

## MIFIDPRU 8 Disclosure

### Introduction

As a MIFIDPRU investment firm, Genesis Investment Management, LLP ("GIM", "Genesis", or "the Firm") is required to conduct an Internal Capital Adequacy and Risk Assessment ("ICARA") as per MIFIDPRU 7.7-7.9 regulation. The ICARA process is the collective term for the internal systems and controls which a firm must operate to identify and manage potential harms which may arise from the operation of the Firm's business, and to ensure that its business can be wound down in an orderly manner.

MIFIDPRU 7 requires firms captured by the sourcebook to use the ICARA process to identify whether they comply with the Overall Financial Adequacy Rule ("OFAR"). The OFAR requires that a firm must, at all times, hold own funds and liquid assets which are adequate, both in amount and quality to ensure:

- a. The firm is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
- b. The firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

The Firm acknowledges that adherence to the OFAR enables it to fulfil its responsibilities, to maintain appropriate resources in relation to the regulated activities it carries out and also the requirement under the FCA's fourth Principle for Businesses to maintain adequate financial resources.

The focus of the ICARA process is on identifying and managing risks that may result in material harms. Depending on the nature of the potential harms identified, in some instances, the only realistic option to manage them and to comply with the OFAR may be to hold additional own funds or additional liquid assets above the Firm's Own Funds Requirement or basic Liquid Assets Requirement. In other cases, it may be more appropriate or effective to manage potential harms in other ways.

The provisions for public disclosure are set out in MIFIDPRU 8 and this document has been produced in order to meet the disclosure obligations of Genesis. The capital and risk disclosures are produced annually (or if there are material changes to Genesis' business) and available on Genesis' website.

Genesis does not fall within MIFIDPRU 7.1.4R(1). The value of the Firm's on- and off-balance sheet items over the preceding 4-year period is a rolling average below £100million and Genesis has no trading book assets.

### Background

Genesis is a multi-generational investment partnership which for over three decades has solely focused on delivering excellent long-term investment performance for institutional clients in Emerging Market ("EM") equities. As an owner-managed boutique with an exclusive focus on EM equity, we believe we are well positioned to deliver sustainable performance for our clients.



Genesis is registered with the US Securities and Exchange Commission ("SEC") under number 801-63018 and the UK Financial Conduct Authority ("FCA") under number 232261. GIM also provides investment management and/or advisory services in other jurisdictions via regulatory exemptions. Genesis is committed to full cooperation with all regulatory bodies through an open and honest approach to any regulatory interaction.

## Risk Management Objectives and Policies

The Firm's governing body has adopted a conservative risk appetite to maintain a strong capital position and balance sheet throughout all market cycles with strong liquidity and a robust capital structure.

As an investment management company, risk is a fundamental characteristic of the Firm's business. GIM is committed to ensuring all business activities are conducted with a clear understanding of the risks, to maintaining a robust risk management framework, ensuring transparent disclosure, treating its clients fairly, and to meet the expectations of major stakeholders, including clients, employees, Partners and regulators.

### Framework Overview

The Chief Risk Officer (CRO) is responsible for risk management arrangements throughout Genesis, ensuring the operation of an effective risk management framework and the provision of clear risk management information and analysis to senior management.

The Enterprise Risk Management Framework is designed to identify, mitigate and monitor material risks to the Firm, and includes the following primary elements:

1. **Risk Appetite Statement:** The Risk Appetite Statement is an expression of the types and levels of risks that Genesis is willing to accept in order to achieve its business strategy. The purpose of the Risk Appetite Statement is to define and communicate the tolerances for key risks that have the potential to prevent Genesis from achieving its business objectives.
2. **Key Risk Indicators:** The Risk Appetite Statement is supported by a framework of quantitative metrics (Key Risk Indicators or "KRIs") that monitor key risks within the business, communicate when tolerance levels for specific risks are breached, and evidence how Genesis is operating against its stated risk appetite.
3. **Risk and Control Self-Assessment:** The Risk and Control Self-Assessment ("RCSA") is Genesis' primary operational risk identification tool, which ensures that all material operational risks to the business are identified, assessed, managed and reported by well-designed controls.

