity of the breach
- potential customer impact
- regulatory implications
- whether remediation is required

## ESCALATION PROCESS

Where a breach is considered significant, the matter will be escalated to senior management. The escalation process may include:

- internal investigation
- file review
- supervision of the adviser involved
- additional training or remedial actions

Where necessary, legal or compliance advice may be sought.

## REGULATORY NOTIFICATION

Where a breach is considered material or reportable, the firm will consider whether notification to the Financial Conduct Authority is required.

Notification may be necessary where:

- customers have suffered significant harm
- the breach indicates serious regulatory failure
- systemic control failures are identified

**The decision to notify the regulator will be made by senior management.**

## REMEDIATION AND CORRECTIVE ACTIONS

Where a breach has occurred, the firm will take appropriate corrective actions which may include:

- remediation for affected customers
- enhanced supervision
- adviser retraining
- amendment of internal procedures
- disciplinary actions where appropriate

The firm will ensure that all corrective actions are documented and implemented.

### ✓ Good Practice

- Affected clients contacted promptly with clear remediation plan
- Corrective actions implemented within agreed timeframes
- Process changes documented and communicated to the team

### ✗ Poor Practice

- No remediation offered to affected clients
- Corrective actions agreed but never implemented
- Lessons not shared, leading to repeat incidents

## ROOT CAUSE ANALYSIS

For significant breaches, the firm will conduct a root cause analysis to determine:

- why the breach occurred
- whether there are weaknesses in internal systems or procedures
- whether further controls are required

This process helps prevent similar incidents from occurring in the future.

## RECORD KEEPING

All breaches and incidents must be documented and retained within the firm's internal records. Records will include:

- description of the incident
- classification of the breach
- actions taken
- remediation steps
- final outcome

These records support internal governance and regulatory oversight.

## REVIEW OF THE POLICY

This policy will be reviewed:

- at least annually
- following any significant regulatory change
- following any major breach or incident

Impact Financial Services Limited remains committed to maintaining strong compliance standards and continuously improving its governance framework. All breaches must be reported promptly, assessed thoroughly and resolved with appropriate corrective actions.