Crown Agents
Investment Management Limited

Pillar 3 Disclosures

December 2014

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1. Introduction

1.1 Background

The Capital Requirements Directive ("CRD") introduced a new framework under which banks and financial institutions are required to calculate their capital. This was based on global standards introduced by the Basel Committee on Banking Supervision through the Basel framework. The framework consists of 3 Pillars:

Pillar 1	**Minimum capital requirements:** defines the rules for the calculation of credit, market and operational risk to ensure that financial institutions hold adequate regulatory capital against the risks they assume within their current business.
Pillar 2	**Supervisory review process:** sets out the key principles for the supervisory review of a financial institution's risk management framework and its capital adequacy. It sets out specific oversight responsibilities for both the Board and senior management, thereby reinforcing the principles of internal control and other corporate governance practices.
Pillar 3	**Market discipline:** sets out the items covered by this report; it requires expanded disclosures to permit investors and other market participants to obtain an understanding of the risk profiles of the financial institution.

As of 1st January 2014 Basel III requirements were implemented through the new Capital Requirements Directive and Regulation (CRD IV). Material impacts from the new regulatory regime are documented where appropriate.

The Financial Conduct Authority (FCA) and Prudential Regulatory Authority (PRA) have responsibility for implementing the CRD within the United Kingdom. The FCA sets out its minimum Pillar 3 disclosure requirements in its handbook under Chapter 11 of the Prudential Sourcebook for Banks, Building Societies and Investment Companies (BIPRU 11).

The disclosure requirements in BIPRU 11 aim to complement the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2), and aim to encourage market discipline by allowing market participants to assess the impact of key information on risk exposures and the risk assessment processes of the firm.

The following represents Crown Agents Investment Management Limited's (CAIM) Pillar 3 disclosures in accordance with this requirement. These disclosures have not been, and are not required to be, subject to independent external audit, and do not constitute any part of CAIM's financial statements.

1.2 Frequency, Location and Verification

It is CAIM's intention to publish its Pillar 3 disclosures on an annual basis. Disclosures are designed to comply with the disclosure requirements laid out in the CRR (Part Eight), and will be based on the financial year end following publication of audited accounts. These disclosures are therefore based on the results of the year ended 31st December 2014 unless otherwise stated.

The disclosures will be available on the Crown Agents' website (www. crownagents.com), and should be read in conjunction with CAIM's annual report and accounts.

These disclosures have been subject to internal verification and are reviewed by the Crown Agents Ltd group's Audit and Risk Committee on behalf of the Board. The Pillar 3 disclosures are published on CAIM's website.

1.3 Scope of Disclosure

CAIM is an unquoted company registered in England, wholly owned by Crown Agents Limited ("CAL"), which in turn is owned by a single shareholder, The Crown Agents Foundation. There are no subsidiaries or branches.

2. Governance arrangements

CAIM is headed by an effective Board of Directors which meets regularly. There is a clear division of responsibility at the head of the company which ensures a balance of power and authority between the Chairman, who controls and directs the Board meetings and the Managing Director, who carries responsibility for running CAIM's business. Internal and external audits are carried out on a regular basis.

The Board consists of a balance of both executive and non-executive directors and is responsible for:

