VERITAS INVESTMENT PARTNERS (UK) LIMITED

The UK Stewardship Code 2020 Report for Veritas Investment Partners (UK) Limited

For the period:
1 January 2020 to 31 December 2020

Approved by:
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Overview and Executive Summary

We are delighted to share this report on our compliance with the UK Stewardship Code 2020. We hope it demonstrates our commitment to integrate stewardship throughout our investment activities and brings our stewardship principles to life.

We believe that our purpose, strong culture of partnership and investment philosophy enable effective stewardship on behalf of our clients. We are 100% owned by our employees, which helps to align business interests with our clients' objectives. We offer our clients the benefits of independence, stability and a long-term perspective. We have always focused on a single objective – protecting and growing the real value of our clients' capital (i.e. ahead of inflation) over the long term. Discretionary investment management using a global approach is our only business.

We do not invest relative to an index and instead focus on finding companies that are benefitting from long-term structural changes. Should our investment research indicate that a company is exposed to long-term risks that could affect the viability of its business, then we will not buy shares in that company.

Engaging with companies has long been an integral part of our investment process and has continued despite the restrictions imposed as a result of the pandemic. In fact, we would argue that during these turbulent times, building long-term and constructive partnerships with our investee companies has become even more important. We communicate with companies whenever opportunities arise, in good times and in bad. We view our engagement with companies as a chance to build and sustain long-term relationships. With any interaction, our goal as investors is always to work with companies for the long-term benefit of the companies themselves and shareholders.

Our stewardship activities are guided by our four principles:
- An aversion to box ticking: our focused investment approach enables us to fully understand the material risks to each business.
- A focus on all stakeholders: we recognise that businesses exist within society and therefore have a duty to all stakeholders, not just shareholders.
- A culture of partnership with management teams: we recognise and value progress in pursuit of long-term sustainability.
- We are prepared to vote with our feet: we will not hold shares in companies where we identify a material risk to the long-term viability of the business.

Our stewardship activities are continuously evolving. Just as we acknowledge that the companies in which we invest are continuously improving, so too are we and we look forward to sharing more details of our stewardship work as it develops over the months and years ahead.

The UK Stewardship Code 2020 Report for VIP (UK) Ltd

Principle 1 – Purpose, strategy and culture

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Context and Activity

For over two decades, we have been guided by a culture of partnership and a common-sense investment philosophy. This serves one purpose: to protect and grow our clients' wealth for the future.

We are an independent business, focusing only on investment management. We are 100% owned by employees, meaning our clients can trust that we are really working for them. We put our clients' interests first and focus on investing to meet their objectives.

Our investment strategy is simple. We invest in great businesses, with strong and predictable characteristics, that are built to last. These companies offer products and services that will remain in demand for the foreseeable future, regardless of the economic backdrop. This allows us to grow our clients' assets by more than inflation over the long term.

Our focused business model and investment proposition are key pillars upon which the business has been able to grow organically. We would argue that our clients' objectives are inherently aligned with our core investment philosophy and culture. Specifically:

- Our deep-rooted culture of partnership creates stability and aligns our long-term interests with those of our clients. Successful long-term investing takes judgement. It is a balance of our different skills and experience which enables us to identify great investment opportunities. We continuously question and learn, rigorously analysing opportunities and leaving no stone unturned.

- Focusing on the long term also aligns our investment approach with delivering sustainable benefits for the economy, the environment and society.

- Our focus on a simple investment offering with the objective of achieving real returns by investing in global equities, fixed income and cash, provides a transparent and understandable solution for clients.

- Risk management is inherent in everything that we do. We define "risk" as the potential for permanent capital loss and each part of the portfolio construction process is focused on managing this risk.

- Clients have direct access to their designated investment managers who are responsible for suitability, portfolio construction and investment outcomes. We do not have relationship managers. This further aligns interests and accountability to clients.

- Finally, our sole business is the provision of discretionary global investment management, ensuring that our clients are at the centre of our business.

As long-term investors, we believe we have a responsibility to consider any factor that might impact the durability or value of our clients' investments. Environmental, Social and Governance (ESG) are all factors that might impact the long-term value of a company. The opportunities and risks related to ESG are therefore key considerations in every new investment we make, as well as our ongoing decision to hold shares in a business.

