



Genesis Investment Management, LLP

21 Grosvenor Place

London SW1X 7HU, UK

Telephone: +44 (0)20 7201 7200

www.giml.co.uk

Compliance with the UK Stewardship Code

The disclosure below describes how Genesis complies with the UK Stewardship Code as published by the Financial Reporting Council.

Principle 1 – How stewardship responsibilities are discharged

Genesis is a specialist investment manager which focuses purely on investment in emerging market equities for institutional investors.

We attempt to identify and invest in high-quality companies, which we characterise as those with an ability to generate sustainable excess returns on capital. Environmental, social and governance (ESG) considerations are included in our analysis of sustainability as we recognise that these factors can expose potential investment opportunities and risks, reflect the quality of management, and impact a company's financial performance.

We expect to create value for our clients through our analysis and valuation of individual businesses. A portfolio manager is responsible for each investment and is required to produce a written investment case. We rank business quality on a three-level scale, from A to C, and use these rankings as a tool for comparison and therefore a portfolio weighting input.

As bottom-up investors, our investment approach lends itself naturally to the integration of ESG factors at the company level as part of our initial (and ongoing) qualitative judgement of a company's sustainable competitive advantage. We believe the inclusion of ESG factors as part of our analysis of quality contributes to a broader and deeper understanding of companies' strategic direction and allows for a more accurate assessment of the risks and future costs or burdens they face.

The systematic assessment of the quality of a company continues for as long as the stock is held in client portfolios (we typically aim to maintain an investment for several years). Our quality ranking is informed by ongoing research, monitoring of a company's business, and engagement with company management, which takes place through meetings, site visits, calls and correspondence. We use this dialogue to discuss the company's strategy and governance, and to raise material issues (including on ESG matters) that we feel may have an impact on long-term performance and valuation.

When authorised to do so, we aim to vote on all resolutions. Voting decisions are based on our set of corporate governance principles (which are available via the link below) and made in the best interests of clients. We are mindful of the varied market practices across emerging market countries and we recognise that more than one governance model may be effective. Thus we take a pragmatic approach considering the circumstances of each vote and each company. We view voting as an investment function and we maintain full responsibility for such decisions: we provide feedback to boards and management on significant voting matters, and this in turn informs our ongoing monitoring strategy and company engagement.



Genesis Investment Management, LLP
21 Grosvenor Place
London SW1X 7HU, UK
Telephone: +44 (0)20 7201 7200
www.giml.co.uk

Principle 2 – Managing conflicts of interest in relation to stewardship

Genesis' sole business is to provide investment management and advisory services to institutional clients invested in emerging market equities.

Genesis acts independently of its parent, Affiliated Managers Group, Inc. (AMG) and all of the other affiliates of AMG. Genesis does not invest as a principal nor does it make markets or underwrite. Genesis does not hold client money or assets nor provide investment research to third parties. Genesis does not permit personal trading in companies which are held in client accounts. Genesis' investment process is team based. All material operating decisions are determined by committees and we maintain both a strict segregation of duties between operating areas, and a robust control environment.

We maintain a Conflicts of Interest Policy that identifies actual and potential conflicts of interest, and outlines how conflicts are monitored, the controls in place to mitigate conflicts and the steps we take to resolve potential conflicts. Our Conflicts of Interest Policy is available via the link below.

If a conflict of interest should arise and potentially damage the interests of a client and the steps taken to manage the conflict have not achieved, Genesis will consider whether disclosure is appropriate or, bearing in mind the risks involved, refraining from acting. In any event we would expect to inform the client and seek further instructions.

Principle 3 – Monitoring of investee companies

As noted above, we expect to create value for our clients through our analysis and valuation of individual businesses.

Business and management quality is assessed by our Investment Team through ongoing dialogue with the board and company management via regular meetings, site visits, calls and correspondence. During these interactions, team members engage on a variety of material issues, including strategy, financial performance, ESG issues, or other matters affecting long-term shareholder value. We look for management's enlightened and long-term commitment to a sustainable business model including their attention to and understanding of ESG risks and opportunities. We consider a management's track record, their focus on relationships with various stakeholders, accountability, past practices and progress. A key issue is the alignment of interests with minority shareholders. We also take into account the quality of a company's reporting.