The RCSA process is primarily designed to:

- Assist in identifying and documenting all material operational risks together with related controls;
- Assess the level of each risk to enable an evaluation against the risk appetite;

- Achieve a ranking of the risks to determine which risks are a higher priority and receive greater focus.

Each department owns its RCSA, including the risks and controls identified. The RCSA is reviewed and updated at least semi-annually or when there are material business or process changes. The Risk Team facilitates the RCSA process by supporting the identification of risks, challenging sufficiency of controls, and applying a consistent scoring methodology.

4. **The Principal and Conduct Risk Identification Document:** The Principal and Conduct Risk Identification document is a top-down analysis designed to identify the material risks to Genesis achieving its business strategy. It outlines the processes and controls mitigating the risks and identifies the individuals or groups primarily responsible for controls oversight.
5. **Emerging Risk Framework:** An emerging risk framework is designed to identify emerging/environmental risks which have the potential to fundamentally disrupt Genesis' business model.
6. **Incident Management:** Incidents which include transaction errors (trading errors), breaches of investment guidelines, departures from operational procedures and third-party errors are reported and maintained on a central database available to all Partners and staff. On a quarterly basis material incidents are reviewed by the GIM Risk Management Committee.
7. **Compliance Testing and Assurance Reviews:** The monitoring of risks and controls and the assessment of the operational risk framework are integral parts of the testing and reviews undertaken as part of the Firm's internal compliance monitoring and assurance programme. The compliance monitoring and assurance programme, designed by the Head of Compliance and approved by the Risk Management Committee and Group Risk Committee, consists of a scheduled programme of testing covering the following broad areas: client servicing, financial crime, investment process, marketing, operations, systems and controls, Prudential and trading. Tests performed within the programme are carried out by the Compliance Team on a periodic basis, with the frequency determined by the assessed level of risk.
8. **Regulatory Capital:** Genesis conducts the Internal Capital Adequacy and Risk Assessment ("ICARA") process at least annually and following any significant business change. The ICARA process ensures that Genesis maintains a sufficient quantity and an appropriate quality of capital to protect against the potential material harms to which the Firm and its clients are or may be exposed. Genesis maintains capital resources as in accordance with the Investment Firm Prudential Regime (the "IFPR") regime. Capital resources are reported to the Risk Management Committee and Group Risk Committee on a quarterly basis.

#### The Investment Risk Management Framework

9. Given Genesis' quality-bias and fundamental, bottom-up investment process, the most relevant investment risk in the firm's process is the risk of disappointing investment returns, either on an absolute or relative basis. This risk could manifest in two ways:

- **Stock-specific risk:** performance risk for a holding when disappointing fundamental performance results in poor investment returns
- **Portfolio-level risk:** performance risk across groups of holdings and/or benchmark omissions, due to portfolio construction

A summary of the risk framework is presented on a quarterly basis for discussion and challenge at the Risk Management Committee and the Group Risk Committee including (but not limited to): a summary of the KRIs and (potential) impact(s) on the Firm's risk appetite, RCSA summary (including highest residual risks to the Firm), highlighted Incidents (error reports) and summary of the Compliance and Assurance testing.

### Scope/Annual Review Objectives

On an annual basis Genesis conducts a Compliance and Risk Review Process. The Review is carried out to assess the effectiveness of its risk management process to:

- Identify and document key risk factors, mitigating controls, and any gaps for each of the Firm's investment management and advisory functions.
- Analyse and evaluate the adequacy of operational procedures and internal controls in these areas.
- Conduct monitoring and testing to ensure compliance with procedures and controls critical to the overall internal control environment.

### Liquidity Controls

Genesis has developed systems and controls to manage the risk that the Firm cannot meet its liabilities as they fall due. The Operating Board has allocated responsibilities to certain individuals to ensure the effective on-going monitoring and management of corporate liquidity risk. The Head of Finance has been allocated overall responsibility for the management of corporate liquidity risk and reports to the Operating Board frequently.

