

# Generation Investment Management LLP

Investment Firm Prudential Regime  
("IFPR") Public Disclosure

For the year ended 31 December 2023

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## 1. IFPR Public Disclosure

### 1.1. Background

Generation Investment Management LLP (“Generation” or “the Firm”) was established as a UK registered limited liability partnership on 5 April 2004 (reg. number OC307600). Regulated by the Financial Conduct Authority, the Firm is subject to the MIFIDPRU requirements as it is permitted to undertake certain MiFID activities in relation to managing Separate Mandate Clients. Under the Alternative Investment Fund Managers Directive (“AIFMD”), Generation is designated as a Collective Portfolio Management Investment (“CPMI”) Firm.

Consequentially, Generation is subject to the prudential requirements of both MIFIDPRU and AIFMD.

Following the introduction of the Investment Firm Prudential Regime (“IFPR”) in 2022, Generation is classified as a Non-Small Non-Interconnected (“Non-SNI”) Firm and each year conducts its Internal Capital Adequacy and Risk Assessment process (“ICARA”). The ICARA has been prepared on a solo basis.

As Generation is categorised as a Non-SNI investment firm it must provide a public disclosure in accordance with the provisions outlined in MIFIDPRU 8.

### 1.2. Basis and Frequency of Disclosure

The prudential disclosures in this document are consistent with the published financial statement for the Firm. The disclosed information is proportionate to the size, scope and nature of complexity for Generation’s business activities. The frequency of disclosure is assessed on an ongoing basis and will be published at least annually, subject to any material changes to the nature or scale of Generation’s business operations.

Generation is required to publicly disclose the information specified by MIFIDPRU 8 on the date it publishes its annual financial statements. The Firm’s accounting reference date is 31 December 2023, and audited accounts are filed with Companies House on or before 30 September 2024.

This document does not constitute any form of financial statement on behalf of the Firm.

### 1.3. Challenge, Review and Approval

The ICARA and this public disclosure document is part of a formal process through which Generation assesses the risks it faces, the capital and liquidity requirements needed to support such risks and brings together a bottom up and top-down senior management view given its business model, strategy, risk appetite and available financial resources.

This document is reviewed and challenged by Generation’s Risk Oversight Group and approved by the Management Committee, to ensure compliance with the regulatory requirements contained within MIFIDPRU 8.

## 2. Governance Arrangements

### 2.1. Group Structure

The Firm is a 100% independent, private owner-managed partnership, which comprises three core entities, Generation Investment Management LLP (“Generation UK”), Generation Investment Management US LLP (“Generation US”) and Just Climate LLP (“Just Climate”). Collectively, Generation UK, Generation US and Just Climate are known as Generation Investment Management (or “Generation”).

Generation Investment Management LLP (“Generation UK”) is a UK registered limited liability partnership authorised and regulated by the Financial Conduct Authority, providing portfolio management, client relationship services and administration control and support, on a global basis from offices in London. Generation UK files as an Exempt Reporting Advisor with the U.S. Securities and Exchange Commission (“SEC”).

Generation Investment Management US LLP (“Generation US”) is a limited liability partnership registered in Delaware, USA, registered as an investment advisor with the SEC. In addition to acting as an investment advisor, Generation US provides research and certain other services to Generation UK, as well as client relationship services to clients based in North America. This entity owns 100% of Generation Investment Management Services LLC and 100% of Generation IM US Facilities LLC, both of which provide general administrative support to Generation US.

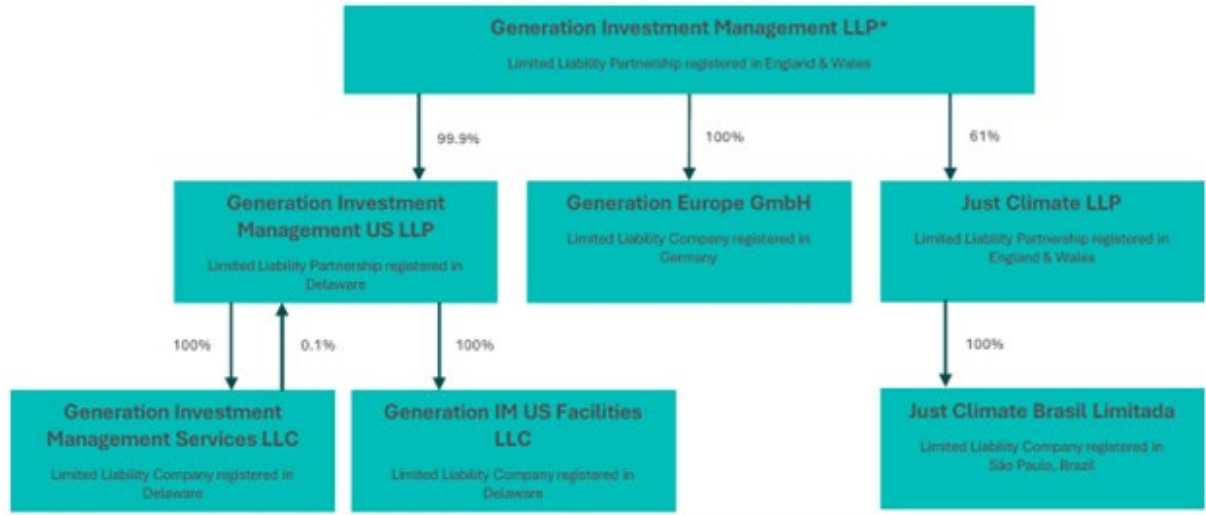
Generation UK is the majority owner of: (i) Generation US, (ii) Just Climate LLP. Just Climate is an FCA Appointed Representative of Generation UK., and (iii) Generation Europe GmbH.