We do not make an investment without engaging with company representatives (usually several times). Once an investment has been made, our interactions with the companies are ongoing and we regularly engage with companies outside of the shareholder meeting and voting cycle. Meeting notes are maintained alongside the formal investment case in a central database shared across the Investment Team to assist and inform the monitoring and engagement process, and to track a company's progress. Our proxy voting provider maintains a record of all votes cast. We do not as a matter of general policy attend company annual general meetings.



Genesis Investment Management, LLP

21 Grosvenor Place

London SW1X 7HU, UK

Telephone: +44 (0)20 7201 7200

www.giml.co.uk

We believe that our ongoing and direct dialogue with management teams enables us to monitor and engage more effectively. We may however choose to attend annual general meetings on a case by case basis.

In 2018 we conducted over 1,000 interviews with companies (potential and existing investments, competitors and supply chain entities) to develop our knowledge of individual companies and to allow a comparison with peers and competitors globally, including those operating in high-income economies. Over one-third of such communications were engagements (typically multiple engagements) with companies held in client portfolios. Our aim is to build long-term relationships with companies and have frank and constructive communications with them. As a result we have a strong preference that our engagement activities remain private.

During the course of Genesis' business activities, we may be asked by a company if we are willing to become an insider. Generally, we are not willing to do this as we want to retain the ability to trade in companies that are held in client portfolios; however, in limited circumstances (for example to become a cornerstone investor in a particular transaction) and typically for a limited period of time, we may allow ourselves to become insiders. Our approach to being made insiders is managed by the provisions set out in our Code of Ethics.

Principle 4 – Escalation of activities to protect and enhance shareholder value

As noted, we engage with companies both prior to any initial investment and regularly throughout the period of investment. Engagement with company management is fundamental to our investment process and takes various forms, both formal and informal. The priorities for such engagements are tailored to each company by the portfolio manager and reflect their view of the current and future prospects of the particular company as a position in client portfolios.

Over time, we have developed good long-term relationships with our investee companies and feel that our views are considered seriously by management and boards. If we were to identify a particular issue with regard to which we felt a company was not managing its risks and or opportunities in a responsible manner, then the portfolio manager would engage in a more focused dialogue: management's reaction and receptiveness to such discussions is often meaningful. Because of the emphasis we place on the quality of management, however, these types of discussion are, in our experience, infrequent.

If, however, the normal dialogue with management fails to achieve the desired outcome (for example, where we have concerns on strategy, remuneration or governance structures), we will consider a range of options including: meeting privately with the CEO or Board, speaking directly with one or more independent directors, or formalising our concerns in a letter to the Board.

Where appropriate and where permissible under applicable laws, we may discuss our stewardship concerns with other shareholders or join in a communication to the Board (see Principle 5 below). We may also consider voting against management, reducing or selling the position. Instances that would trigger the sale of a position most often occur incrementally over time where we have seen a gradual erosion in management quality. In very rare instances, we may also consider more extreme action such as litigation.



Genesis Investment Management, LLP

21 Grosvenor Place

London SW1X 7HU, UK

Telephone: +44 (0)20 7201 7200

www.giml.co.uk

Each case is assessed by the portfolio manager on its merits and in the best interests of our clients but where we decide to escalate our engagement activities, our long-term investment approach is generally an advantage with respect to the receptiveness of management to our concerns. Where engagement requires escalation, the portfolio manager will involve other members of the Investment Team and, where appropriate, additional internal and external resources such as legal, compliance and other specialists.

Principle 5 – Acting collectively with other investors

As outlined above, our portfolio managers engage with companies on an ongoing and regular basis. We prefer to hold meetings with company management on a one-on-one basis and to share any concerns privately in order to improve the outcome for our clients.