The Operating Board formally reviews and signs off the liquidity Policy at least annually. Liquidity is monitored throughout the year to ensure that GIM maintains liquidity resources which are adequate, both as to the amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due. The Operating Board understand that changes in the business might trigger the Liquidity Policy to be revised and updated.

Taking into account the simple business model operated by GIM and the fact that the Firm only deals with institutional counterparties, the Operating Board believes that robust strategies, policies, processes and systems have been implemented to enable the Firm to identify, measure, manage and monitor liquidity risk.



## **Governance arrangements**

### **Governance structure**

Our Governing Board is composed of two AMG nominees and one Genesis nominee and handles major corporate matters only. While AMG owns a majority of the equity of Genesis, it delegates authority to set policy on all other matters to our Operating Board, ("GIM Operating Board"), which acts as the principal strategy and policy setting body, i.e. the equivalent of a Board of Directors. This structure ensures that Genesis retains autonomy on all investment, client, operating and routine corporate matters, and that Genesis' culture and investment philosophy are preserved.

The Operating Board is composed of the Managing Partner, the Managing Director, and two non-executive members. The Board meets quarterly and receives formal reports on clients, investment, finance, operations, legal, compliance and risk matters.

The Operating Board delegates certain matters to a number of formal committees, including the Group Audit Committee, the Group Risk Committee, the Remuneration Committee, the Portfolio Coordination Team and the Client Group

The Group Audit Committee is composed of three members of the Operating Board and is responsible for certain financial and internal control matters, reviewing the accounting policies, making recommendations to the GIM Operating Board in relation to the appointment of external auditors, monitoring the independence and objectivity of auditors and reviewing the annual financial statements.

The Group Risk Committee is composed of three members of the Operating Board and is responsible for the oversight of the Risk Management Framework, specifically the effectiveness of the risk management, governance and compliance activity within Genesis.

The Remuneration Committee is composed of two members of the Operating Board and is responsible for reviewing the remuneration decisions of Partners and Associate Partners and the equity issuance proposals for Partners acquiring Partnership interests.

The Portfolio Coordination Team ("PCT") is composed of three Portfolio Managers and the Head of Risk, who also represents the Risk Management Committee. The PCT is responsible for ensuring that the investment process is followed, and that portfolio and investment risks are analysed appropriately.

The Client Group is composed of two members of the Operating Board along with various senior managers and members of the Client Team and is responsible for implementing the client and marketing strategy.

### **Management Structure**

In addition to the formal committees, certain matters are delegated to a number of management committees reporting to the Group Risk Committee:

Committee	Primary Responsibilities
<b>Risk Management Committee</b>	<i>Implements overall risk management strategy, reviews internal control and assurance framework including compliance monitoring, and reviews regulatory developments.</i>
<b>Valuation Committee</b>	<i>Serves as the primary valuation agent for each of the pooled funds managed by Genesis; also ensures fair valuation of securities for which market prices are not readily available or for which prices from standard sources are deemed inappropriate.</i>
<b>Business Continuity and Cyber Security Committee</b>	<i>Implements the strategic framework to ensure effective continuation of Genesis' operations in the event of a disaster; also responsible for ensuring appropriate cyber security measures are in place and are reviewed and updated as necessary.</i>
<b>Product Governance Committee</b>	<i>Responsible for the oversight of the manufacturing and distribution of existing and new funds.</i>
<b>Service Provider Oversight Committee</b>	<i>Responsible for the oversight of Genesis' outsourced providers, i.e. third-party service providers that provide a material service to Genesis.</i>
<b>Conduct Breach Committee</b>	<i>Responsible for the oversight of Genesis' compliance with the Conduct Rules under the Senior Managers and Certification Regime and their implementation in the firm.</i>
<b>ESG Integration Group</b>	<i>Responsible for the oversight of ESG-related policies, processes and reporting, monitoring of relevant regulations and codes, and making recommendations on process enhancements.</i>

## Own Funds & Own Funds Requirements

As a Non-SNI MIFIDPRU firm, Genesis has conducted an Internal Capital Adequacy and Risk Assessment (ICARA). As a component of the ICARA, Genesis conducts an internal analysis assessing additional own fund requirements considering the harm the Firm poses to clients, the market and the firm.