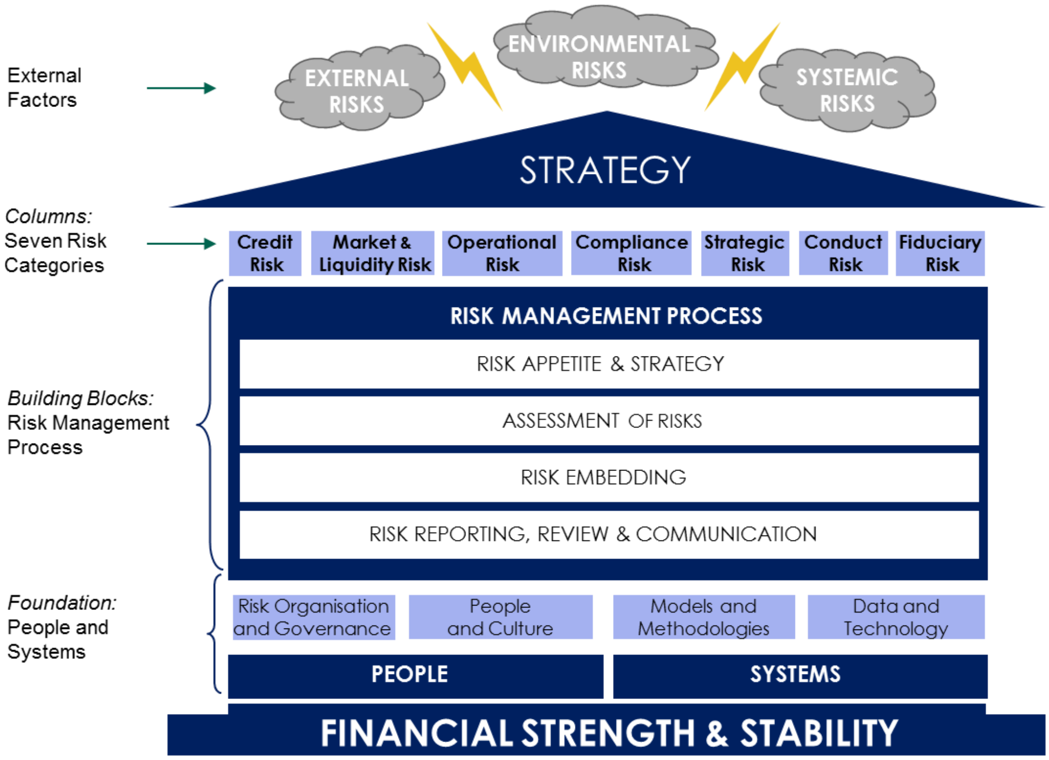
- Providing leadership to the company, consistent with the ethos and mission of CAL, within a framework of prudent and effective controls;
- Setting the strategic direction of CAIM to ensure profitable and sustainable growth, with an acceptable return on capital, in keeping with CAIM's values, corporate objectives and purpose;
- Overseeing the implementation of strategy and ensuring that appropriate and adequate financial and human resources are available for its delivery;
- Ensuring that a framework is in place for compliance with all regulatory matters linked to an appropriate risk management structure;
- Following best practice in corporate governance appropriate to the size and status of CAIM.

The day to day running of CAIM is delegated by the Board to the Managing Director and its executive directors.

2.1 Risk Management

CAIM's Corporate Governance Manual outlines how CAIM's Board and the Executive Management team fulfil their respective risk management responsibilities through the deployment of a risk management framework. This framework covers the full spectrum of risk to which CAIM is exposed and sets out how those risks are described and the measures which CAIM applies to mitigate those risks. It is the use of this framework (or "House") which will enable CAIM to maximise value to its shareholder and its customers by aligning risk management with the business strategy; assessing the impact of emerging legislation and regulation; and developing CAIM's risk appetite accordingly.

The House provides the risk framework to support our corporate and business unit strategy for the benefit of our employees, shareholders and clients. It provides us with a methodology to identify measure and manage both internal and external risks to our business.



Key Principles

- Forward-looking
- Enterprise-wide, consistent application across all risk categories
- Dynamic, allowing pro-active management of the risk profile and risk appetite
- Flexible and scalable to allow for changes in business and regulatory requirements
- Usable at all levels within the organisation e.g., departments, corporate, and divisional
- Embedded in business processes such as planning, and performance management

2.2. Monitoring & Control

CAIM's approach to capital management is driven by its desire to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times.

