Veritas Investment Management LLP
UK Stewardship Code

Our stewardship activities are an integral part of our approach to sustainable investment and they contribute to our ability to deliver real returns for our clients over the long term.

The UK Stewardship Code aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities. The Code sets out good practice on engagement with investee companies to which the Financial Reporting Council believes institutional investors should aspire and operates on a comply or explain basis.

This document explains how we comply with the Code on behalf of our clients. We hope that it demonstrates our commitment to stewardship and the central role stewardship plays in our investment philosophy and processes.

1. Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

Our Stewardship and Engagement policy is available on our website and explains that our stewardship activities are a crucial part of our investment process and contribute to our ability to deliver real returns for our clients over the long term.

Our investment process focuses on identifying companies with sustainable business models and cash flow generation. As our sole aim is to deliver long-term returns ahead of inflation for our clients, we will only invest in companies which our internal research indicates have strong fundamental characteristics, including good corporate governance structures. As long-term investors, we believe that the risks and opportunities associated with material non-financial issues such as environmental and social issues are important to understand and be integrated with fundamental research on each investee company. We believe that companies who have constructive and honest dialogue with active, well-informed shareholders are more likely to deliver superior financial performance in the long run. We therefore engage with companies in order to contribute to their long-term success.

Our stewardship activities include monitoring and engaging with companies on their strategy, financial performance, business practices, social and environmental risk management and opportunities, remuneration and corporate governance, as well as voting at company general meetings.

Our stewardship activities are overseen by our investment team.

2. Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.

As we are an independent partnership, focusing only on discretionary investment management, we do not experience some of the conflicts faced by larger and more complex financial services companies. That said, we still have an obligation to act in the best interest of our clients and treat them fairly in all circumstances, including where there are or could be potential conflicts of interest. We seek to organise our business activities, including external arrangements, such as to avoid conflicts. However, our aim is to ensure that where conflicts do occur, the policies, procedures and controls needed to manage the situation are already in place. Such procedures are designed to ensure that the management of the conflict takes place in such a way that the firm or its employees are not advantaged and that no client is disadvantaged. Our Conflicts of Interest policy provides more details on the steps we take to identify, consider, mitigate, manage, disclose and record all conflicts.

Through our culture of openness and regular staff training, we aim to create an environment in which conflicts of interest and potential conflicts of interest can be identified and resolved as they arise. All VIM employees have a responsibility to consider any potential or actual conflicts of interest during the course of day-to-day business activities or ad-hoc project work and disclose such conflicts to the Compliance Team. We have processes in place to manage and mitigate conflicts, including a rigorous personal account dealing policy, an anti-bribery and corruption policy and an annual disclosure of outside interests, if any. Staff are also subject to a gifts and hospitality policy which requires that disclosures are made and prior approval sought where necessary.

Our Conflicts of Interest policy sets out in more detail how we would respond to specific conflicts of interest and potential conflicts of interest. These might include issues arising from order execution, trade allocation or receipt of price sensitive information. Where conflicts arise through our voting and stewardship activities, for example where clients may have differing views on the outcome of a vote or where a director of an investee company standing for (re)election may also be a client, the matter is escalated to our Investment Governance Committee and Compliance Team for resolution. As we only hold 25-40 equity holdings in our portfolios, we do not expect such conflicts to arise very often. We do not expect to receive price-sensitive or inside information in our engagements with companies. However, if this were ever to happen, we would handle the information according to our normal compliance policies and procedures which can be found on our website www.veritasinvestment.co.uk.

Any conflicts of interest or potential conflicts of interest which arise are recorded in the Conflict of Interest Register. The register is reviewed regularly by the Compliance Team and at least quarterly by the Executive Management Committee (“EMC”).

3. Institutional investors should monitor their investee companies.

Constant and effective monitoring of companies is an integral part of our investment process.

Our targeted approach means we typically hold between 25 and 40 companies, which we thoroughly evaluate prior to investing and continue to monitor on a regular basis once an investment has been made. We carry out in-depth research, using external information where appropriate, and we seek to have dialogue with all of our investments at least annually. Furthermore, we will always respond when companies write to us or request a meeting.

As part of our initial investment research and ongoing monitoring process, we consider the extent to which companies are:

1. Setting strategic objectives that build a long-term sustainable business model and prioritising the achievement of these strategic objectives over short-term performance;
2. Implementing high quality business practices;
3. Managing risk effectively, including environmental and social risks, as seen from the perspective of multiple stakeholders;
4. Implementing an appropriate capital structure, through a process of sound capital allocation;
5. Promoting good corporate governance, including strong corporate cultures and appropriate remuneration and incentives; and,
6. Communicating transparently and producing high quality disclosures and reporting.