Launched in 2021, Just Climate LLP is a business sponsored by Generation UK. Just Climate’s mission is to work in partnership to limit global temperature rise to 1.5 °C by catalysing and scaling capital towards transformational solutions with the highest climate impact and attractive risk-adjusted returns and establishing climate-led investing as a capital allocation imperative.

Just Climate Brasil Limitada is a wholly owned subsidiary of Just Climate LLP incorporated in Q3 2023 to facilitate the provision of certain services from a São Paulo Brazil office. The São Paulo office serves to enhance Just Climate’s capabilities and experience in key regions, such as Latin America, where many of the highest growth opportunities in natural climate solutions exist. Just Climate’s São Paulo office works closely with the Just Climate’s London office as one global team.

Generation Europe GmbH supports Generation Investment Management’s marketing endeavours in Europe post Brexit and, for regulatory purposes, acts as a tied agent of a third-party financial services provider, AHP Capital Management GmbH which is registered with the German financial services regulator, BaFin.

Figure 1 High-level entity structure as of 31 December 2023



## 2.2. Management and Corporate Governance

Generation’s Management Committee is responsible for the management of the Firm’s business and at the date of this Public Disclosure comprises Albert Gore (Chairman), David Blood (Senior Partner), Mark Ferguson (co-Chief Investment Officer), Lisa Anderson (Chief Operating Officer “COO” & Chief Risk Officer “CRO”), Lila Preston (Partner– Growth Equity), Miguel Nogales (co-Chief Investment Officer), Esther Gilmore (Head of the Global Client Business), Alexander Marshall (General Counsel and Compliance Oversight Officer), Tom Hodges (co-Head of Private Equity), Nick Kukrika, (Partner in Global Equity) , Clara Barby (Senior Partner of Just Climate), and Ruth Kent (Head of Operations, Finance and Technology).

One of the key responsibilities of the Senior Partner and the Management Committee is to ensure the growth and continuity of the business. The strategic direction of the Firm is considered and built into business plans which are presented to the Management Committee for discussion and approval.

The Management Committee meets fortnightly to review the general business operations. Updates are provided on specific areas of responsibility and the Committee considers how current and/or projected market conditions are impacting, or likely to impact the Firm. The Management Committee is able to decide and execute any actions which are deemed appropriate to protect the business. Table 1 below provides the list of committees that report into the Management Committee.

Generation as a Non-SNI MIFIDPRU investment firm that meets the exemption in MIFIDPRU 7.1.4R, is not required to establish Risk, Remuneration and Nomination Committees. However, in addition to the front-line controls in place when managing client assets, Generation has established a governance structure that allows for business development, operational control, and risk management to be reviewed through a number of committees/oversight groups, as detailed in Table 1 below.

The key sponsor in establishing the governance and control environment is the Senior Partner who, in conjunction with the Management Committee, represents the Firm’s senior personnel. In particular, as at 31 December 2023, the senior members of the Firm responsible for the corporate governance are David Blood (Senior Partner), Alexander Marshall (General Counsel and Compliance Oversight Officer), Lisa Anderson (Chief Operating Officer “COO” & Chief Risk Officer “CRO”) and Ruth Kent (Head of Operations, Finance and Technology). The senior personnel are supported by an executive committee structure, comprising: the Operating Committee; the Risk Oversight Group (“ROG”); Valuation Oversight Group; Remuneration Committee; and Conflicts Committee.

Table 1 Generation Committees

Committee	Key Responsibility
<b>Management Committee</b>	The Firm’s governing body, which acts in a supervisory capacity with regards to the actions of Generation as set out in its Partnership Agreement
<b>Operating Committee</b>	Oversees the operational functions of the business units of the firm, in general terms executing the Charter approved by the Management Committee
<b>Risk Oversight Group</b>	Chaired by an independent non-executive officer and implements the Risk Management Statement approved by the Management Committee
<b>Valuation Oversight Group</b>	Chaired by an independent non-executive officer and implements the Valuation Policy approved by the Management Committee
<b>Remuneration Committee</b>	Chaired by the Senior Partner and implements the Remuneration Policy approved by the Management Committee
<b>Conflicts Committee</b>	Responsible for reviewing and thereafter recommending to the Management Committee changes to the Firm’s Conflicts of Interest Policy as well as supporting the firm’s conflict management

## 2.3. Senior Managers and Certification Regime

The aim of Senior Managers and Certification Regime (“SMCR”) is to reduce harm to consumers and strengthen market integrity by making individuals more accountable for their conduct and competence. This requires Generation to identify and designate senior managers to the Senior Management Functions (“SMFs”) as prescribed in the FCA’s Handbook. As at 31 December 2023, the Firm had appointed 13 current partners to the SMF roles set out under the regime, and documented Statements of Responsibilities (“SoRs”) for each of the defined roles, setting out their roles and responsibilities.

As required by SMCR, Generation has identified and assessed the fitness and propriety of all certification staff and formally issued them with certificates.