Each year CAIM updates it five year strategic plan which covers both the development of the business and its impact on the capital of CAIM. The plans are underpinned by CAIM's risk appetite and ensure that the available levels of capital are appropriate to the business plans and strategy. The plans also ensure that business growth assumptions are integrated into the overall capital assessment.

CAIM prepares a detailed Internal Capital Adequacy Assessment to support its capital requirements. Each material risk is assessed through a series of stress testing scenarios, relevant mitigants considered and appropriate levels of capital determined. This Internal Capital Adequacy Assessment is carried out at least annually, is a key part of CAIM's management disciplines through its review by CORC, the Audit and Risk Committee and approval by the Board. It is ultimately reviewed by the FCA, when a minimum level of capital is agreed.

CAIM monitors its capital requirements on a daily basis and if surplus capital falls significantly the business would take necessary action to ensure that the minimum regulatory capital requirement is not breached.

At 31st December 2014 and throughout the year CAIM complied with the capital requirements that were in force and set out by the FCA.

2.3 Risk categories

CAIM recognises seven broad categories of risk inherent within its operations:

- Credit risk - the risk of financial loss arising from a counterparty failing to meet their financial obligations to CAIM in accordance with agreed terms or the non-payment of fees from a client
- Market & Liquidity risk - Market risk is the risk that the value of, or net income arising from, CAIM's assets and liabilities changes as a result of changes to market forces, in particular interest rates, exchange rates or equity prices. Liquidity risk is the risk that CAIM is not able to meet its financial obligations as they fall due, or can do so only at excessive cost.
- Operational risk - is the risk of financial loss and/or reputational damage resulting from inadequate or failed internal processes, people and systems or from external events including financial crime
- Compliance (including reputational) risk – is the risk to CAIM's reputation of failure to comply with regulatory requirements
- Strategic risk - the risk which can affect CAIM's ability to achieve its corporate and strategic objectives.
- Conduct risk - the risk of detriment caused to CAIM`s customers due to the inappropriate execution of its business activities and processes
- Fiduciary risk – the risk that CAIM will fail in its fiduciary duty to act in its client's best interest.

The most significant risk identified from the latest risk assessment are strategic, compliance, and fiduciary risk. The Board of CAIM is responsible for determining the long term strategy of the business, the markets in which it operates, and the level of risk acceptable to CAIM. Risk Management has an oversight role in the maintenance of policies and procedures, evaluating and monitoring risk levels and reports direct to the Board on risk issues generally.

Responsibility for the management of CAIM's exposure to all risks is delegated to the Financial Services Executive Committee (FS EXCO). Compliance, operational, fiduciary and conduct risks are delegated to the Compliance and Operational Risk Committee (CORC); a sub-committee of FS EXCO. Credit risk is delegated by the Board to the Credit Committee of Crown Agents Bank Ltd.

2.4 Control Framework

2.4.1 Committees

CAIM's supervision is further driven through the establishment of a number of committees that are responsible for technical governance of the business ensuring adherence to internal policies and with powers to make decisions related to the day to day running of the business. These committees are described as follows:

2.4.2 Group Board

The Crown Agents group Board is the primary governing body and has ultimate responsibility for setting the group strategy. Consolidated reporting is made to the group Board on a monthly basis.

2.4.3 Group Audit and Risk Committee

This Committee of the Board of CAL plays an important role in the governance of CAIM. The Committee consists of up to five independent Non-Executive Directors of CAL and one independent Non-Executive Director of Crown Agents Bank Limited. The Committee and its Chair are appointed by the group Board.

The Committee meets at least three times a year with senior management, including the Managing Director and the Director, Finance and Risk. Present from the group are the Chief Executive, the Chief Finance Officer and the Chief Internal Auditor.