Our culture of partnership extends to our investee companies and guides our approach to our stewardship activities which also forms a central part of our investment philosophy and process. As long-term investors, we take the time to understand each business in which we invest. Through open and constructive dialogue, we seek to build lasting relationships with company management to support their ongoing success. When we buy shares in companies, we become business owners. We have an opportunity and a responsibility to contribute to the long-term success of these businesses, taking the time to understand and support their strategy. Stewardship activities are not something we outsource. They are undertaken by our investment team who are knowledgeable and familiar with each business. Further information on our approach to integrating our stewardship activities in our investment approach is set out under Principles 2 and 7.

We also hold our ourselves to account. Just as we expect our investee companies to manage their environmental and social impact, we also embed sustainability into our own business practices. We have been carbon neutral since 2018 and carbon positive from 2020. We manage our suppliers and procurement with the environment in mind, using local suppliers wherever possible, and 100% of our energy is generated from renewable sources. We also have a strong commitment to diversity and inclusion which is reflected in our own business (further details are included in Principle 2) and in the work we do with the Social Mobility Foundation and the Sutton Trust. We have ensured the London Living Wage has been paid throughout our supply chain since 2015 and have a well-established charitable giving policy.

Outcome

Our culture of partnership and our aim to deliver real returns for our clients guide all our investment decisions. Fostering a culture within our business that values and rewards teamwork means that our clients benefit from the diverse perspectives, different skills and experience in our team. With our inquiring minds and different perspectives, we continuously balance opportunities and potential risks, asking varied questions of ourselves and others to make sure our clients' wealth is preserved for the future.

All investments are assessed for their ability to contribute to our clients' real return targets and our collegiate approach to decision-making means that investment decisions, including decisions around stewardship and engagement, are taken by the investment team together. This means we can harness the diverse skills, knowledge and experience of the team. We are proud of the strong risk-adjusted returns we have delivered for our clients. Over the long term, we have delivered portfolio returns have been ahead of our clients' inflation plus targets. Our focus on investing in high quality, predictable companies means we tend to defend well in weak equity markets. This was the case in Q1 2020. In addition, because we invest with a methodology which focuses on long-term real capital preservation, the volatility of our investment strategies has historically been lower than that of world equity markets.

Principle 2 – Governance, resources and incentives

Signatories' governance, resources and incentives support stewardship.

Activity

Governance structure

As highlighted under Principle 1, we have a deep-rooted culture of partnership. The investment team comprises 23 experienced investment professionals who are committed to delivering results for our clients and providing a personal service. The average years of investment experience in the team is 20 years. We are an independent business, 100% owned by our employees, which directly incentivises staff to focus on the long term and which creates stability for our clients.

Our collegiate approach to decision-making means that investment decisions, including decisions around stewardship and engagement, are taken by the investment team together and not by separate investment committees. That said, we do have a stewardship sub-group which meets on a quarterly basis and includes our Chief Investment Officer and several of our investment partners. This group deals with the administration, policies and processes for our stewardship work: for example, it is responsible for updating our stewardship policies and during the last year for carrying out the review of data providers as highlighted under Principle 8. Any activities carried out by this group are communicated to the wider investment team during our weekly investment team meetings. Our overall investment process is overseen by the Investment Governance Committee which is chaired by our Chief Investment Officer who in turn reports on stewardship matters to the VIP (UK) Ltd Board.

Resources – our people

All stewardship work is done by our in-house investment team, not a separate ESG or stewardship department. Our focused investment style (whereby we hold 25-40 companies in client portfolios) means we have an excellent ratio of investment professionals to investee companies. It allows us to know our investments inside out and focus us on what is material for each investee company. Where necessary, individual analysts are supported by members of the stewardship sub-group to ensure consistency of approach.

We strongly believe that having a diverse team and inclusive culture is crucial to the success of our business. We understand the importance of diversity of thought to our investment process and we are proud to employ people from a wide range of backgrounds. With regard to our investment team specifically, 48% are women and the ages span six decades. The team also have a range of educational backgrounds and have degrees in over ten different subjects, including economics, modern languages, chemistry, physics, politics and philosophy.

Resources – research and data

We use a variety of data sources to help us to assess the ESG characteristics of our investee companies and to support our stewardship work. Our primary source of information is that provided by companies themselves (such as annual reports, CSR reports, proxy statements and company websites). We also use information obtained through directly engaging with company management, Board directors and investor relations teams.