The ICARA is conducted at least annually and is reviewed following any significant business change (including changes to strategy or operational environment which suggest that the current level of capital resources is no longer adequate).

The annual review process is conducted by an ICARA working group who lead the risk analysis and ensure that a completed document is available for the Operating Board's review and approval. The ICARA working group consists of the Managing Director (Board member), Senior Management from Legal, Compliance, Risk, Finance, Operations, Portfolio Analysis and Client teams. Additional input is

sought as necessary including (but not limited to) Human Resources, Facilities and the Investment Team.

The ICARA working group conducts a full risk assessment of the business identifying material risks to the Firm leveraging the experience of the subject matter experts (ICARA working group members), and the Firm's risk framework to ensure that capital held is comprehensive and proportionate to the nature, scale and complexity of the Firm.

### ICARA Governance

- The capital resource recommendations and the ICARA document are reviewed by the Risk Management Committee and the Group Risk Committee.
- Subject to their approval, the capital resource recommendations and the ICARA document is presented to the Operating Board for consideration.
- The Operating Board has responsibility for approving the capital resource recommendations and the ICARA document.

The two main activities which the Firm exposes its client to are K-AUM and K-COH.

K-AUM or the risk of managing and advising on investments. K-AUM aims to capture the scale of potential harm an investment firm may cause clients from incorrectly managing client portfolios, including poor execution. It aims to address the amount of capital that an investment firm can use to absorb losses from operational events, including the cost of putting things right for clients, and so helps to provide some continuity of service where the Firm comes under stress.

K-COH or the risk of the reception and transmission of orders. K-COH includes potential risks from both the execution of orders in the name of the client and the reception and transmission of client orders. An investment firm's mistakes in handling of client orders, including failing to deliver best execution, may lead to client harm. This arises mainly where GIM acts as the sub-delegated portfolio manager to AIFMs (or potentially a UCITS vehicle) who hold an AUM based capital charge against the assets managed.

For the following potential harms, Genesis concluded that despite sufficient controls and consideration of other proportionate measures the Firm should hold additional own funds to mitigate against the potential material harms.

	£'000
(A) Additional own funds for asset management activity (above K-AUM)	1,434
(B) Additional own funds for reception and transmission of orders (above K-COH)	840
(C) Additional own funds for risks from ongoing activities not captured (Other risks)	2,165
Subtotal (A + B + C)	4,439

### Own Funds Requirements as Set out in MIFIDPRU 4.3

Requirement	£'000
<i>Highest of:</i>	
(A) Permanent minimum requirement	75
(B) Fixed overhead requirement ("FOR")	4,773
(C) K-factor requirement	424
(D) Own fund requirement (Max. A, B or C)	4,773
(E) Additional own funds requirement	4,439
<b>Own funds threshold requirement (D plus E)</b>	9,212
Own funds	23,620
<b>Own funds surplus</b>	14,408

## Remuneration

### Genesis' Primary Aim and Remuneration Philosophy

Genesis' primary aim is to achieve excellent long-term investment performance for our clients. In doing so, we will uphold our values and consider the interests of all stakeholders. We believe that this emphasis on asset performance has been a key contributor to our success in the past and will continue to be so in the future. We believe that fund management organisations with strong alignment structures are going to be best placed to attract, retain and motivate key talent and hence have the greatest likelihood of generating long-term outperformance.

Our Remuneration Philosophy reflects Genesis' primary aim and is based on rewarding individual contribution over an extended period whilst ensuring that we remain a cohesive group that retains its team-based culture. Our goal has been to create a culture which is based upon performance rather than entitlement and long-term business viability rather than short-term personal gain. Genesis' remuneration policy and practices are gender neutral and prohibit discrimination on the basis of an individual's protected characteristics.

### Risk Management and Regulatory Compliance

Genesis' remuneration arrangements need to promote effective risk management and be consistent with Genesis' risk profile, risk appetite and risk strategy. Genesis ensures that its Remuneration Policy satisfies all relevant U.K. remuneration and disclosure rules as are appropriate to its legal structure, size, internal organisation and the nature, scope and complexity of its activities. Genesis' remuneration policy is updated annually and subject annual compliance testing.