Its key responsibilities are to:

- Review and approve the audit plans for the following year for the external and internal auditors and annually appraise the effectiveness of the external auditors;
- Review CAIM's annual financial statements, including reviewing the effectiveness of CAIM's disclosure controls and procedures and systems of internal control and areas of judgment involved in the compilation of CAIM's financial statements and other documentation;
- Review CAIM's overall risk appetite statement, prior to its consideration by the Board; and
- Consider CAIM's Internal Capital Adequacy Assessment Process (ICAAP), including a consideration of CAIM's capital stress test scenarios,

including those proposed by the FCA and other regulatory bodies, where relevant.

2.4.4. Group Remuneration Committee

The Group Remuneration Committee provides a framework for ensuring that CAIM complies with its regulatory requirements in respect of remuneration. It meets at least on an annual basis and its main functions are to:

- Determine and agree with the Board the framework or broad policy for the remuneration of the company's Chairman, Chief Executive, the executive directors, the company secretary and such other members of the executive management as it is designated to consider. The remuneration of Non-executive directors is a matter for the Chairman and the Chief Executive. No director or manager may be involved in any decisions as to their own remuneration;
- Review the ongoing appropriateness and relevance of the remuneration policy;
- Determine, within the terms of the agreed policy, the total individual remuneration package of personnel designated as Code Staff within the Financial Services subsidiaries;
- Approve the design of, and determine targets for, any performance related pay schemes operated by CAIM and approve the total annual payments made under such schemes;
- Oversee any major changes in employee benefits structures throughout CAIM.

2.4.5 The Board of CAIM

The Board of CAIM is the primary governing body for CAIM and has ultimate responsibility for setting the strategy, corporate objectives and risk appetite. That strategy takes account of the interest of all stakeholders in CAIM.

The Risk Appetite and Tolerances Statement (RATS) established by the Board sets out the levels of risk which CAIM is willing to take. The Board is also responsible for the establishment of a control environment to manage the risks encapsulated within the RATS.

The Board also maintains close oversight of the current and future activities through a combination of quarterly board reports and monthly financial results, including budgets, forecasts and other operational reports.

2.4.6 Credit Committee

Credit Committee was established by the Board of Crown Agents Bank (the Bank) and is charged with responsibility for reviewing any matter involving credit risk, including country exposure and the controlling, monitoring and reporting of individual counterparty exposures. The Credit Committee is responsible for setting limits for and reviewing the creditworthiness of counterparties for CAIM.

The full Credit Committee meets on a quarterly basis and delegates certain authorities to the Credit Application Review panel for the management of day to day credit applications.

2.4.7 Financial Services Executive Committee (FS EXCO)

FS EXCO meets on a weekly basis and also more formally once a month to:

- consider and approve business and risk strategies, policies and authorities appropriate to the businesses, and ensure they are implemented accordingly via the Annual Operating Plan;
- consider appropriate levels of risk appetite (other than for Credit Risk) and recommend them to the Board;
- review the Risk Register and monitor progress of action points; and
- monitor liquidity and capital requirements

2.4.8 Compliance and Operational Risk Committee (CORC)

CORC is a sub-committee of FS EXCO established to:

- To consider, review, and where appropriate make recommendations to the Board on all Regulatory, Compliance and Operational risk issues;
- To consider, review and recommend to the Board appropriate policies;
- To receive reports on activities and controls underpinning the relevant Policy Statements to ensure compliance with the policies;
- To consider appropriate levels of risk appetite for Compliance and Operational Risk and recommend them to the Board;
- To consider the results of risk assessments; internal and external audit reports; the impact of impending regulations or pronouncements; correspondence from external bodies;
- To review compliance with specific and thematic guidelines and subsequent reviews issued by the FCA;
- To monitor the number and value of operational risk events;
- To receive regular updates in respect of Business Continuity issues; and
- To consider and recommend to the Boards stress testing scenarios in respect of Operational and Compliance risks.

The Committee meets monthly.

3. Risk Appetite

Risk appetite is the maximum level of residual risk that CAIM is prepared to accept to deliver its business objectives. CAIM has developed a robust framework that is used to articulate risk appetite throughout CAIM and to external stakeholders.