We also use information from a number of ESG data providers as part of our investment process. These include V.E, ISS, Credit Suisse's HOLT and the CDP. The information obtained from these providers is used alongside our analysts' own research and information available directly from our investee companies, and we often use it as a guide to show where more investigation is needed. For example, should a company receive a poor rating from an ESG provider for environmental management, we would seek to engage with the company directly to explore the reasons behind the poor rating and ascertain whether it is down to a lack of disclosure or a lack of action by the company. We would also assess what the company is doing to address these issues. In addition to the ESG research and data we buy, we use publicly available ESG information where appropriate, such as Sustainalytics publicly available ratings. We also use international reporting frameworks and standards, such as those developed by GRI (Global Reporting Initiative), SASB (Sustainability Accounting Standards Board) and TCFD (Taskforce for Climate-related Financial Disclosure), to inform our views on best practice when it comes to company reporting of ESG issues.

It is important to note that we do not make investment decisions based solely on ESG ratings from third-party providers. We believe judgement from experienced investment professionals matters.

Resources – training

All members of the investment team can (and do) attend conferences and training sessions on stewardship and ESG integration. During 2020, sessions attended included those organised by the PRI (Principles for Responsible Investment), JP Morgan, Bernstein, Berenberg, London Stock Exchange, UBS, SASB, GRI, CDP, CFA UK and FCA. Feedback and key points from all such sessions are provided to the wider investment team at our weekly investment team meeting and notes are saved in our research database. We also organise our own training sessions where appropriate and further details on some of these sessions is included in the Outcomes section below.

Incentives

Our incentive policy focuses on aligning our interests with those of our clients. All our investment team and senior staff are equity holders in the business which facilitates an appropriate level of long-term incentive. All short-term incentives are discretionary and based on investment results including stewardship work, teamwork, client service and compliance. There are no sales targets for any staff member.

As part of our annual review process, all staff, including senior managers, discuss teamwork and their contribution to social and environmental issues to ensure responsible and ethical success for the business and for our clients.

Outcome

We believe our culture and governance structures and resources give us the knowledge, experience and flexibility to carry out effective stewardship on behalf of our clients. Our stewardship activities are carried out by the investment team who also do all other research work on our investee companies meaning we know our companies inside out and are best placed to identify and focus on the issues that are most material to each individual company.

Given our focused portfolios of 25-40 companies and the depth of experience on the investment team, we feel that our current resources are appropriate to support our stewardship work. However, in the last year, we identified that our knowledge on remuneration structures and best practice in executive pay could be improved, especially as we are asked to vote on compensation packages at company meetings and remuneration has been an important theme of our engagement work over the last year. We therefore organised a training session with KPMG to increase our understanding of how remuneration packages are set, the structure of short-term and long-term incentives and differences in practice between the UK, Europe and the US. As a result of this training, we believe our engagement work with companies will be more effective as we will have a better understanding of the context in which individual compensation schemes have been set.

Principle 3 – Conflicts of interest

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Context

As we are an independent business, 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 is available on our website and provides more details on the steps we take to identify, consider, mitigate, manage, disclose and record all conflicts: https://www.veritasinvestment.co.uk/wp-content/uploads/2021.01-Conflicts-of-Interest-Policy_LM.pdf

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 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.

In addition, all staff review and sign our Integrity in Business document on an annual basis. This is compiled by our Chief Executive Officer and draws together the main points from all our conduct and compliance policies.

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, and we always make this clear to companies during our engagement meetings. 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 Conflicts of Interest Register. The register is reviewed regularly by the Compliance Team and periodically by the Board.

Activity and Outcome

In the time period under review, we did not identify any actual or potential conflicts of interest related to stewardship. As set out above, given the nature of our business and our investment philosophy, we do not expect to experience some of the conflicts faced by larger and more complex financial services companies. However, should we encounter an actual or potential conflict of interest, this would be dealt with according to the principles and policies set out above.

Principle 4 – Promoting well-functioning markets

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Activity

Risk management is inherent in everything that we do. Our clients' have long-term investment horizons (generally five-years plus, and in many cases multi-generational) so we have a responsibility to identify and respond to risks that will affect the value of our clients' investments and our ability to deliver a real return over the longer term. We recognise that no company operates in a vacuum and each part of our research and portfolio construction process is focused on identifying and managing risks, including market-wide and systemic risks.

We do not invest relative to an index and instead focus on finding companies that are benefitting from long-term structural changes. Should our investment research indicate that a company is exposed to long-term risks, including market-wide or systemic risks, that could affect the viability of its business, then we will not buy shares in that company. We focus on investing in large cap, liquid companies which trade on recognised exchanges.

