

Veritas Investment Management LLP

Voting Policy

Overview

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.

Process

We consider the central tenets of good corporate governance to be universal, as outlined in the G20/OECD Principles of Corporate Governance (2015) and ICGN Global Corporate Governance Principles (2017). However, we recognise the existence of different global cultures and approaches. Accordingly, 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. 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.

POLICIES

Board of Directors

We believe that Boards should have a majority of non-executive directors able to hold executive management to account. Veritas encourages diversity in all forms: gender, ethnicity, professional skills, experience and age, as this brings varied perspectives, creativity and insights in a rapidly changing modern world.

Directors should be re-elected with sufficient frequency to provide shareholders with the opportunity to support those performing their role responsibly and to remove those not promoting best practice.

Boards should appoint committees of independent, non-executive directors to oversee nomination, remuneration and audit practices on behalf of shareholders.

Voting Rights

Our approach to voting rights can be summarised as ‘one share, one vote’. Therefore, we prefer simple capital structures and do not support anti-takeover devices. The best defence against a hostile takeover is good operational performance, in which case we would vote to support existing management against such an offer.

Remuneration

We aim to hold our investments for many years and believe management should be motivated over a similar long-term horizon. As a consequence, we support the alignment of shareholder and management incentives through share rewards and ownership plans. However, we are cautious of overly dilutive schemes and those that vest over short time periods.

When reviewing remuneration packages, we look for awards based on a range of financial and non-financial targets (as appropriate to the individual business), with high pay-outs only available for exceptional performance. We encourage companies to adopt simpler schemes with logical benchmarks and support those choosing to include relevant social and environmental targets, relating to material risks and opportunities.

We are concerned by the escalating executive remuneration packages of some companies, which can disrupt corporate culture by create a widening gap between the salaries of management and those of average employees. We also monitor fair pay metrics with regard to diversity.

Auditors

The appointment of auditors is a key shareholder responsibility and one Veritas takes seriously given several high profile failures. Auditors should be re-appointed annually and the audit re-tendered on a periodic basis. We believe non-audit fees should be minimised and we regard high payments for non-audit work as a red flag, bringing auditor independence into question.

Capital allocation

We prefer that resolutions to approve dividends and share repurchase programmes are proposed separately, as both represent a meaningful tool for efficient capital allocation.

In general, we invest in companies that have attractive organic growth prospects over many years, as this is typically a lower risk route to value creation. However, we would expect to vote in support of management on significant mergers and acquisitions where the financial rationale is compelling.

Reporting on voting

We provide our clients with an annual stewardship report, detailing our voting and engagement on their behalf. This report will also publically available on our website.

Our report includes an overview of our record voting and, in line with the Shareholder Rights Directive II, detailed case studies of any significant votes. Given that we only make an investment when we are satisfied that appropriate governance structures are in place and we therefore typically expect to vote with company management, we define significant votes as those where we voted against company management.