Crown Agents
Investment Management

Pillar 3 Disclosures

31 December 2017

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1. Introduction

1.1 Background

Crown Agents Investment Management Limited ("CAIM", "the Company") is a company authorised and regulated by the Financial Conduct Authority and is owned by funds managed by Helios Investment Partners LLP. The Company and its sister company, Crown Agents Bank Limited ("CAB" or "the Bank") are subsidiaries of CABIM Limited, which is owned by funds managed by Helios Investment Partners LLP.

The Company is required to meet the capital requirements set out in the Capital Requirements Directive ("CRD"). The 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.

The Financial Conduct Authority ("FCA") has responsibility for implementing the CRD within the United Kingdom. The FCA sets out its minimum Pillar 3 disclosure requirements in its handbook, the Investment Firms Prudential Sourcebook ("IFPRU").

The disclosure requirements in the Capital Requirements Regulation ("CRR") Part 8 and IFPRU aim to complement the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2), and 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.

This document sets out CAIM's 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

CAIM publishes its Pillar 3 Disclosures on an annual basis. These Disclosures are based on the results for the year ended 31 December 2017. These disclosures have been subject to internal verification, and are reviewed by the Group's ALCO, Audit and Risk Committee and the Company's Board.

1.3 Scope of Disclosure

CAIM is an unquoted company registered in England with no subsidiaries or branches.

2. Governance Arrangements

CAIM is headed by a 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 Non-Executive Chairman, who controls and directs the Board meetings, and the Chief Executive Officer ("CEO"), who carries responsibility for running CAIM's business.

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 CAIM, 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 the Company'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; and
- 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 CEO and its executive directors.

CAIM's Corporate Governance manual contains terms of reference for the Board and its committees.

Effectiveness reviews are undertaken periodically to evaluate the performance of the Board, its committees; and individual directors.

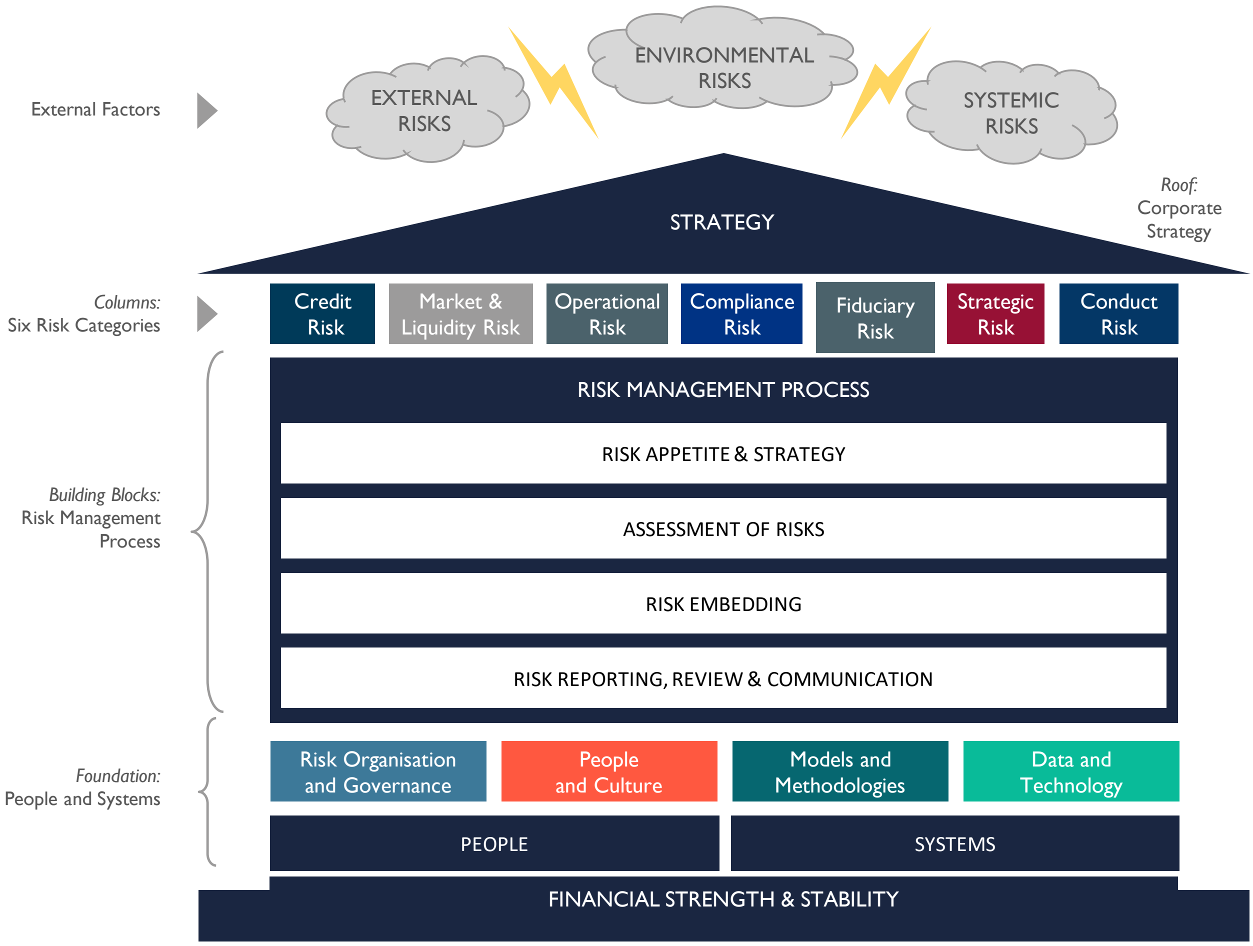
Corporate governance is subject to periodic reviews by both the Compliance Department and by Internal Audit.