Where appropriate, we will work with wider stakeholders and industry groups to tackle market-wide and systemic risks. This includes senior managers taking part in industry networks, such as those organised by the Investment Association and PAM. We have also responded to public consultations, such as the Treasury Select Committee's Decarbonisation and Green Finance inquiry. We also contribute to campaigns and initiatives run by organisations, such as the PRI and CDP. Further details of our collaborative work are set out later in this document under Principle 10.

Risk case study
Issue: Environmental risks including climate change
Environmental risks are considered in all our investment decisions. Given the rapidly shifting regulatory environment and changing consumer preferences, companies that do not understand and plan for these risks could lose their social licence to operate. As physical risks related to climate change (such as rising sea levels and extreme weather events) increase too, companies without adequate risk management strategies could see their workforce, supply chains and customer base severely disrupted. We seek to ensure that the companies in which we invest have management teams who understand the environmental opportunities and risks companies face and are taking steps to reduce these risks by setting long-term targets (for example, to reduce greenhouse gas emissions or waste) and putting in place processes to enable these targets to be met. Factors we look for during our investment research process include: • Companies have long-term environmental targets to reduce the most material environmental risks that they face. • Companies have strategies in place to meet these targets.

- Senior management are actively involved in the process to monitor environmental risks and the progress made around reducing these risks.
- Companies are looking for the growth opportunities presented by the shift to a more environmentally sustainable economy (for example, opportunities presented by the transition to cleaner energy or the introduction of new environmental regulation).

Our investment approach and focused portfolios of 25-40 companies allow us to take a materiality-based approach for each company we hold in our portfolios. For example, for some companies the biggest environmental risks they face will be the potential for the cost of carbon to increase and therefore these companies would need to focus on reducing their carbon emissions. For other companies, environmental risks may come in the form of the long-term impact of climate change such as rising sea-levels and extreme weather events which could threaten their supply chains.

Much of our engagement work in 2020 has focused on encouraging broader and clearer disclosure on environmental factors and encouraging companies to take a materiality-based approach so that they focus on the issues most relevant to them.

Where appropriate, we will respond to public consultations and those initiated by investment industry organisations on this topic.

Risk case study

Issue: Covid-19 pandemic

We began considering the impact of the Covid-19 in January 2020 when the outbreak was still confined to China but overall our investment process and approach have not changed as a result of Covid-19.

We have continued to hold positions in predictable companies with strong balance sheets, that will generate cash and show resilience against a more difficult economic backdrop. We spent considerable time revisiting our investment cases and stress-testing our valuations to the limit, meaning we could use the volatility in early 2020 to build positions in new holdings where we have a high degree of confidence in their long-term outlook. We also added to existing positions in companies which look set to benefit from the acceleration in long-term trends such as digitalisation and connectivity. Whenever we spoke to investee companies, we took the opportunity to discuss their approach to the pandemic including the ways in which they were supporting staff and customers. We remained true to our investment philosophy and process and have continued to be disciplined and focused resulting in strong performance for our clients in 2020.

At a wider business level, we have used technology wherever possible to maintain operational capability and to continue to offer high levels of client service. Our senior managers, including our Chief Executive Officer, Deputy Chief Executive Officer, Chief Investment Officer and Compliance Officer, have continued to participate in a variety of roundtables and network events for the asset management industry to share views and ideas.

Principle 5 – Review and assurance

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Activity

Our stewardship activities are currently not subject to regular external assurance or review. Our policies, processes and the effectiveness of our activities were last reviewed by Arkadiko Partners in October 2019.

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 significant issues arise, these would be escalated to our Investment Governance Committee which is chaired by our Chief Investment Officer for consideration.

We monitor the progress of our engagements by setting ourselves clear objectives at the outset and 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.

Examples of some of our engagement work and the milestones reached are included under Principle 9.

Where we make insufficient progress on an engagement, 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.

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.

To ensure our stewardship reporting is fair, balanced and understandable, all communication is shared with the investment and compliance teams prior to publication or distribution to clients. All team members have the opportunity to highlight any areas of reporting they believe to be unclear or that could misrepresent our activities. We also seek feedback on our reporting from longstanding clients and others in the investment industry to ensure that our reporting is understandable, but also relevant.

Outcome

Over the last year, our internal review process has led to an improvement in the way in which we communicate our stewardship activities to clients. Communication now focuses on the outcomes achieved and is now fully embedded into every face-to-face meeting we have with clients. The design and development of materials for this is open to all members of the investment team.