The supervision of the oversight of the day-to-day management of the investment administration function and risk management is currently undertaken by the Chief Operating Officer in accordance with their Governing Controlled Function. Generation has ‘outsourced’ certain administrative functions but seeks to maintain effective controls over the processes through service level agreements, day to day oversight and periodic formal review meetings with the third-party providers.

## 2.4. Directorships

The following information relates to the appointments of external directorships in commercial organisations, held by members of the Management Committee of Generation. This table disregards any directorships relating to Generation Funds or special purpose vehicles and/or external organisations deemed non-commercial including appointments arising due to personal financial or domestic circumstances (for example, residents' companies and family investment vehicles).

Table 2 Management Committee Members

Name	SMF Function/ Role	Number of Relevant External Directorships
<b>Albert Gore</b>	SMF 27 Chair	1
<b>David Blood</b>	SMF 1, SMF 27 Senior Partner	1
<b>Mark Ferguson</b>	SMF 27 Co-Chief Investment Officer	0
<b>Miguel Nogales</b>	SMF 27 Co-Chief Investment Officer	0
<b>Lisa Anderson</b>	SMF 27 Chief Operating Officer and Chief Risk Officer	0
<b>Alexander Marshall</b>	SMF 16, SMF 17 and SMF 27 Compliance Oversight Officer, MLRO and General Counsel	0
<b>Lila Preston</b>	SMF 27 Head of Growth Equity	0
<b>Esther Gilmore</b>	SMF 27 Head of Global Client Business	0
<b>Tom Hodges</b>	SMF 27 Co-Head of Private Equity	0
<b>Clara Barby</b>	SMF 27 Senior Partner of Just Climate	0
<b>Nicholas Kukrika</b>	SMF 27 Partner, Public Equity	0
<b>Ruth Kent</b>	SMF 27 Head of Operations, Finance and Technology	0

## 2.5. Equity, Diversity & Inclusion

Improving equity, diversity and inclusion (EDI) is the smart thing to do from a business perspective and helps us live our values of excellence and innovation, sustainable capitalism, and commitment to clients. Moreover, the wealth of research shows that diverse teams perform better, collaborate more effectively, and are more innovative. As a mission driven firm, the moral case for investing in EDI is also clear to us; it is the right thing to do.

The Management Committee (MC) is responsible for making progress on our EDI roadmap with the support of 20 EDI Champions across the firm, the People team and our wider team.

We remain focused on equity and fairness across all our people-related processes, including recruitment, remuneration and career progression.

Our goals are to:

- (a) reflect the population of the locations where we are based;
- (b) create an environment where people from all backgrounds are able to succeed; and
- (c) foster an environment where people from all backgrounds are able to bring their authentic selves to work.

As at 31 December 2023, there were 39 Partners at the firm and our gender and ethnic background representation data at leadership levels was as follows (note this data is complete to the extent our colleagues have authorised the use of their personal data in this regard):

Table 3 Gender Representation

	Men	Women
<b>Partners</b>	65%	35%
<b>Members of leadership committees</b>	56%	44%

Table 4 Ethnic Background Representation<sup>1</sup>

	White	Mixed/ Multiple ethnic groups	Asian	Black	Other ethnic group
<b>Partners</b>	75%	2.5%	12.5%	7.5%	2.5%
<b>Members of leadership committees</b>	80%	0%	8%	12%	0%

<sup>1</sup> Consistent with UK Office of National Statistics ethnic group breakdowns.



### 3. Own Funds

#### 3.1. Composition of Regulatory Own Funds

Generation's own funds consist of the CET1 capital. As at the Firm's financial year end on 31 December 2023 the Firm complied with all capital requirements.

Table 5 Composition of Regulatory Own Funds<sup>2</sup>

Item	Amount (£'000)	
<b>1 OWN FUNDS</b>	<b>20,341</b>	
<b>2 TIER 1 CAPITAL</b>	<b>26,147</b>	
<b>3 COMMON EQUITY TIER 1 CAPITAL</b>	<b>26,147</b>	
4 Fully paid up capital instruments	26,147	Members' capital as per partnership statement of financial position
5 Share premium		
6 Retained earnings		
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	(5,803)	Investments in subsidiary & Joint Venture as per note 9
19 CET1: Other capital elements, deductions and adjustments		
<b>20 ADDITIONAL TIER 1 CAPITAL</b>	<b>0</b>	
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		
<b>25 TIER 2 CAPITAL</b>	<b>0</b>	
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		

<sup>2</sup> Source based on reference numbers/letters of the balance sheet in the audited financial statements

### 3.2. Reconciliation of Own Funds to the Audited Financial Statements

The table below provides the reconciliation of Regulatory Own Funds in the balance sheet as at 31 December 2023, where relevant assets and liabilities have been identified by their respective classes. This information reflects the balance sheet in the audited financial statements.