## Oversight of Remuneration

- The remuneration of Genesis' Partners, Associate Partners and Staff is approved by Genesis' Remuneration Committee. The Remuneration Committee has two members. The Chair is a non-executive member of the GIM Operating Board and the other member is the Chair of GIM. AMG, the majority owner of Genesis, approves the remuneration of individual Partners and the discretionary bonuses of Associate Partners in aggregate.
- The Operating Board will periodically review the remuneration of the Genesis non-executive members.

## MIFIDPRU Material Risk Takers and AIFM Remuneration Code Staff

- MIFIDPRU's Material Risk Takers ("MRTs") include Senior Management and persons with managerial responsibility for managing investments, control functions, information technology, outsourcing and money laundering and terrorist financing.
- AIFM Remuneration Code Staff ("Code Staff") include Genesis' MIFIDPRU MRT's and other risk takers within the FCA's Certified Regime and any employee receiving total remuneration that takes them into the same remuneration bracket as Senior Management and risk takers.
- Staff are provided with written notification of their status as MRTs and Code Staff are informed how their remuneration is structured to be consistent with and promote effective risk management. Personal hedging strategies are prohibited. Staff confirm receipt and understanding of the notifications provided.

## Remuneration Framework

### Partners

Partners are advanced an equal, fixed level of drawings and, depending on capital requirements, receive a share of net profits based on overall profitability and a discretionary award based on individual contribution.

The framework used by the Managing Partner to assess the individual contribution of Investment Team Partners uses both financial and non-financial measures and is based on a rolling five-year basis incorporating direct and indirect contributions to investment performance, long-term impact on the business and team culture. The remuneration of Partners not involved in investment decisions is based on an assessment of their contribution to the business and achievement of control objectives in a manner which is independent of investment performance.

### Associate Partners

Associate Partners receive a fixed salary and a discretionary award. Discretionary awards for Associate Partners are based on a similar framework as Partners. Associate Partners may be granted Associate Partner Points which provide an equity type of incentive in order to motivate Associate Partners as owners of the business. Associate Partner Points vest after five years and

once vested have similar income and valuation characteristics as Partnership equity although without voting rights.

- **Non-executive members**

The non-executive members of Genesis receive a fixed fee for their services on Genesis' respective governance Committees.

- **Staff Members**

Investment Team Staff members receive a salary (capped at the level of Partners' drawings) and, as a general principle, a discretionary bonus based on their contribution to investment performance and core behavioural competencies.

Non-investment Staff members receive a salary and discretionary bonus which, as a general principle, are subject to the same caps as the Investment Team Staff members. Genesis runs an annual appraisal process to assess individual performance and contribution to the Firm. The overall bonus pool for Non-investment Staff is dependent on Genesis' annual results. However, the remuneration of Staff with responsibility for Control Functions is based on objectives relating to their roles and responsibilities, independent of the performance of the business area they oversee and profitability of the Firm. Relevant market surveys are also used to benchmark total compensation.

- **Remuneration and Capital**

Variable remuneration awards are made within a context of ensuring they do not affect Genesis' ability to ensure a sound capital base.

- **Balance of Fixed and Variable Components of Remuneration**

The fixed and variable components of total remuneration are appropriately balanced with the fixed element being sufficiently high to enable the operation of a fully flexible policy on variable remuneration. Appropriate maximum fixed to variable remuneration ratios are set for MRTs.

- **Deferred Remuneration**

Remuneration derived from Genesis' fund business is subject to deferral and retention in accordance with SYSC 19B. Code Staff have between 40%-60% of their variable remuneration deferred pro-rata over three years according to the amount and proportion of their total and variable remuneration. 50% of variable remuneration will be held in units of Genesis Emerging Markets Investment Company SICAV (Genesis' core Emerging Markets product) and subject to six months retention post the award vesting. The Firm has the discretion to apply deferred remuneration to key staff members who are not Code Staff. The Remuneration Committee has the discretion to accelerate the vesting of deferral awards for Code Staff who leave Genesis, although this is on a case-by-case basis and awards remain subject to clawback.