Throughout 2020, we were asked by several investee companies for our input on matters, including ESG disclosure and the inclusion of non-financial metrics in executive pay. We believe this demonstrates that our engagement work is having an impact and is of use to our investee companies.

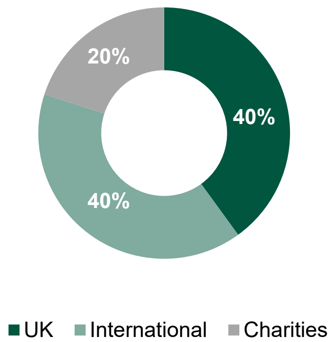
The UK Stewardship Code 2020 Report for VIP (UK) Ltd

Principle 6 – Client and beneficiary needs
Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

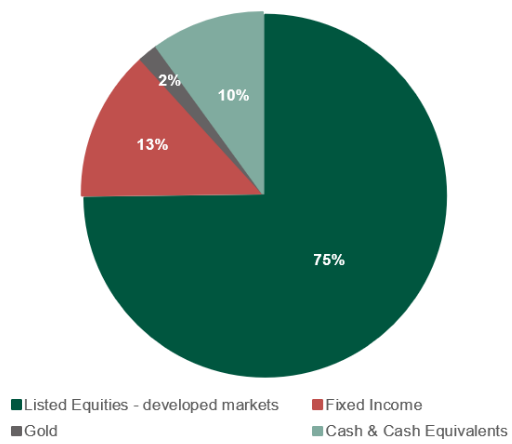
Context
Our sole business is discretionary investment management for individuals, smaller institutions and charity clients. Throughout our history, we have focused on a single objective – to protect and grow the real value of our clients' capital over the long term (i.e. five years plus).

Our stewardship activities and ESG integration, as set out in Principle 7, are applied across all portfolios managed for our clients. We do not run separate ESG or stewardship-focused investment strategies. As long-term shareholders in a focused list of companies, we believe we have a responsibility to consider any factor that might impact the durability or value of our clients' investments.

As at 31 December 2020, our assets under management across VIP (UK) Ltd and VIM AG stood at £4.6 billion across approximately 490 client relationships. An overview of our client relationships is shown below. The majority of our clients are retail clients, but we also manage portfolios on behalf of institutional investors.



We invest predominantly in direct equities, fixed income and cash in client portfolios. A breakdown of assets held as at 31 December 2020 is shown below.



Activity and Outcome

The needs of our clients and beneficiaries are central to all our investment decisions. Our clients want to protect and grow the value of their assets ahead of inflation which therefore means assessing all risks and opportunities for potential investments, including ESG ones, and focusing on investing in assets that will enable them to achieve this aim.

We discuss our clients' requirements before we sign investment management agreements with them and the suitability of our investment approach and strategy is monitored continuously throughout our relationships with our clients. We place great importance on delivering excellent client service. Portfolios are managed by two dedicated investment managers. Clients have direct access to these investment managers which ensures clear-cut and simple lines of communication. The investment team are directly accountable to clients and spend time ensuring that they fully understand clients' investment objectives, risk profile, and income requirements.

This process also involves ensuring that we understand clients' ethical investment policies where relevant. Around 60% of our charity clients and a number of our private clients apply ethical restrictions to their portfolios. Where ethical restrictions are applied, our investment managers spend time ensuring they understand the reasons for the restrictions and encourage clients to focus on materiality. We can therefore ensure that beneficiaries' wishes are reflected without compromising investment objectives.

We have face-to-face meetings with most clients at least once a year, often more frequently, and we discuss our stewardship activities at every meeting. This information can take many forms including engagement case studies, highlighting the ESG factors that are most material to a new equity purchased or an overview of the voting decisions made on behalf of our clients. We also provide all clients with an annual stewardship report which sets out the engagement and voting activities we have carried out on their behalf. Given the nature of our client base and the focused nature of our portfolios, we believe that this is the most appropriate reporting frequency. As clients have direct access to our investment managers, they can request more frequent and detailed updates on our stewardship activities if required.

Client feedback on our stewardship activities and communication approach comes directly to our investment managers, usually either by email or in our face-to-face meetings. Where appropriate, this feedback is shared with the relevant members of the investment team and is usually also shared during our weekly investment team meetings so that any changes needed can be discussed and addressed by the team.