Where companies in client portfolios start behaving in a manner detrimental to minority shareholders' interests we may consider collaborating with other investors and engaging collectively with the management of a company regarding particularly serious corporate issues. As long-term investors, we are often aware of other investors and management firms which have, or represent, significant long-term investments in a company and it is with such long-term investors that we are most likely to find common ground. In such instances and subject to applicable laws and regulations, we may share our views or draft or join a collective communication to a company or its board to effect change. We will also consider joining engagement activities coordinated by corporate governance bodies; for example, we have pooled positions with other shareholders to nominate and elect independent directors. We will also consider publicly supporting a letter drafted by shareholders' rights groups and have demonstrated our support of efforts to improve corporate disclosure (in particular on environmental issues) by co-signing letters to companies from not for profits.

Any collective engagement would be undertaken on a case-by-case basis and with due regard to the relevant regulatory provisions concerning acting in concert and insider dealing. Collective engagements are limited to when we believe it will be in our clients' best interests. Parties interested in approaching Genesis regarding any collective engagement activities should in the first instance contact Marguerite Mills, Director, Investment Governance (mills@giml.co.uk).

Principle 6 – Voting and disclosure of voting activity

Where clients have delegated to us the responsibility to vote proxies, we vote in the best interests of such clients and aim to vote all of their shares in all markets. Our Proxy Voting Guidelines act as a guide and outline our overall approach to voting; the voting decisions are made by the portfolio manager using their best judgment and based on their deep knowledge of the company.

In evaluating specific voting issues, portfolio managers may engage directly with company management and directors and we may also contact interest groups, other shareholders and research providers. Where appropriate, and particularly where we vote against management, we will contact the company to explain our decision-making process and promote best practice.



Genesis Investment Management, LLP

21 Grosvenor Place

London SW1X 7HU, UK

Telephone: +44 (0)20 7201 7200

www.giml.co.uk

Subject to the provisions of individual client mandates, securities lending is undertaken. Where securities are on loan ahead of a general meeting or corporate action and Genesis has proxy voting responsibility, it is our policy to request that such securities be recalled to enable us to vote the shares.

We have appointed Institutional Shareholder Services, Inc. (ISS), to execute votes, keep various records necessary for tracking proxy voting materials and provide proxy research and recommendations.

Although ISS execute our proxy voting, the voting decisions are made by our Investment Team and we do not necessarily vote in line with company management or external recommendations.

Principle 7 – Reporting on stewardship and voting activities

We provide a range of qualitative and quantitative information to our clients, typically on a quarterly basis. We hold calls, reviews and meetings with clients and their appointed representatives on a regular basis at which we will discuss specific topics of interest arising from the stewardship process and engagement with investee companies.

Furthermore, we provide all clients with a copy of our Proxy Voting Guidelines and regular (typically quarterly) reports of all proxy voting matters. This proxy voting report includes details of the frequency, matters and reasons why we may have voted against management. In addition, our voting record for the last five years is available via the following link: <https://vds.issgovernance.com/vds#/MTcy/>

The holdings in client portfolios are formally reviewed on a regular basis with a focus on transparency to promote robust and constructive challenge from across the Investment Team. A sub-committee of the Investment Team ensures that the investment process has been followed. In addition, Genesis' internal controls, including those concerning proxy voting arrangements, are subject to independent, external review by PricewaterhouseCoopers LLP through the annual completion of a Report on Internal Controls (ISAE 3402 and AAF 01/06). A copy of the Report on Internal Controls is provided to all clients.

This statement is reviewed on an annual basis. Any queries regarding Genesis' compliance with the UK Stewardship Code should be addressed in the first instance to Marguerite Mills (mills@giml.co.uk) with a copy to the Client Services Department (email: ClientService@giml.co.uk; Tel: +44 (0) 20 7201 7200).

[Corporate Governance Framework – Core Principles](#)

[Approach to Engagement](#)

[Genesis Conflicts of Interest Policy](#)

September 2019