Table 6 Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements

	a	b	c
	Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross-reference to template OF1
	As at 31 Dec 2023	As at 31 Dec 2023	
<b>Assets - Breakdown by asset classes according to the balance sheet in the audited financial Statements</b>			
	<i>Amount (£'000)</i>		
1	Tangible assets	2,892	N/A
2	Investments	7,303	N/A
3	Employee Incentive Benefit Plan Net Assets	1,373	N/A
4	Debtors	36,311	N/A
5	Investments	34,415	N/A
6	Cash at Bank	12,044	N/A
	<b>Total Assets</b>	<b>94,338</b>	<b>N/A</b>
<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	20,173	N/A
2	Provision for liabilities	333	N/A
	<b>Total Liabilities</b>	<b>20,506</b>	<b>N/A</b>
<b>Shareholders' Equity</b>			
1	Members' capital	26,147	N/A
2	Other amounts due to members	16,246	N/A
3	Other reserves	35,300	N/A
	<b>Total Shareholders' equity</b>	<b>77,693</b>	<b>N/A</b>

## 4. Own Funds Regulatory Requirements

### 4.1. Overall Financial Adequacy Rule (OFAR) Assessment Approach

In its ICARA process, Generation seeks to demonstrate that, having assessed the risks that may result in material harms, it holds sufficient own funds and liquid assets at all times to ensure:

- the group remains financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
- the group's business can be wound down in an orderly manner, minimising harm to clients or to other market participants.

Through this assessment of its risks and any mitigating measures, Generation identifies whether it needs to hold additional own funds or additional liquid assets above the Firm's own funds requirement or basic liquid assets requirement. This establishes the group's own funds threshold requirement and its liquid assets threshold requirement.

The ICARA process is linked to the Firm's overall risk management, business planning and capital management, with each of these components informing the others. Capital planning takes place regularly together with the firm's financial forecasting process. The ICARA process allows Generation to determine its own funds threshold requirement and liquid assets threshold requirement, and therefore to determine how the Firm meets its Threshold Conditions.

Generation's ICARA document includes the key conclusions and principles applied for this assessment:

- The Firm considers and accounts for the risk of harm posed to clients and markets and the safety and soundness of the Firm's own current financial position and its ability to withstand plausible stressed conditions.
- The Firm's findings from the capital and liquidity assessments, and confirmation that Generation has adequate financial resources for its size and the complexity of its business.
- An overview of the Firm's risk management framework and governance structures.
- The identification of the Firm's material risks, and determination of whether these risks are within the Firm's risk appetite.
- The adequacy of the Firm's risk management process and governance process.
- The capital planning and stress testing process.
- Descriptions of the Firm's business model, strategic planning, and earnings forecasts.
- A credible recovery and costed wind down plan.
- A description of the review, challenge, and approval process of the ICARA.

## 4.2. Own Funds Requirement

Based on the existing regulatory regime the Own Funds Requirement is calculated as the largest of:

- A. The Permanent Minimum Requirement; £75k <sup>3</sup>
- B. Wind-down requirement: Fixed overhead requirement (FOR) + Professional negligence capital requirement (PNCR): £10.9m
- C. Ongoing Operations requirement (K-factors + additional risk capital): £9m

Generation has an Own Funds Requirement of £10.9m, as shown in the table below.

Table 7 Own Funds Requirement - 31 December 2023

	£'000
<b>A - Permanent minimum capital requirement (PMR)</b>	<b>75</b>
Fixed Overhead Requirement (FOR) + Professional Negligence Capital Requirement (PNCR)	10,927
Additional own funds necessary for wind down	-
<b>B - Wind down requirement</b>	<b>10,927</b>
K-AUM	4,676
K-COH	65
Additional capital for risks identified in ICARA risk assessment	4,226
Stressed Buffer requirement	-
<b>C - Ongoing operations</b>	<b>8,967</b>
<b>Overall capital requirement (the greatest of Subtotal A, B or C)</b>	<b>10,927</b>

<sup>3</sup> Under AIFMD, the Firm's Base Own Funds Requirement is €125k

### 4.3. Liquidity Threshold Requirement

As per the IFPR regime (the rules of which are set out in MIFIDPRU in the FCA Handbook) Generation continues to apply the higher threshold dictated by the liquid capital requirements of the AIFMD.

Under MIFIDPRU, the basic liquid requirement is calculated as one third of its FOR (£3.5m). Based on the AIFMD IPRU(INV) rules that continue to apply to Generation, the Liquid Capital Requirement is based on the FOR (£10.6m) + PNCR (£0.3m).

Table 8 Liquidity Requirement - 31 December 2023

	£'000
1/3 of Fixed Overhead Requirement (FOR)	3,535
1.6% of total guarantees provided to clients	-
<b>A - Basic liquid assets requirement</b>	<b>3,535</b>
Estimate of wind down needs above Basic liquid assets requirement	-
<b>B – Additional wind down requirement</b>	<b>-</b>
Estimate of additional liquidity needs identified in ICARA risk assessment (above Basic liquid assets requirement)	-
Estimate of stressed liquidity needs above Basic liquid assets requirement	10,927
<b>C - Additional ongoing operations requirement</b>	<b>10,927</b>
<b>Overall liquidity requirement (the greatest of Subtotal A, B or C)</b>	<b>10,927</b>

### 4.4. Compliance with Overall Financial Adequacy Rule (OFAR)

Generation's capital requirements are met through members' capital.

As at 31 December 2023 based on audited figures, Generation holds £26.1m of regulatory capital (TIER 1), after deductions, Generation's adjusted regulatory capital (CET 1) is £20.3m.