Monitoring is most likely to occur around financial reporting, company announcements and related news. Should we have any concerns about a company's performance in any area and the impact on our long-term view, we will endeavour to engage with the company directly as described in Section 4. Commentary on investee company results or significant newsflow and any engagement with an investee company is published internally and available to all investment personnel.

4. Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities.

Our stewardship activities are undertaken in a spirit of partnership, whereby we work with companies to bring about long-term positive change. On initially investing in a company, we introduce ourselves in writing to the Chair of the Board outlining our investment strategy and approach to stewardship. This letter sets out what we expect of companies and what they should expect from us.

When and how we will escalate our stewardship activities will depend on the nature of the issue. However, in general we would initially seek to engage with company management and set ourselves clear objectives, measuring progress against four milestones:

- Raising the issue with the company;
- Receiving acknowledgement from the company that our concerns are valid;
- Receiving confirmation from the company that it is developing a plan to address the issue; and,
- Receiving confirmation from the company that the plan is implemented and the objective is delivered.

Should company management prove unresponsive to our engagements or should we uncover concerns which lead us to question whether the shareholding in the company will generate real returns over the long term, then we would look to escalate our activities. This could be through reaching out to the Chair of the Board or lead/senior independent director if appropriate and/or using the votes we have on behalf of our clients to indicate our concerns.

Where we make insufficient progress on an engagement or should there be a fundamental change to our investment case for a company which we believe would put our clients' capital at risk, we will reassess our options and may choose to sell our holding. When we choose to sell following an attempt at engagement, we inform the company in writing of our reasons for doing so.

5. Institutional investors should be willing to act collectively with other investors where appropriate.
We usually pursue engagements with investee companies on our own but, where appropriate, we would engage with other investors to increase the probability of a good outcome for our clients. To facilitate collective engagement, we are members of the Principles for Responsible Investment and are signatories to the CDP (Carbon Disclosure Project), a not-for-profit charity running the global disclosure system for investors, companies, cities and regions to manage their environmental systems.

6. Institutional investors should have a clear policy on voting and disclosure of voting activity.
Veritas acts as an owner of the companies in which it invests, developing relationships and using its shareholder influence to improve long-term value creation. We regard shareholder voting as an important means of communicating with companies and we therefore exercise our right to vote on behalf of clients.

We seek to understand each company's individual circumstances and history, enabling us to apply our voting principles flexibly, where appropriate, and consistently with supporting the company's long-term success.

We assess management and Board quality prior to investment and the strength of leadership is central to our decision-making. We seek to invest only when we are satisfied that appropriate governance structures are in place. Therefore, we typically expect to vote in accordance with the recommendations of company management.

We subscribe to a proxy voting service provided by Institutional Shareholder Services (ISS), a global leader in corporate governance and responsible investment advice. ISS provides in-depth analysis of shareholder meeting agendas and voting recommendations based on our policies. Investment managers consider ISS reports, alongside their own analysis, experience and dialogues with the company concerned and apply their independent judgement when reaching each voting decision.

While each vote is considered on a case-by-case basis, in general we support diverse Boards with a majority of non-executive directors, remuneration packages which use share rewards and ownership plans to align management's incentives with those of long-term shareholders and the re-tendering of audit contracts on a regular basis.

When necessary, we will engage with company management to improve our understanding prior to voting and we will follow up afterwards, should we decide to oppose their recommendations.

Our annual stewardship report includes an overview of our voting activity on behalf of our clients, as well as details of significant votes against company management.

We do not lend stock.

7. Institutional investors should report periodically on their stewardship and voting activities.
We provide our clients with an annual stewardship report, detailing our voting and engagement on their behalf. The report includes details of selected company engagements, a summary of our voting activity and

details of any significant votes against company management.

We may also report our activities to clients throughout the year at client meetings or in our quarterly investment reports.

Our stewardship activities are currently not subject to external assurance or review. However, our policies and activities are subject to continual review by our investment and compliance teams which we believe is appropriate given the size of our organisation and the fact that we tend to have only 25-40 equity holdings within portfolios. Our engagement and voting activities are discussed regularly at our investment team meetings and should any issues arise, these would be escalated to our Investment Governance Committee for consideration.

We will of course continue to review the need to obtain external assurance and will amend our practices appropriately should our view on this change.

The annual stewardship report will also be publicly available on our website.

Shareholder Rights Directive (SRD II) disclosure

Veritas Investment Management LLP is developing an engagement policy with respect to obligations under the Shareholder Rights Directive and will in due course publish in full an appropriate disclosure regarding its policy, related processes, and engagement with investee companies (as per FCA rules at COBS 2.2B.5 R).

Ross Ciesla
Chief Investment Officer

05/2020