

**Capital Requirements Directive
Pillar 3 Disclosures
Edinburgh Partners Limited.**

INTRODUCTION

The Capital Requirements Directive (“CRD”) created a revised regulatory framework across Europe. This was implemented in the United Kingdom through changes to the Financial Services Authority (“FSA”) Handbook of Rules and Guidance. The new framework consists of three “pillars”:

- Pillar 1 sets our minimum capital requirements that we are required to meet for credit, market and operational risk;
- Pillar 2 requires Edinburgh Partners Ltd (“EPL”) , and the FSA, to take a view on whether additional capital should be held against capital risks not covered under Pillar 1; and
- Pillar 3 requires us to publish certain details of our risks, capital and risk management process.

TERMS OF REFERENCE

Chapter 11 of the FSA publication, The Prudential Sourcebook for Banks, Building Societies and Investment Firms (“BIPRU”), provides full details of the disclosure requirements of Pillar 3 that relate to EPL.

BIPRU Section 11.5 specifically details the relevant information to be disclosed under Pillar 3 and covers areas such as a companies risk management objectives and policies and its capital resources from a regulatory perspective.

EPL has adhered to the disclosure requirements within BIPRU Chapter 11, detailing below our objectives and policies that cover various specific types of risk that the company is exposed to. As permitted by the rules within sections 11.3.5 and 11.3.6 these disclosures take account of the materiality and the confidential nature of the disclosures to the user of the statement.

The disclosures in this document are made in respect of EPL which provides discretionary investment management to professional investors and eligible counterparties only. Under CRD EPL is a limited licence firm which means that it does not have authority to deal on its own account.

RISK MANAGEMENT OBJECTIVES & POLICIES

The risk management policies for EPL reflect the business and regulatory requirement to manage a number of different categories of risk. These risks include: credit, business, operational, market, insurance, and liquidity risk. In respect of this disclosure it is the first three of these risks that are most relevant, however, further information on all the risks is set out below.

Credit Risk

With regard to debtors and in particular the non-payment of fees, the extent to which we provide credit to clients and therefore the extent to which we are subject to credit risk and how we mitigate this is governed by the terms and conditions of each individual agreement that we have with clients. The terms of these agreements are subject to confidentiality clauses and are therefore not disclosed.

With regard to bank deposits, we only deposit money with approved counterparties on agreed terms.

Business Risk

Our Pillar 2 business risk assessment principally examines two main types of risks.

A fall of assets under management following a market downturn would lead to lower management fees. To mitigate this risk, the Board regularly analyses different scenarios to model the impact of economic downturns on our financial position.

The second key business risk involves the potential loss of a key employee from the company. EPL has in place “key man” insurance to help mitigate any potential client losses.

Operational Risk

Most of our risk management efforts are focussed on operational and financial risk. This ranges from high level strategic risk to risk of administrative errors. Our policy is to operate a robust and effective risk management process, which is embedded within the governance and management structures of our business.

Our risk management framework is reviewed and approved by the Board of EPL on an annual basis. Throughout the year the processes and structures within the business are subject to regular review by our Regulatory and Risk team. During these reviews, potential and actual operational risks are identified and assessed and where necessary controls are put in place to mitigate these.

Market Risk

Under Pillar 1, our market risk is currently limited to our exposure to foreign currency fluctuations, due to some assets and liabilities being denominated in currencies other than sterling. This risk is not considered material for the purposes of this disclosure.

Insurance and liquidity risk.

EPL has little liquidity risk and no insurance risk. These risks are not considered material for the purposes of this disclosure.

CAPITAL RESOURCES

EPL's capital resources currently comprise of Tier 1 capital only. In accordance with GENPRU 2.1.45 R and our limited licence firm category, our current variable capital requirement has been determined as being our fixed overhead requirement.

In addition the overall company approach to assessing the adequacy of our internal capital is set out in our Internal Capital Adequacy Assessment Process ("ICAAP"). The ICAAP process involves separate consideration of risks to our capital combined with stress testing using scenario analysis. We assess the impact by modelling changes in our income and expenses caused by various potential risks over a 1 to 5 year time horizon which cumulates in us calculating a minimum amount of capital that we believe is adequate against the risks identified during the ICAAP process.

Our current ICAAP capital assessment under the Pillar 2 requirement has been assessed as being greater than our Pillar 1 requirement. Our minimum regulatory capital requirement that we currently hold is therefore our ICAAP capital figure.

It is our aim to carry out a detailed review and update of our ICAAP process and the calculation of our Pillar 2 requirement regularly and any necessary reporting requirements following such reviews will be communicated through this section of our website. Further reviews deemed necessary will be carried out following any material change in the EPL business model or where, from a capital adequacy position, EPL is likely to be materially impacted by external influences.

Disclosures in relation to credit and market risk are considered immaterial as our current variable capital requirement is our fixed overheads requirement rather than the sum of our credit and market risk requirements.