The Board establishes CAIM's parameters for risk appetite by:

- providing strategic leadership and guidance;
- reviewing and approving annual budgets and forecasts, under both normal and stressed conditions, for CAIM; and
- regularly reviewing, anticipating and monitoring CAIM's risk performance through quarterly Board reports.

The Board delegates the control of risk appetite to the Financial Services EXCO. It ensures that risk appetite is in line with CAIM's strategy and its desired balance between risk and reward. It is responsible for recommending to the Board the respective levels of risk appetite and risk tolerances for CAIM.

CAIM's risk appetite statements are defined by five broad metrics:

- headline earnings;
- liquidity;
- regulatory capital;
- economic capital; and
- the confidence level applied to our capital adequacy to cover any unexpected losses.

These metrics are then converted into tolerance levels and limits through an analysis of the risks that impact on them. CAIM's risk assessment process has been linked with its Risk Appetite Statement. This means that it links qualitative terms such as set out below, and which are used in the Risk Appetite Statement, to a qualitative assessment of each risk. In turn this enables a comparison to be made between risk appetite, and residual risk.

"Low" – CAIM does not seek to take risk within the relevant category, although it recognises that it may nevertheless be exposed to a certain minimal level.

"Limited" – CAIM has some exposure to this category, however seeks to restrict appetite for this risk where possible.

"Moderate" – CAIM accepts a level of risk appropriate to its resources.

"Considerable" – relative to its capital and other resources the appetite for risk within this category is large.

"High" – CAIM recognises that this category would imply a greater than usual level of risk.

CAIM's position within its market sector is unique. It seeks to focus on benefiting the emerging markets in which it seeks to operate as well as ensuring it remains commercially viable in order to continue to service its clients. As a result CAIM's over-riding approach to risk is closely controlled. It seeks to provide a market rate of return to its clients while at the same time safeguarding the capital values of assets through careful appraisal of investments made.

CAIM offers quality, ethical, investment management products that provide clients with the assurance that their funds will be invested in securities and other assets which are of high quality and ethics. It seeks to optimise returns within its risk parameters and by the expansion of its client base and management of costs.

CAIM does not run a trading book for its own account and it does not lend money. It invests on behalf of its clients in liquid, listed and readily marketable securities. Most clients' funds are held in fixed income, money market instruments and equities.

Investment guidelines tend to restrict the portfolios to investment grade bonds (usually with a minimum A rating) and developed and key emerging equity markets. Investment in any other markets is typically restricted to very low proportions of clients' funds. CAIM only invests client funds

CAIM has a simple business model and additional sources of capital have never been required. CAIM's Credit policy set maximum limits for the investment of its own funds and its foreign exchange requirements.

4. Capital resources

4.1 Total Available Capital

As at 31 December and throughout the financial year, CAIM has complied with the capital requirements required by European and UK legislation, and enforced by the FCA.

4.2 Capital Resources

The table below shows the composition of the CAIM's regulatory capital position as at 31 December 2014 on a CRD IV basis.

CAIM's capital comprises only Shareholder's equity, which itself comprises of issued share capital and accumulated profits.

	31/12/2014	31/12/2013
	£000's	£000's
Regulatory Capital:		
Share Capital	1,300	1,300
Audited Reserves	650	631
YTD Post Tax Loss		(69)
Total	1,950	1,862
Less Illiquid Assets	24	61
Total Available Capital	**1,926**	1,801
Fixed Overhead Requirement	651	701
Surplus Capital	**1,275**	**1,100**

As a limited licence firm, CAIM calculates its capital resources requirement on the higher of a base of €125,000 and its fixed overheads requirement ("FOR") (which is, generally, a quarter of its annual "fixed overhead" or costs (purely discretionary costs are excluded). (Note: if the total of the firm's credit risk and market risk were higher than the FOR, then that total would be used instead of the FOR.) In CAIM's case, the FOR is higher than €125,000 and so must be used. Additional capital is required to meet other specific risks which are identified by analysis.