Table 9 OFAR Assessment – Own Funds

Own Funds Assessment	GIM LLP
<b>£'000</b>	<b>Dec-23</b>
Adjusted Regulatory Capital	20,341
Own Funds Requirement	(10,927)
<b>Overall excess of Capital over requirement</b>	<b>9,414</b>
<b>Solvency ratio</b>	<b>186%</b>

Table 10 OFAR Assessment - Liquid Assets

Liquid Capital Requirement Calculation	GIM LLP
£'000	Dec-23
Liquid Capital	42,458
Liquid Capital Requirement	(10,927)
<b>Liquidity requirement surplus</b>	<b>31,531</b>
<b>% Liquidity requirement surplus</b>	<b>389%</b>

As of 31 December 2023, Generation has concluded the following:

- The Firm has an Own Funds Requirement of £10.9m (i.e., minimum regulatory capital required)
- The Firm has excess capital of £9.4m
- The Firm has a liquidity requirement of £10.9m
- The Firm has excess liquidity of £31.5m

## 5. Risk Management Framework

A key element of the design of the Risk Management Function is to ensure functional and hierarchical separation between the portfolio management, investment teams and the operations and compliance functional teams. The Management Committee has instructed the Risk Oversight Group (“ROG”) to provide focused support, oversight and governance on risk matters. The ROG is the senior governance body specifically referenced by the Management Committee with the responsibility for ensuring there are suitable and adequate internal financial controls and risk management systems in place (including those required by AIFMD) and ensuring that Generation performs an assessment and evaluation of the risks facing the Firm and the control procedures to manage these risks.

The operation of the infrastructure group, as well as certain regulated activities, is overseen by the Risk Oversight Group (“ROG”), which is chaired by a Non-Executive Officer. The ROG reports to the Management Committee.

Independent review of the Firm’s risk management activities is achieved in two ways.

- On a day-to-day basis controls are operated by a functionally independent team (the Operations team), reporting to the Head of Operations, Finance and Technology. The Operations Team is independent from the Client Team and Investment Management Teams. The Operations Team supports the COO in the execution of her duties, specifically in connection with the implementation of her duties as the Investment Manager’s Chief Risk Officer. In executing its responsibilities, the Operations Team works closely with the Investment Manager’s Investment Teams, the Trading Team, the Legal and Compliance Team and the Client Team, plus a broad cross section of external service providers.
- The performance of control and risk management activities, as well as certain regulated activities, is overseen by the ROG.

The Risk Manager (“RM”) is responsible for delivering the oversight of the firm’s risk framework. The RM reports to the Chief Risk Officer and the Risk Oversight Group. The RM is responsible for monitoring the effectiveness of controls that have been introduced to mitigate perceived and actual risks to the firm. In addition, the RM is involved in the risk assessments of process reviews and changes. The RM works closely with the managers of our various infrastructure teams to facilitate this oversight and the infrastructure management group meet quarterly to review the risk landscape.

To aim for best practice, Generation’s organisation structure facilitates control through individual accountability, segregation of responsibilities and the use of independent persons.

Generation has developed a Risk Management Policy that is reviewed annually by the ROG and presented to the Management Committee. One of the key goals of the implementation of such policy is to facilitate the functional and hierarchical separation of risk management from those responsible for the investment business. The impact of any conflicts is reviewed by the ROG as part of its responsibilities.

In addition to the broader control structure provided by the Senior Partner, the COO and the ROG as part of the firm’s overall risk management process, the individual business teams manage operational risks on a day-to-day basis, supported by the Risk Manager.

Appropriate disaster recovery and business continuity plans are in place, regularly tested and are reviewed by senior management and the ROG.

Generation produces an annual report on its internal controls (ICAEW ISAE 3402), which is reviewed by independent external auditors, PwC. The report identifies the Key Control Objectives, the procedures that have been implemented to achieve these objectives and a review of the effectiveness of those procedures and whether they have been consistently applied. This is undertaken as at 30 June each year and is made available to Generation's clients upon request. Generation's senior management recognises the importance of external independent review to provide additional assurance that controls are adequate and being consistently applied.

KPMG are Generation's external auditor and Generation's corporate financial statements are subject to annual audit. All historical financial statements and internal controls audits have received unqualified reports.

These arrangements have proved effective in the management of the Firm's exposure to risk during the execution of the investment management process. Since its inception the Firm has not suffered any material failing in its internal controls or experienced any significant breach related to inadequate processes or procedures designed to mitigate risk.

## 5.1. Responsibility and Risk Management Framework

The Management Committee has instructed the ROG to provide focused support, oversight, and governance on risk matters. The ROG comprises David Blood (the Senior Partner), Non-Executive Officer Amanda Norton as Chairperson, Lisa Anderson (the COO and CRO, responsible for the Risk Function and reports also independently into the Firm's Management Committee), Ghessycka Lucien Bennett (the US Chief Compliance Officer), Alex Marshall (the firm's General Counsel and Compliance Oversight Officer ("Compliance Officer")), Ruth Kent (Head of Operations, Finance and Technology) and Andrew Given (the Chief Finance Officer ("CFO")). The ROG meetings will include the attendance of other partners or staff as required. The Compliance Officer and the firm's independent compliance consultants provide reports to the ROG on the firm's compliance with its regulatory responsibilities.

Generation considers the ROG to be functionally independent in its oversight.