2.1 Risk Management

Through its normal operations CAIM is exposed to a number of risks, the most significant of which 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. The level of risk acceptable to CAIM is controlled through CAIM's Risk Appetite and Tolerances Statement ("RATS"). Risk Management has an oversight role in the maintenance of policies and procedures, evaluating and monitoring risk levels and reports through the individual committees to the Board on risk issues generally.

CAIM's Corporate Governance Manual outlines how it'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 apply 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.



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, i.e. department and corporate
- 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 its three year plan in relation to the growth of Assets Under Management.

CAIM also carries out a detailed Internal Capital Adequacy Assessment Process ("ICAAP") to support its capital requirements. Each material risk is assessed through a series of stress testing scenarios, relevant mitigants are considered, and appropriate levels of capital determined. The ICAAP is carried out at least annually, and is a key part of CAIM's management disciplines through its review by the Asset and Liability Committee ("ALCO") of its sister company, Crown Agents Bank, the Group

Audit and Risk Committee, and approval by the Board. It is ultimately subject to review 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 2017 and at all times throughout the year then ended, CAIM complied with the capital requirements that were in force.

2.3 Risk Categories

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

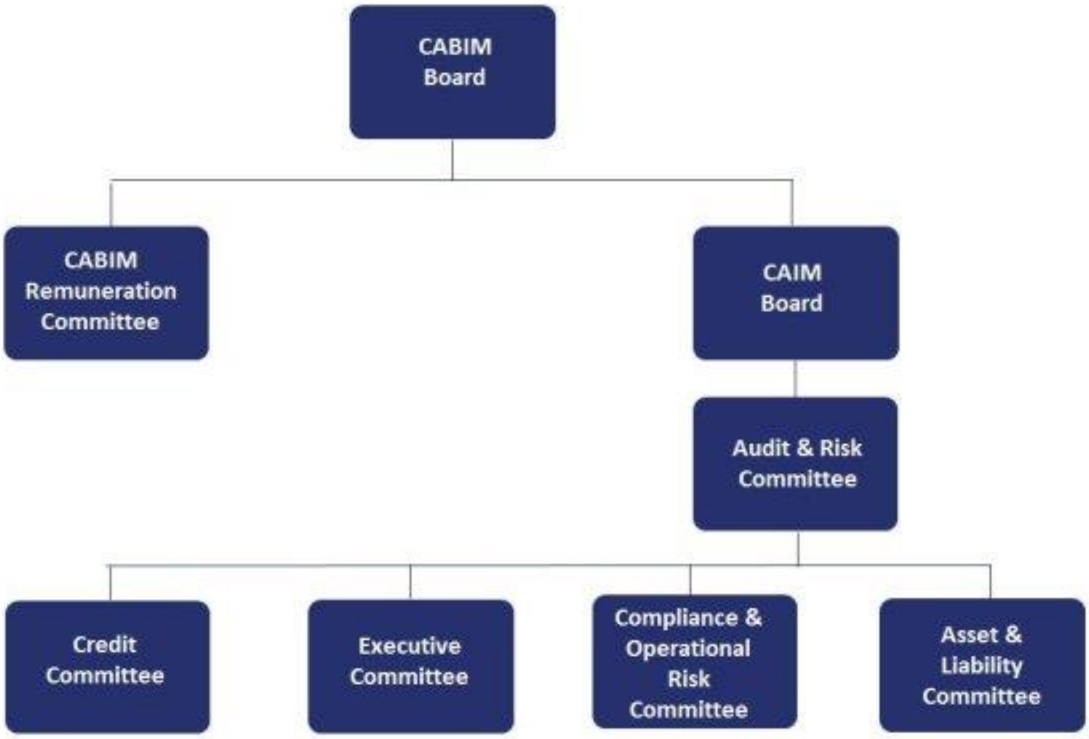
- Credit Risk - the risk of financial loss arising from a counterparty failing to meet their financial obligations to CAIM in accordance with agreed terms or the non-payment of fees from a client;
- Market & Liquidity Risk:
  - Market Risk is the risk that the value of, or net income arising from, CAIM's 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 regulatory and 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 clients’ best interest.

