Veritas Investment Management LLP
Pillar 3 Disclosure

Regulatory Context

The European Capital Requirements Directive established a revised regulatory capital framework governing the amount and type of capital that must be maintained by credit institutions and investment firms.

The framework consists of three 'Pillars':

- Pillar 1 sets out the minimum capital amount that meets the firm's credit, market and operational risk;
- Pillar 2 requires the firm to consider whether additional capital should be held to cover risks not covered by Pillar 1 requirements; and
- Pillar 3 requires the firm to publicly disclosure information relating to their risks, capital adequacy and policies for managing risk with the aim of promoting market discipline.

In the United Kingdom, the CRD has been implemented by the Financial Conduct Authority (FCA) through rules contained in the General Prudential Sourcebook (GENPRU) and the Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU). Chapter 11 of BIPRU sets out the disclosure requirements in relation to Pillar 3. The disclosure which follows is designed to confirm those requirements and relates to Veritas Investment Management LLP on a solo basis.

Background to the Firm

Veritas Investment Management LLP ("VIM LLP") is a discretionary investment manager based in London and is incorporated in England and Wales as a Limited Liability Partnership. VIM LLP is authorised and regulated by the Financial Conduct Authority (the "FCA") in the United Kingdom to conduct investment management business. VIIM LLP is a BIPRU limited license 50K firm and does not hold regulatory permission to hold client money or client assets and does not trade on its own account.

Risk management

The Firm is governed by its Executive Management Committee (EMC) under delegation from the holding company, Veritas Investment Partners Ltd.

The role of the EMC is to provide full oversight and governance for the development of the strategy, operations and vision for the Partnership. This includes directing the compliance, regulatory, audit and risk management functions within the Firm ensuring that the Firm's regulated activities are carried out in accordance with the relevant legislation, regulation and industry guidance.

In addition to the EMC, there are three primary sub-committees, the Compliance Committee, the Investment Governance Committee and the Operations Committee. The Chair of each Committee is responsible for escalating material issues arising from each of the Committees to the EMC.

The EMC have identified that the principal risks affecting the Firm are investment/market performance, client service, regulation and compliance change and oversight and management of outsourced service providers. The immediate risk to the Firm is the decline in revenues as cost increases associated with remediation of regulatory problems or operational errors. The Firm is highly aware of its key risks and focussed on their management in all areas.

Regulatory capital

As a limited licence firm, the Firm's capital requirements are the greater of:

- Its base capital requirement of €50,000 (£43,000); or
- The sum of its market and credit risk requirements; or
- Its Fixed Overhead Requirement (FOR)

The Firm is a boutique investment manager with a simple operational infrastructure. Its market risk is limited to foreign exchange risk on its accounts receivable in foreign currency and credit risk from management and fees receivable from the assets under its management.

The Firm's FOR exceeds the total of the credit and market risk capital requirements it faces and exceeds its base capital requirement of €50,000. Therefore, the Firm's Pillar 1 capital requirement has been determined by reference to the Firm's Fixed Overheads Requirement (FOR) of £1,280,000.

The Firm assesses key risks (including Outsourcing Risk, Dealing Errors, IT failure, etc.) on an annual basis as part of its ICAAP through stress testing and scenario analysis to ascertain whether additional capital is required for Pillar 2. Through these stress tests, the Firm has assessed that no additional Pillar 2 capital is required. Therefore, £1,280,000 is the minimum regulatory capital requirement for the Firm.

The Firm's capital arrangements as at 31 January 2017 is summarised as follows:

Regulatory Capital	**£,000**
Regulatory Capital	2,042
Tier 1 capital less innovative tier 1 capital	NIL
Deductions from tier 1 and tier 2 capital	NIL
Total capital resources, net of deductions	2,042
Pillar 1 Capital Requirement (FOR)	1,280
Additional Requirement under Pillar 2	NIL
Total Pillar 1 and Pillar 2 Capital Requirement	1,280
Surplus Capital	**762**

The table above illustrates that the Firm has a regulatory capital surplus of £762,000 as at 31 January 2017. The EMC can confirm that the Firm has adequate capital for its size and for the complexity of its business as of the date of this disclosure.

The Firm's Pillar 3 disclosure will be made on an annual basis as at the accounting reference date of 31 January and as soon as practicable after the publication of the Firm's annual report. The Firm will reassess the need to publish some or all of the disclosures more frequency than annually in light of any significant changes to the Firm.

Remuneration

The Firm is classified as a proportionality level 3 firm in accordance with the FCA Remuneration Code ('the Code'). The Firm has constituted a Remuneration Committee which is responsible
for setting the Remuneration Policy Statement (RPS) and overall remuneration philosophy and objectives of the Firm.

The Firm's policy is designed to ensure that we comply with the Remuneration Code and our compensation arrangements:

- are consistent with and promote sound and effective risk management;
- do not encourage excessive risk taking;
- include measures to avoid conflicts of interest; and
- are in line with the Firm's business strategy, objectives, values and long term interests.

The Firm has identified its Code Staff for the financial ending 31 January 2017 comprising those fulfilling controlled functions, those who are deemed risk takers and senior management. The estimated total remuneration costs for Code Staff for the year ended 31 January 2017 was £3,646,544 which represents 74% of the total remuneration for the firm. The disclosure of further information on remuneration costs is limited by the provision set out in BIPRU 11.5.20R. The philosophy that the Firm follows is to pay its staff competitive fixed salaries and benefits, with variable remuneration being linked to the performance of the individual and the Firm.