The ROG meets at least six times per year and is responsible for either the direct fulfilment or verifying fulfilment of a broad range of functions, including financial reporting & statutory audit, risk management, and corporate governance.

The ROG is the senior governance body specifically referenced by the Management Committee with the responsibility for ensuring there are suitable and adequate internal financial controls and risk management systems in place (including those required by AIFMD) and ensuring that the Investment Manager performs an assessment and evaluation of the risks facing the firm and the control procedures to manage these risks.

## 5.2. Risk Identification

The Risk team comprising the Chief Risk Officer and the Risk Manager, is responsible for delivering the oversight of the Firm's risk framework.

A fundamental part of identifying and understanding the key business risks was the development of the risk matrix. The Risk Manager is responsible for maintaining the risk matrix and ensuring the inventory incorporates the ICARA framework, such as mapping the internal risk types to the GENPRU classifications and ensuring the appropriate Pillar



II calculations reflect the internal risk scores, whilst it is the responsibility of the respective business units to identify the risks that they are subject to, and ensure they are represented within this risk matrix.

All staff at Generation are responsible for managing risk in their day-to-day activities. In order to identify such risks, the Risk Manager, along with the Chief Risk Officer, reviews the risk register (“Risk Matrix”) on a periodic basis with each business unit. The Risk Matrix review process is designed to:

1. Improve the transparency for the accountability of each risk event;
2. Ensure each risk event has sufficient information for any reader to assess the event;
3. Ensure consistency with applying the methodology of risk scoring for the Firm;
4. Categorise every item against a standardised risk taxonomy;
5. Determine the level of risk appetite for each individual risk event; and
6. Define a set of risk tolerance thresholds.

The risk assessment includes a consideration of potential harm that can be caused by the scenario identified, whether to Generation’s clients, to Generation as a firm (including staff), or harm to the broader market.

Mitigating measures applied which are designed to eliminate or reduce inherent risk include different types of controls: automated; manual; detective; and preventive. Generation views the Risk Matrix as a dynamic tool which will be updated for changes in circumstances; it is deemed to be adequate and proportionate for the designated regulated activities undertaken.

## 5.3. Risk Appetite

Generation’s key operating objective is to provide sustainable, long term revenue streams. The Firm has established a conservative risk attitude throughout the organisation. Led from the top and through the staff hired, Generation has designed a business organisation, investment philosophy and strategy, and attracted the client base with a time horizon enabling the Firm to pursue its long-term mission.

Generation captures the level of risk appetite it is willing to take, within the risk register, at the individual risk event level. Risk appetite is defined as the amount of risk the Firm is willing to take, in order to pursue its business objectives. This is expressed on a 5-stage scale from Very Low through to Very High. Over 75% of the risks captured on the risk register designate a Very Low risk appetite, reflecting Generation’s unwillingness to accept risk in areas that it believes may negatively impact the pursuit of its business strategy.

## 5.4. Risk Categories

Generation’s risk assessment has identified over 200 risk items, which have been documented within the Risk Matrix accordingly. The primary risk categories Generation is exposed to are associated with Business Risks and Operational Risks. The Firm also recognises the effect that these risks can have on its reputation and recognises Reputational Risk as an Impact category, rather than a separate risk category. Further to the primary risks described above, Generation is also exposed to Insurance Risk, Group Risk, Concentration Risk, Credit & Counterparty Risk, Liquidity Risk and Market Risk.

Throughout the risk assessment, business units are accountable for ensuring that key controls have been put in place for each of the risks, applying an appropriate level of mitigation, along with determining the right level of training for their team members/the Firm. In compliance with MIFIDPRU 8.2.1 R, the following table provides a summary of how Generation manages the risks for MIFIDPRU 4, 5 and 6, alongside the core primary risks captured in the ICARA process and consideration for other risks in relation to the firm’s business activities.

Table 11 Risk Taxonomy

Primary Risk Categories	Description	Examples of Generation Considerations
<b>Business Risk</b>	Business risk is any risk to a firm arising from changes in its business, including: (i) the acute risk to earnings posed by falling or volatile income; (ii) the broader risk of a firm's business model or strategy proving inappropriate due to macro-economic, geopolitical, industry, regulatory or other factors; and (iii) the risk that a firm may not be able to carry out its business plan and desired strategy.	<p>Generation has developed a robust investment process which is consistently applied and monitored by the senior investment partners. The investment teams meet regularly to review the process and analyse their portfolio successes and failures, using these as learning points for the whole team.</p> <p>Generation’s in-house legal counsel continuously assess the legal and regulatory capability required to manage the risk factors faced by Generation and its partners and employees.</p> <p>To mitigate the risks of regulatory change, Generation engages with clients; other investment management firms; industry bodies; outsource provisions and takes advice from its accounting, legal and regulatory advisors both in the UK and overseas.</p> <p><b>Please refer to section 4 of this disclosure report in relation to MIFIDPRU 4 and the current Own Funds data.</b></p>
<b>Operational Risk</b>	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.	<p>Generation’s principal responsibilities are the oversight of the discretionary portfolio management of funds and segregated accounts. The senior management at Generation recognizes the importance of building well controlled efficient administration and operational systems. The role the ROG plays in, amongst other things, ensuring the identification and monitoring of Generation’s operational risk, demonstrates this importance.</p> <p>The core systems, controls and procedures required to ensure a sound environment were put in place before Generation began managing third party assets. Since then, focus has been on improvement and automation of processes and the identification and mitigation of new risks arising from changes in the business environment and new products. All relevant staff are aware of their oversight responsibilities and actively participate in the monitoring of the Firm’s control arrangements. Internal arrangements, including the provision of the appropriate level and experience of staff, are the responsibility of the COO and the Senior Partner.</p> <p><b>Please refer to section 4 of this disclosure report in relation to MIFIDPRU 4 and the current Own Funds data</b></p>