Responsibility for the management of CAIM’s exposure to all risks is delegated to the Executive Committee (“EXCO”). Compliance, operational, fiduciary and conduct risks are delegated to the Compliance and Operational Risk Committee (“CORC”). Credit risk is delegated by the Board to the Credit Committee (“CC”) of Crown Agents Bank Ltd. Market and liquidity risk is delegated by the Board to the Bank’s ALCO. All these committees report through the Audit & Risk Committee to the Board.

2.4 Control Framework

2.4.1 Committees

CAIM's supervision is 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 CABIM Board is the primary governing body and has ultimate responsibility for setting the Group strategy.

2.4.3 Group Audit and Risk Committee

CABIM has an Audit and Risk Committee which monitors and manages risk issues throughout the group, including CAIM. It monitors compliance with CAIM's policies and procedures through the review of audit and other reports, and with recommendations of its Regulators, the Financial Conduct Authority. It ensures that any reports of the external auditors are considered in full and implemented where appropriate.

The Committee consists of three independent non-executive directors of the group. It receives frequent reports and meets at least four times annually. It also monitors the work and considers the reports of the group's Internal Audit, Risk Management, and Compliance functions, monitoring the implementation of their recommendations where appropriate, giving due consideration to the effectiveness of internal controls and compliance checks. Updates to CAIM's Risk Register following management review are also made available to the Audit and Risk Committee.

Any issues of concern are reported to subsequent board meetings for discussion.

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 and the fitness and competency of Board members. 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;

In addition, the committee will meet on an ad hoc basis to consider nominations to the CABIM group boards, and its various committees.

2.4.5 The Board of CAIM ("The Board")

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 which is set out in the Enterprise Risk Management Framework.

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.

The Executive and Non-Executive Directors who served on the Board during the year ended 31 December 2017, or were appointed since 31 December 2017, are detailed below:

Name	Position	Date of Appointment/ Cessation
Jeremy Parrish	Non Executive Chairman	Appointed 4 April 2017
Paul Batchelor	Non Executive Chairman	Resigned 30 April 2017
Raj Bhatia	Independent Non Executive Director	Appointed 23 February 2018
Arnold Ekpe	Non Executive Director	
Richard Hallett	Executive Director, Chief Financial Officer	Appointed 31 January 2017
Rory Hanly	Executive Director, Chief Operating Officer	
Richard Jones	Group Chief Executive Officer	Resigned6 February 2017
Albert Maasland	Group Chief Executive Officer	Appointed 7 February 2017
Carol Machell	Independent Non Executive Director	Appointed 19 July 2017
Douglas MacLennan	Executive Director, Chief Risk Officer	
Simon Poole	Non Executive Director	
Steve Wiltshire	Senior Independent Non Executive Director	Resigned 31 October 2017

2.4.6 Credit Committee ("CC")

The role of the CC is to review CAIM's credit portfolio to ensure it remains within CAIM's credit risk appetite; to review and maintain CAIM's credit policy; and to assess the counterparties with which CAIM will undertake business. It meets weekly to review client, counterparty and country exposures, as well as considering issues of a strategic (credit related) nature.