- **Risk and Performance Adjustments**

Risk and performance adjustments consider current future financial and non-financial risks at the time an award is made, and take into account crystallised risks or adverse performance outcomes when deferred remuneration vests (malus) or during the vesting and retention period post payment (clawback).

Performance adjustments can be made collectively, however, the primary focus is on individuals. Performance adjustments are likely to be appropriate where the firm has suffered a material failure of risk management, where there is reasonable evidence of employee misconduct or material error, or to meet a significant part of the cost of regulatory action and fines. The principle applied is that individuals do not profit from a relevant event.

Determinations of performance adjustments will be made by the Managing Partner for Partners and the Investment Team and by the Managing Director for Non-Investment Staff, based on data and recommendations by Human Resources, the Conduct Breach Committee and any other appropriate data sources and functions. Performance adjustment decisions will be reviewed by the Remuneration Committee.

- **Avoidance of Conflict of Interests**

Our policies comply with specific rules designed to avoid conflicts of interest, particularly with persons involved in valuation and control functions.

- **Non-standard Forms of Variable Remuneration and Pension Schemes**

Guarantees, buyouts, severance and retention awards are only made on an exceptional basis. Guarantees for bonuses may only be offered in the initial year of joining and limited to the first 12 months of service. Genesis operates a defined contribution pension scheme which is available to all Staff members.

- **Disclosure**

Appropriate qualitative and quantitative disclosures of Genesis' approach to remuneration are included on its website.

## Aggregate Quantitative Information on Remuneration

	All Staff
	<b>US\$000</b>
Fixed remuneration	10,628
Variable remuneration	12,668
<b>Total</b>	23,296

	Senior management	Other MRTs	Other staff
	<b>US\$000</b>	<b>US\$000</b>	<b>US\$000</b>
Fixed remuneration	1,190	1,256	8,182
Variable remuneration	2,948	1,692	8,028
<b>Total</b>	4,138	2,948	16,210

		Senior management	Other MRTs
		<b>US\$000</b>	<b>US\$000</b>
Guaranteed variable remuneration	Amount awarded	-	-
	Number of recipients	-	-
Severance payments	Amount awarded	-	712
	Number of recipients	-	4
	Highest award	-	235

*Genesis Investment Management, LLP*

*as at 31<sup>st</sup> December 2022*

## Annex 1: Own Funds & Own Funds requirements

	Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	23,620	Per FSA003 31/12/2022
2	TIER 1 CAPITAL	23,620	
3	COMMON EQUITY TIER 1 CAPITAL		
4	Fully paid up capital instruments	5,417	Note 18
5	Share premium		
6	Retained earnings	18,203	
7	Accumulated other comprehensive income		
8	Other reserves		
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1		
19	CET1: Other capital elements, deductions and adjustments		
20	ADDITIONAL TIER 1 CAPITAL		
21	Fully paid up, directly issued capital instruments		
22	Share premium		
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1		
24	Additional Tier 1: Other capital elements, deductions and adjustments		
25	TIER 2 CAPITAL		
26	Fully paid up, directly issued capital instruments		
27	Share premium		
28	(-) TOTAL DEDUCTIONS FROM TIER 2		
29	Tier 2: Other capital elements, deductions and adjustments		

		Balance sheet as in published/audited financial statements	Cross-reference to template OF1 (above)
		As at period end Amount (GBP thousands)	
<b>Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements</b>			
1	Tangible assets	1,049	
2	Investments	8,312	
3	Debtors	8,244	
4	Amounts due from Members	17,499	
5	Cash at bank and in hand	23,605	
	Total Assets	58,709	
<b>Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements</b>			
1	Creditors: Amounts falling due within one year	10,505	
2	Creditors: amounts falling due after more than one year	544	
3	Provisions for liabilities	19	
	Total Liabilities	11,068	
<b>Shareholders' Equity</b>			
1	Members' capital classified as equity	6,100	Box 4
2	Audited reserves	23,620	Box 6
3	Other reserves	17,921	
	Total Shareholders' equity	47,641	