5. Capital management

As part of the Internal Capital Adequacy Assessment Process ('ICAAP') applicable to CRD IV firms, the Board is required to consider all material risks which CAIM faces and determines whether additional capital is required.

The Board manages its internal capital levels for both current and future activities and documents its risk appetite and capital requirements during stress scenarios as part of the ICAAP.

The ICAAP represents the aggregated view on risk for CAIM and is used by the Board and management to understand the levels of capital required to be held over the near and medium term. CAIM completed its last ICAAP in September 2014.

CAIM is required to maintain a certain level of capital to meet several requirements:

- To meet minimum regulatory capital requirements;
- To ensure CAIM can meet its objectives, including growth objectives;
- To ensure CAIM can withstand future uncertainty; and
- To provide assurance to clients, shareholders and other third parties.

CAIM aims to maintain sufficient capital to cover regulatory requirements and to maintain an operational capital buffer.

6. Risk Categories

Main Risk categories:

6.1 Conduct Risk

Conduct risk is limited within CAIM; it has no retail clients. It follows the Regulators Principles for Businesses and through a framework of policies, procedures, training and compliance testing, conduct risk is managed and monitored to ensure clients are treated fairly.

6.2 Strategic risk

Given the small size of CAIM's operation (total staff of 13) the loss of a senior fund manager could present a significant risk. Similarly, it is important to retain knowledgeable middle office support staff. The ability to attract and retain appropriately qualified and skilled personnel is a matter regularly reviewed by senior management and the Board. Succession planning and cross-training provide a degree of mitigation and the introduction of a performance based bonus scheme for front office staff provides for a further counter-measure.

The company's revenue is a factor of the performance of the existing accounts under management and its ability to add new accounts. The risk posed to the CAIM relates to underperformance resulting in a decline in revenue, the risk of redemptions or termination of investment management agreements. The company has built trust with clients, through longstanding relationships. The turnover of clients in recent years has been extremely low compared with the industry. The Company maintains surplus capital to cover the expenses of the business should there be an unexpected redemption or termination.

6.3 Fiduciary Risk

Fiduciary Risk is inherent given the nature of CAIM's business. The risk is closely managed and monitored through regular risk assessment, policies and procedures, training, reporting and compliance testing.

Transactions are subject to pre and post guideline checks to mitigate against breach of mandate.

Other Risk Categories:

6.4 Compliance Risk

As an entity authorised and regulated by the Financial Conduct Authority CAIM is exposed to compliance risk including the risk of legal sanctions and the risk of material financial or reputational loss that it may suffer as a result of its failure to comply with laws, regulations, code of conduct, and standards of best/good practice.

Compliance risk is managed and monitored by CORC on a monthly basis and through a robust monitoring and testing programme.

6.5 Credit Risk

CAIM's exposure to credit risk is low. Most clients are not invoiced for fund management fees and by agreement these fees are deducted, without referral, from funds held. In 2014, 75% of fees were debited directly to client accounts with the other 25% being invoiced.

Own funds are deposited with Crown Agents Bank Limited. Risk Weighted Assets as at 31 December 2014 were £280k. Credit Risk is calculated using the Standardised Approach. The only exposure to other counterparties is through the purchase of foreign exchange forward contracts undertaken to hedge non-sterling income. Any such contracts are invariably over-the-counter and therefore, there is only very small credit risk exposure to the counterparty.

6.6 Concentration risk

CAIM's revenue is skewed towards a small number of large clients. As part of the ICAAP, the Company includes in its scenario tests the loss of a major client. The company maintains excellent relationships with these longstanding clients and considers the risk to be low.