The CC reports to the Audit & Risk Committee (ARC), on a bi-monthly basis, on matters within its terms of reference, and will make recommendations to the ARC on items within its remit where actions are required.

2.4.7 Executive Committee ("EXCO")

EXCO meets on a weekly basis and takes day to day responsibility for running the business. EXCO implements the strategy and financial plan, which is approved by the Board annually, and ensures the performance of the business is conducted in accordance with the Board's established risk appetite. It reports to the Board at least six times each year via reports prepared by the Chief Executive Officer (CEO) and other financial reports.

2.4.8 Compliance and Operational Risk Committee ("CORC")

CORC meets at least six times a year, and has been established to

- Develop an operational risk framework through which operational risk is monitored, measured and managed;
- Monitor compliance with internal policies and procedures and with external regulatory and legal requirements;
- Monitor forthcoming compliance regulation and manage CAIM's response;
- Manage CAIM's Anti-Financial Crime response;
- Consider the recommendations of any regulatory related notices or instructions and present responses to the Board
- Review key operational risk documentation; and
- Monitor operational risk events.

CORC reports regularly to the Board through the Audit and Risk Committee, which will, on at least an annual basis, receive a report from the Money Laundering Reporting Officer ("MLRO").

2.4.9 Assets and Liability Committee ("ALCO")

ALCO monitors the liquidity and capital adequacy of CAIM on a monthly basis and ensures that CAIM adheres to the capital utilisation and liquidity policies and objectives set down by the Board. It also has responsibility for ensuring that the policies that are implemented are adequate to remain within prudential and regulatory limits.

- Management information on the matters noted above are generated and distributed by the Finance Division daily. In addition, ALCO reviews the Individual Capital Adequacy Assessment Process ("ICAAP") and recommends it to the ARC and subsequently to the Board.
- Allocates capital and liquidity to support business activities by department and/or product in terms of risk/reward.

In addition to the recommendations outlined above, the ALCO will report to the Audit & Risk Committee bi-monthly on matters impacting the balance sheet.

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 periodic Board reports.

The Board delegates the control of risk appetite to the CC (for credit risk appetite); to the CORC for compliance (including anti-financial crime and conduct) and operational related issues; to ALCO for balance sheet related issues; and to EXCO for all other risk appetites. It ensures that risk appetite is in line with CAIM strategy and CAIM's desired balance between risk and reward. Each committee 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 is linked to its Risk Appetite and Tolerances Statement; this means that it links qualitative assessments to the overall appetite for risk used in the Risk Appetite and Tolerances Statement. In turn this enables a comparison to be made between risk appetite, and residual risk.

CAIM offers investment management, advisory and custody services that provide clients with the assurance that their funds will be invested with governments and corporates which act responsibly. As a consequence, CAIM is selective about both the products and services it offers as well as its investment decisions.

CAIM's position within its market sector is niche. It focuses on benefiting the markets in which it operates 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 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, particularly in respect of sustainability, ethics. It looks to optimise returns within its risk parameters and by the expansion of its client base and management of costs.

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.

4. Capital Resources

4.1 Total Available Capital

As at 31 December 2017, and throughout the financial year then ended, 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 2017 and 2016 as per CRD IV.

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

Capital Requirement	31/12/2017	31/12/2016
	£000's	*£000's*
Regulatory Capital:		
Share Capital	1,650	1,650
Audited Reserves	1,091	1,005
Total	**2,741**	**2,655**
Less Illiquid Assets	(112)	(31)
Total Available Capital	**2,629**	**2,624**
Fixed Overhead Requirement (Pillar 1)	(695)	(632)
Surplus Capital Over Pillar 1 Requirement	**1,934**	**1,992**

As a limited licence firm, CAIM calculates its capital resources requirement on the higher of a base of €125,000 and its Fixed Overhead Requirement ("FOR") which is generally a quarter of its annual "fixed overhead" or non-discretionary costs.

If the Company's credit and market risks were higher than the FOR, then this calculation would apply. However, as they are less than the FOR, the FOR applies. Additional capital is required to meet other specific risks which are identified by analysis.

The Company is also required to hold capital to cover Pillar 2 risks, as determined by the FCA or per its own internal assessment.

5. Capital Management

As part of the 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 of 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 terms. The Board approved the last ICAAP in September 2017, based on figures as at 31 March 2017.

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

6.1 Conduct Risk

CAIM 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, 2016: 12) 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 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.

