

CEDAR ROCK CAPITAL LTD (The "Company")
(Registered number 4466326)

BOARD RESOLUTION
PILLAR 3 DISCLOSURE

21 December 2011

TUESDAY



LD3 "L107SO8G" 10/01/2012 #39
COMPANIES HOUSE

We the undersigned, being the Directors of the Company, unanimously RESOLVE

To make public the following information on the Company's capital, risk exposures and risk assessment processes in accordance with the FSA's Prudential Sourcebook for Banks, Building Societies and Investment Firms, Chapter 11 (Pillar 3)

Cedar Rock Capital Ltd (the "Company") was incorporated with limited liability in England and Wales on 20 June 2002 and is authorised and regulated by the Financial Services Authority (the "FSA") to provide investment management services

The Company is categorised as a limited licence firm by the FSA for capital purposes. Pillar 3 disclosures fulfil the Company's obligation to disclose to market participants key pieces of information on a firm's capital, risk exposures and risk assessment processes

I. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Directors of the Company determine its business strategy and the risk appetite. They have designed and implemented a risk management framework that recognizes the risks that the business faces. The Directors of the Company also determine how those risks may be mitigated and assess on an ongoing basis the controls and procedures necessary to manage those risks. The Directors of the Company and Compliance Officer meet on a regular basis and discuss projections for profitability, liquidity, regulatory capital, business planning and risk management.

As an investment manager, the Company considers the following as key risks to its business:

Business risk – This risk represents a reduction in clients and fee income and the loss or incompetence of key staff.

Operational risk – This risk covers a range of operational exposures from risk of trading errors to risk of incorrect client valuations. Subcontractor failure and systems failures also included within the category of operational risk.

Credit risk – This risk relates to the non-payment of management fees and counterparty exposure relating to the Firm's bank balances and any other debtors.

Client risk – This risk represents reputational and regulatory risk arising from misunderstanding clients' requirements, investing in unsuitable assets and breaching regulatory requirements.

The above risks are assessed and mitigated as part of the Internal Capital Adequacy Assessment Process ("ICAAP").

II CAPITAL RESOURCES

The capital resources of the business comprises Tier 1 capital with no deductions

As a limited licence firm the capital resources requirement is calculated as the total of Pillar 1 and Pillar 2 capital

Pillar 1 capital is the greatest of

- 1 a base capital requirement of Euro 50,000,
- 2 the sum of market and credit risk requirements, and
- 3 the Fixed Overhead Requirement ("FOR")

Pillar 2 capital is calculated by the Company as representing any additional capital to be maintained against any risks not adequately covered under the requirement in Pillar 1 as part of its ICAAP

It is the Company's experience that its capital requirement normally consists of the FOR, although market and credit risks are reviewed monthly. The Company applies a standardised approach to credit risk, applying 8% to the Company risk weighted exposure amounts, consisting mainly of management fees due but not paid, and bank balances. Having performed the ICAAP it is the Company's opinion that no additional capital is required in excess of its Pillar 1 capital requirement

As at 30 April 2011 the Company's regulatory capital position is

Capital item	£000
Tier 1 capital Company Capital and Audited Reserves	11,256K
Total Capital Resources Requirement for 2010/11 (the sum of credit and market risk requirements)	891K

III. MANAGEMENT OF THE ICAAP

The approach of the Company to assessing the adequacy of its internal capital to support current and future activities is contained in the ICAAP. This process includes an assessment of the specific risks to the Company and the internal controls in place to mitigate those risks. Finally, an assessment is made of the probability of occurrence and the potential impact, in order to arrive at a level of required capital, as relevant

The Company's ICAAP is formally reviewed by the Directors of the Company at least annually or in the event of any material change to the Company's business or risk profile

IV. THE REMUNERATION CODE

The aim of the Remuneration Code (the "Code") is to ensure that firms have risk focused remuneration policies which promote and are consistent with effective risk management, and do not expose firms to excessive risk

Under the Code, the Firm is classified as a Tier Four Firm, the lowest risk category as the Firm does not manage or trade proprietary positions. This means that the Firm can dis-apply many of the technical requirements of the Code and proportionately apply the Code's rules and principles

The FSA has amended the Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU) - and specifically BIPRU 11 - to include a requirement for disclosure of the Firm's remuneration policy and practices, as well as aggregate quantitative disclosure for staff assessed as having a material impact on its risk profile, including senior management ("Code Staff")

The disclosure obligations applicable to remuneration subject to the Code ("Remuneration") includes all forms of fixed remuneration and variable remuneration but excludes the element of profit share awarded to such individuals as shareholders of the Firm

a Remuneration Policies

The Firm has adopted policies in relation to the Firm's remuneration arrangements which address potential conflicts of interest arising from such arrangements by taking into account the controls in place to guard against the Firm's authorised persons being rewarded for taking inappropriate levels of risk

Cedar Rock is satisfied that the policies in place are appropriate to its size, internal organization and the nature, scope and complexity of its activities

b The Decision Making Process

The major shareholder of the Firm determines remuneration arrangements and individual awards

The Board of Directors provides oversight of the overall remuneration arrangements to ensure that they are in line with the Firm's level of tolerated risk

c Link between Pay and Performance

Remuneration subject to the Code is based on an assessment of the profitability of the Firm, an individual's performance and their contribution ability to influence the business carried on by the Firm

In addition to salary Code staff are incentivised with the opportunity of receiving discretionary bonus and/or distribution of dividends, both final and interim as determined by the directors. Certain Code Staff receive no Remuneration subject to the Code as directors but are engaged to provide outsourced services to Cedar Rock

d Quantative Remuneration Data

The aggregate Remuneration for staff assessed as Code Staff by virtue of them having a material impact on the risk profile of the Firm for the performance year to 31 October 2011 is disclosed in Note 5 (Directors' Remuneration) of the Annual Report



Andrew Brown
Director



David Miller
Director



Joy-Isabelle Besse
Director