The table below shows client income as a percentage of CAIM's revenue by region:

Region	%
Africa	33
Caribbean, Atlantic and the Americas	26
UK	21
Rest of Europe	20
Total	100

6.7 Market Risk

CAIM does not trade on its account. Any exposure to market risk is related to the value of the clients' portfolios, with a fall in fund values resulting in reduced management fee income. Own funds are not invested in any marketable securities and net foreign currency exposure is hedged using foreign exchange forward contracts.

6.8 Operational Risk

The most likely type of operational risks are considered to be breaches of client guidelines, buying the wrong security or buying the wrong amount of a security and breaching counterparty limits. CAIM has a system in place to monitor pre-dealing checks in relation to investment restrictions. CAIM also has a Levels of Authorities Manual (LAM) which sets authority levels for all staff to follow, therefore mitigating the risk of unauthorised transactions. Operational failings are investigated by Risk Management independently of fund management and reported monthly to CORC and quarterly to the Board. The number of operational risk events is low and have been recorded in compliance with regulatory and internal policies.

6.9 Liquidity Risk

CAIM does not trade in its own name. It acts as agent for its clients and is not exposed to material liquidity risk. It is required to maintain sufficient liquidity to ensure that there is no significant risk that its liabilities cannot be met as they fall due or to ensure that it can secure additional financial resources in the event of a stress scenario. CAIM's liquidity policy sets an amount it considers suitable for providing sufficient liquidity to meet working capital requirements under normal business conditions. Management fee debts are settled promptly, thus ensuring liquidity resources are available on a timely basis. CAIM's cash position is monitored daily by Finance and Risk.

6.10 Money Laundering

The majority of CAIM's clients are governments, central banks or public sector entities. Money laundering risks are, therefore, considered low due to the known provenance of funds. Additionally, CAIM's systems and controls are sufficiently robust to ensure the residual risk remains low. Members of staff receive regular training and regular compliance reviews are undertaken.

6.11 Bribery

CAIM's Board is determined to secure the integrity of all activities, while ensuring that the cost and effort is proportionate and focussed on the activities that give rise to potential risk. The activities of CAIM are such that bribery is not a significant risk. CAIM has a Financial Crime Policy which is reviewed annually by the Board. Staff training in relation to the Bribery Act is mandatory and predominantly delivered through online training modules which include tests designed to measure knowledge levels.

6.12 Insurance risk

CAIM is included within the group's insurance scheme. A comprehensive range of insurance cover is taken out via a broker with reputable third party insurance companies including professional indemnity, public and employers' liability. The levels of cover, policy excesses and the financial strength of the insurer are reviewed and discussed annually with the group's brokers. Insurance risk is not considered to be material for CAIM.

6.13 Poor investment performance

Given the risk averse nature of the majority of portfolio guidelines, the likelihood of significant under performance against the relevant benchmarks is low. Performance is carefully measured, GIPS compliant, and the performance of key funds is reported to and discussed on a monthly basis by the FS EXCO and a quarterly basis by the Board.

6.14 Loss of systems

A comprehensive Business Continuity plan has been devised to ensure that operations may be continued with minimum delay in the event that systems on site become unavailable. IT systems are managed with data replication to servers at an alternative location to which CAIM staff have access. The plan is reviewed periodically and tested on a regular basis (typically, every 1-2 years).

6.15 Economic downturn

Consideration was given to how an economic downturn could affect CAIM. The Company's client mandates mainly consist of conservative investment objectives. The mandates are also heavily weighted towards sovereign fixed income bonds which do not have the same levels of price volatility as corporate bonds and equities. In an economic downturn as was experienced during a period following the 2008 financial crisis, sovereign fixed income bonds were seen as a 'safe haven' and especially those issued by highly rated G7 countries. The Company manages the equity exposure in the relevant portfolios on a highly diversified basis and is planning to open a facility to hedge some of this exposure through the use of hedging techniques commonly used for this purpose.