Other Risk Categories	Description	Examples of Generation Considerations
<b>Concentration Risk</b>	Concentration risk is the risk related to concentration of the business to a single client, geographic area or product.	<p>Generation recognised the importance of a diverse revenue stream, but not at the detriment of pursuing its long term sustainable objectives. We maintain a robust risk-based approach to the geographical/sector concentration of our client base and counterparties, ensuring the selection process is met with rigour.</p> <p><b>Please refer to section 4 of this disclosure report in relation to MIFIDPRU 5 and the current K-CON data.</b></p>
<b>Credit &amp; Counterparty Risk</b>	Credit & counterparty risk is the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with the institution or its failure to perform as agreed.	Generation maintains oversight of financial obligations from our clients and counterparts to ensure creditworthiness is monitored appropriately.
<b>Group Risk</b>	Group risk is the risk that the financial position of a firm may be adversely affected by its relationships (financial or non-financial) with other entities in the same group or by risks which may affect the financial position of the whole group (e.g., reputational contagion).	Generation's governance and risk framework is adopted consistently across the group entities, taking into consideration jurisdictional nuances. This is monitored appropriately through the committees identified in this document.
<b>Insurance Risk</b>	Insurance risk refers to the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities.	Appropriateness of cover is reviewed annually when policies are renewed upon approval by the Management Committee. In discussions with advisors, clients and underwriters, Generation believes the scope and level of insurance cover is suitable and appropriate for the type and scale of business conducted and associated risks.
<b>Liquidity Risk</b>	Liquidity risk is the risk that a firm, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due or can secure such resources only at excessive cost.	<p>Generation maintains a prudent liquidity position which is determined solely from the capital reserves and fee income from its investment strategies.</p> <p><b>Please refer to the section 4 of this disclosure report in relation to MIFIDPRU 6 for the current liquidity data.</b></p>
<b>Market Risk</b>	Market Risk is (1) the risk of loss for a UCITS or AIF resulting from fluctuation in the market value of positions in the fund's portfolio attributable to changes in market variables, such as interest rates, foreign exchange rates, equity and commodity prices or an issuer's credit worthiness. (2) the risk that arises from fluctuations in values of, or income from, assets or in interest or exchange rates.	Generation monitors market volatility exposure through its robust investment process.

## 5.5. Effectiveness of Risk Management Processes

The ICARA process is based on Generation's internal Risk Matrix which covers key risk areas and the impact to the business. The Risk Matrix is a register of individual risk items identified, and each risk has been assigned a probability and impact score, along with assessing potential harm.

Generation undertakes formal reviews of the Risk Matrix (including the arrangements for outsourcing); formal reviews of its group financial statements; independent compliance monitoring and reviews; and is subject to external audit. Reviews of the Firm's risks and compliance monitoring process are undertaken by the ROG.

On at least two occasions during its scheduled meetings, the ROG invites Generation's auditors to attend the meetings, where they present their audit plan for the review of Generation financial statements and report any audit findings and observations on the process of preparing the financial statements. PwC also attend a ROG meeting to report on the internal controls' assessment work. Meetings are formal and minutes are fully documented. An agenda is set for each meeting and papers are distributed in advance of the meeting.

## 6. Remuneration Arrangements and Policy

### 6.1. Our approach to remuneration

As a full-scope UK Alternative Investment Fund Manager (“AIFM”), that is an AIFM investment firm, and a non-SNI MIFIDPRU investment firm falling within SYSC 19G.1.1 R (2) (a “Smaller Non-SNI”), Generation is subject to the most stringent relevant provisions of either the MIFIDPRU Code and the AIFM Code<sup>4</sup>.

Generation has a risk-focused remuneration policy that:

- (a) is consistent with and promotes sound and effective risk management;
- (b) is in line with the business strategy, objectives and long-term interests of the Firm; and
- (c) does not expose the Firm, or any Alternative Investment Funds (“AIF”) it manages, to excessive risk or encourage risk-taking which is inconsistent with the risk profile of the Firm or any AIFs managed by Generation as their AIFM.

Generation’s Remuneration Policy is principally concerned with the risks created by the way in which remuneration arrangements are structured, not with the absolute amount of remuneration, which is generally a matter for Generation’s Remuneration Committee (see below) which is ultimately accountable to Generation’s Management Committee.

Generation’s remuneration arrangements represent a combination of salary, bonuses and long-term incentive schemes that are designed to ensure the sustainability of Generation and to align the interest of Generation and its employees and partners with those of its clients. Employee Incentive Benefit Plans have been established that invest solely in Generation Funds, thereby directly aligning the interests of Generation’s partners and employees with those of its clients. Remuneration includes a variable discretionary component, based on Generation’s profitability, individual performance, and product performance. Individual performance considers both financial and non-financial measures. Financial measures are generally reviewed over a multi-year time horizon.