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. 61% (2016: 62%) of fund management fees are, as agreed with clients, deducted from funds held. The remaining 39% of fees (2016: 38%) are invoiced to clients.

CAIM's only credit risk relates to funds deposited with its UK based sister company, Crown Agents Bank Limited, a financial institution. Risk weighted assets as at 31 December 2017 were £1,167k, (2016: £1,265k). Credit Risk is calculated using the Standardised Approach resulting in a capital requirement of £93k (2016: £101k). The only exposure, also to the Bank, relates to 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.

Client income as a percentage of CAIM's revenue by region was as follows:

Region	**2017**	2016
	%	%
Africa	34	34
Caribbean, Atlantic and the Americas	21	26
UK	25	25
Rest of Europe	20	15
Total	**100**	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 types 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 which sets authority levels for all staff to follow, therefore mitigating the risk of unauthorised transactions. Operational incidents (with or without losses) are investigated by Risk Management independently of fund management and reported monthly to CORC and quarterly to the Board. The number and value 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.

6.10 Financial Crime

The majority of CAIM's clients are governments, central banks or public sector entities, and the provenance of funds is known. However, the jurisdictions in which CAIM's clients reside are perceived to be high risk in respect of anti-money laundering and anti-bribery and corruption due to poor or weak legislation and regulation.

CAIM's systems and controls are sufficiently robust to ensure the residual risk is medium. Members of staff receive regular training and regular compliance reviews are undertaken.

CAIM has a suite of Financial Crime Policies which are reviewed annually by the Board and rolled out to staff. Staff training in relation to Financial Crime issues is mandatory and delivered through face-to-face training and online modules which include tests designed to measure knowledge levels.

6.11 Insurance Risk

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 brokers. Insurance risk is not considered to be material for CAIM.

6.12 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 EXCO and a quarterly basis by the Board.

6.13 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 annually.

6.14 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 has facilities to hedge some of this exposure through the use of hedging techniques commonly used for this purpose.

6.15 Interest Rate Risk

CAIM's only direct exposure to interest rate risk relates to its own reserves and this is not considered to be 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.

6.16 Pension Obligation Risk

At the date of this report) certain of CAIM's staff were members of either or both of:

- The defined benefit pension scheme operated by CAIM's previous parent, Crown Agents Limited (closed to both new members and further accruals).
  - CAIM had historically paid contributions and costs to the scheme as determined by the fund actuaries.
  - On an actuarial basis at last valuation date there was no deficit. On an accounting basis there is a deficit. Given the stock market rise of the last few years, and the current growth of the UK economy, it can be reasonably expected that the value of assets will grow as well, which will have an impact on any overall deficit.
  - While the Pensions Regulator can require the CAIM to contribute towards any deficit in the scheme, the length of time over which that contribution needs to be made is not set in stone. The previous parent, Crown Agents Limited, has contractually agreed to taken on responsibility for any secondary pension obligation risk in relation to the defined benefit scheme.
- The defined contribution pension scheme operated by the Bank. CAIM has no liability re such a scheme

6.17 Political/External

As previously stated, much of 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 Remuneration Code was introduced in 2009 and its scope was extended 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 is not required to apply the rules on retained shares, deferral, and performance adjustment.

7.2 Remuneration Policy

CAIM's Remuneration Policy is approved by the group 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 group Remuneration Committee.

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 or fees) and variable pay (bonuses). Non-executive directors are not entitled to variable remuneration. Variable remuneration may not exceed more than 50% of an individual's fixed 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 Remuneration

The analysis of remuneration payable to Code Staff re the 2017 financial year, split between fixed and variable remuneration, is set out below:

	Senior Management*	**Other Code Staff**	**Total**
	£'000	*£'000*	*£'000*
Total Fixed Remuneration	21	574	595
Total Variable Remuneration	-	84	84
Total Remuneration	**21**	**658**	**679**
Number of Code Staff**	1	5	6

** includes executive and non-executive directors.*
*** excludes 16 further code staff not remunerated by CAIM.*

No Code Staff were paid more than €1 million. No severance packages or sign-on payments were paid to Code Staff.

All remuneration is paid in cash although the fixed remuneration figures above include sundry staff benefits (such as medical insurance and pension contributions). In particular no Code Staff remunerated by CAIM received remuneration via shares or share-linked instruments. None of the remuneration is deferred.