6.16 Interest rate risk

CAIM's only direct exposure to interest rate risk relates to its own reserves and this is not a material exposure. There is indirect exposure to interest rates on the value of the portfolios managed. When interest rates increase the value of fixed coupon bonds fall and this reduces the value of portfolios holding these securities. Consequently the management fee will be lower. When fund managers expect interest rates to rise, portfolios are adjusted accordingly to mitigate this risk.

6.17 Pension obligation risk

As its staff are members of the group pension scheme, CAIM's pension obligation risk is secondary (it pays contributions and costs to the Crown Agents group as determined by the fund actuaries). While any risk of funding shortfall lies primarily with the group the Pensions Regulator could, in a deficit situation, require CAIM to contribute proportionately to any such deficit.

The defined benefits scheme was closed to new members on 31 March 2006 (new staff are eligible to join a new stakeholder pension scheme). Currently, only six out of fourteen members of staff are in the defined benefits scheme. The scheme is subject to triennial actuarial review. At the last published review, March 2015, the scheme was in surplus. Whilst CAIM does not anticipate being exposed to any such risk given its arrangements with Crown Agents group, management believe it prudent and likely to be required by FCA to calculate its portion of any potential shortfalls.

In April 2015 the pension scheme closed to future accruals.

6.18 Political/External

As previously stated, CAIM's business is predominantly derived from clients in Africa and the Caribbean and the political stability of a number of these countries could have an impact on the business in the future. CAIM is also exposed to the effect of the economic risk in these countries, many of which are single commodity economies and/or highly indebted, making the stability of their reserves and assets generally less certain. The international programme of debt forgiveness has significantly improved the financial condition of many of these clients and, therefore, caused this risk to fall.

7. Remuneration

7.1 Background

The FSA introduced the Remuneration Code in 2009 and extended its scope as from 1 January 2011 to incorporate the remuneration rules required by the Capital Requirements Directive and the Financial Services Act 2010. CAIM falls into proportionality tier 3 in respect of these disclosures and therefore does not apply the rules on retained shares, deferral, and performance adjustment.

7.2 Remuneration Policy

CAIM's Remuneration Policy is approved by the CAL Board following input from the management and Board of CAIM and Group Remuneration Committee. Remuneration of all Code and other senior staff is overseen by the Crown Agents group Remuneration Committee.

This Committee of the Board comprises all of the non-executive directors of Crown Agents, all of whom are independent Non-executive directors and includes the Chairman of the Board. In addition, other individuals such as the Chief Executive, the Director of Human Resources and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.

The Committee is responsible for agreeing the over-arching principles and parameters of Remuneration Policy across the group. The policy is designed to support the delivery of business strategy which aims to deliver quality service to clients and ensure the sustainability of the business. The Committee considers and approve the remuneration arrangements of the executive Directors, certain key executives and those discharging key functions. It will exercise oversight of strategic people issues, including employee retention; Equality and Diversity and significant employee relations matters.

7.3 The link between pay and performance

To reward performance, remuneration within CAIM is made up of fixed (salary and fees) and variable pay (bonuses). Variable remuneration may not exceed more than 33% of an individual's total remuneration and is linked to performance by way of individual targets which comprise of both financial and non-financial metrics. The award of any variable remuneration is also dependent upon group and company financial targets being achieved. There are also limits in terms of total remuneration as a percentage of the aggregate gross pay of all individuals qualifying to participate in the variable remuneration scheme.

7.4 2014 Remuneration

Aggregate quantitative information on remuneration is broken down by business area and is the same in respect of senior management and members of staff whose actions have a material impact on the risk profile of the firm:

	£000's
Board/Snr Management	503
Risk takers	348
Other code staff	381
Total	1,232

The amounts of remuneration for the financial year split into fixed and variable remuneration and the number of beneficiaries:

	£000's
Total Fixed Remuneration	1,209
Total Variable Remuneration	23
Total Remuneration	1,232

Number of Beneficiaries	13