An employee’s fixed remuneration element is based on pre-determined criteria. It is non-discretionary, transparent, permanent for the year and subject to an annual review, when any possible increase is assessed. The fixed remuneration reflects a staff member’s professional knowledge and experience, their skills, the requirements of the particular role for which they are employed, their qualifications, and their organisational responsibilities as set out in the staff member’s job description and terms and conditions of employment.

All staff can receive variable remuneration in the form of an annual discretionary bonus. An employee’s variable element of their remuneration is also based on pre-determined criteria. The variable element aims to motivate and reward high performers who strengthen long-term client relations, generate income and increase customer value. The performance is assessed on the basis of the fulfilment of various business targets or the attainment of certain financial and non-financial objectives.

There are no staff members paid only variable discretionary remuneration, and fixed remuneration levels are set at levels sufficient to ensure there should be no dependency by employees on their receiving variable discretionary remuneration in order to be able to live. Variable discretionary remuneration is only paid from risk adjusted profits

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<sup>4</sup> Where a firm is subject to different remuneration requirements under the Codes (which cannot both be complied with), the FCA has confirmed that firms must comply with the most stringent of the relevant provisions, considered on a provision by provision basis.

based upon the performance of the business as a whole, and the individual, and only after the Firm's liquidity and capital requirements and its risk appetite and strategy have been considered on a 12-month rolling period.

Annual 360 degree feedback reviews are in place to assess whether an individual has achieved their goals and objectives; met the core competencies required in their particular role; met standards of conduct required and demonstrated our values, undertaken all require training (particularly regulatory training) and assess any future development needs. Managers take into account this annual 360 review process when making compensation recommendations.

The annual reviews are in compliance with the Financial Conduct Authority (FCA) requirements and include an assessment of competence and fitness and propriety for roles that fall under the Senior Managers & Certification Regime (SMCR).

## 6.2. Remuneration Committee

Generation Investment Management has a Remuneration Committee which is constituted to exercise competent and independent judgment on Group remuneration policies and practices, within the firm's risk management framework. The Remuneration Committee comprises the Senior Partner, the Non-Executive Officer, the Co-CIO for Public Equities along with up to two non-investment representatives (Head of Operations, Finance and Technology and the Head of People) and reports to the Management Committee.

At least annually, the Remuneration Committee will recommend policy change to the Management Committee, taking into account such factors as it deems necessary or appropriate to ensure that staff and Partners are provided with appropriate incentives to encourage enhanced performance and are rewarded, in a fair and responsible manner, in respect of their individual contributions to the success of Generation.

### Coverage – Staff

Remuneration arrangements cover all Generation staff, which includes employees and partners, as well as employees of other regulated entities within the Generation group and secondees.

### Coverage – Material Risk Takers

Certain provisions of the Remuneration Codes apply only to "AIFM Remuneration Code Staff" and MIFIDPRU "Material Risk Takers". "AIFM Remuneration Code Staff" and "Material Risk Takers" have the same definition under the Codes, namely those categories of staff whose professional activities have a material impact on the risk profiles of Generation or of the AIFs / assets (as applicable) that Generation manages. This is taken to include senior management, risk takers, control functions<sup>1</sup>, and any employees receiving total remuneration that brings them into the same remuneration bracket as senior management and risk takers, which is, in turn, taken to include heads of key areas including equities, alternatives and private equity; heads of investment research; individuals responsible for a high proportion of revenue; senior advisors who can exert key strategic influence; chief market strategists; heads of trading desks; and individuals with responsibility for IT, information security and outsourcing.

Generation's arrangements include the option to apply malus and/or clawback to all variable remuneration it awards to Material Risk Takers and sets out the mechanisms by which such malus and/or clawback may be applied in the relevant award documentation. Generation assesses at least once a year which of its staff members are Material

Risk Takers. Accordingly, the Remuneration Committee reviews each year who is considered both AIFM Remuneration Code Staff and Material Risk Takers.

## Coverage – Compensation type

The remuneration arrangements cover all forms of remuneration received by staff, both fixed and variable. This includes salaries and fixed drawings paid to partners (i.e., fixed remuneration) and bonuses, discretionary profit distributions to partners, guaranteed variable remuneration, retention awards, severance pay and buy-out awards and carried interest awards, valued at the time of their award (i.e., variable remuneration).

## Quantitative Remuneration Disclosure

As a Non-SNI investment firm, Generation is required to disclose the total number of material risk takers identified by the firm under SYSC 19G.5. As at 31 December 2023 Generation has identified 22 members of staff as Material Risk Takers.

Table 12 Remuneration divided by Senior Managers, Other Material Risk Takers and Other Staff

GBP - Year end 31 December 2023	Senior Management (£)	Other Material Risk Takers (£)	Other Staff (£)
<b>Fixed Remuneration</b>	4,597,923	2,220,783	21,542,168
<b>Variable remuneration</b>	43,956,161	58,853,628	35,371,411
<b>Total Remuneration</b>	<b>48,554,084</b>	<b>61,074,411</b>	<b>56,913,579</b>

During the year to 31 December 2023 no awards of guaranteed variable remuneration nor severance payments were made.

i Control Function staff are functionally independent from the business units they oversee, have appropriate authority, experience and are remunerated in accordance with the achievements of the objectives linked to their functions, independent of the performance of the areas they control.