Principle 7 – Stewardship, investment and ESG integration

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Context

As long-term shareholders in a focused list of companies, we have a responsibility to consider any factor that might impact the durability or value of our clients' investments.

Environmental, Social and Governance (ESG) are all factors that might impact the long-term value of a company. The opportunities and risks related to ESG are key considerations in every new investment we make, as well as our ongoing decision to hold shares in a business.

In the long term, we believe that well-chosen equities, benefitting from structural changes and bought at a reasonable valuation, will be the main driver for achieving real returns. A key part of the thinking is the belief that we are in the foothills of a major shift to manage the planet's resources more sustainably. This is being driven by the demands of an increasing global population, expanding middle class and need to address the challenges associated with climate change and biodiversity loss. Poor governance and environmental and social risks are business risks. We look for management teams that understand and plan for these risks; we believe companies need to maintain their social licence to operate given rapidly changing regulation and consumer preferences.

All research is done by our in-house investment team, not a separate ESG department. As set out under Principle 2, we use a range of sources to obtain this information, predominantly the information we obtain directly from companies. Throughout the year, we have therefore been actively encouraging companies to be more transparent in their disclosure of ESG metrics. We supplement this with information provided by third parties such as Credit Suisse's HOLT, ISS, V.E, sell-side analysts and industry specialists. Our focused investment style (25-40 companies) allows us to know our investments inside out, focusing us on what is material, and allowing us to punch above our weight in terms of influence.

Our stewardship activities are also an integral part of our approach to sustainable investment. When we buy shares in companies, we become business owners. How we behave as shareholders is closely aligned with the long-term nature of our clients' objectives. Good stewardship involves voting and engagement on issues that will impact the long-term durability of a business.

- Our stewardship work is guided by our four principles:
- An aversion to box ticking: our focused investment approach enables us to fully understand the material risks to each business.
- A focus on all stakeholders: we recognise that businesses exist within society and therefore have a duty to all stakeholders, not just shareholders.
- A culture of partnership with management teams: we recognise and value progress in pursuit of long-term sustainability.
- We are prepared to vote with our feet: we will not hold shares in companies where we identify a material risk to the long-term viability of the business.

Engaging with management as long-term stewards of capital helps promote a world that prospers sustainably.

Further information can be found in our stewardship policy which is available on our website: https://www.veritasinvestment.co.uk/wp-content/uploads/2021.01-Stewardship-and-Engagement-Policy_LM.pdf

Activity and Outcome

Stewardship and ESG integration feature at every stage of our investment process.

Our process for considering a new equity investment opportunity has two stages. Firstly, the investment team assesses key pieces of information on a company including our Quality of Business internal checklist which, amongst other things, considers a number of ESG factors such as the track record on sustainability, setting and progressing sustainability targets, management compensation and governance structures. As highlighted previously, in order to make these assessments, we use a range of sources including information from companies themselves and select third-party data providers.

We consider ESG factors (and other non-financial factors) in the same way as we consider financial factors. In the same way that we would not do further work on a company that did not meet our financial criteria, so we would not do further work on a company that has large ESG/non-financial risks where company management are not taking steps to address these. We know that over time, what may start off as a non-financial risk can easily become a financial one too. Examples of the main issues we consider are included below.

- We want to invest in companies whose management teams understand the environmental opportunities and risks the companies face and are taking steps to address these risks by setting long-term targets (for example, to reduce greenhouse gas emissions or waste or enabling their customers to be more energy efficient) and putting in place strategies and processes to enable these targets to be met.
- We believe that companies should have a defined purpose which is communicated throughout the business and they should understand the opportunities available presented through attracting, retaining and developing talent and have policies and procedures in place to enable this. We like to see that senior management and/or Board Directors have ultimate responsibility for employee engagement, diversity and inclusion and there are policies in place to ensure the welfare of individuals throughout the supply chain.
- We want to ensure that that the culture of the company is one which encourages management to plan for the long term rather than focusing on quarterly results. We look at a range of factors which include, but are not limited to, how the purpose of the company is defined and communicated throughout the business, the Board structure and the tenure of Directors, Board diversity and the range of expertise on the Board, the committee structure, management compensation structures, talent management programmes, management's history of setting and meeting targets, capital allocation discipline and auditor tenure. We also consider the quality and nature of dialogue we have with management and the Board when assessing culture.

We have chosen not to pursue investment opportunities because of ESG factors. For example, in previous years we did not invest in a Chinese technology company because we could not get comfortable with the governance structures and during 2020, we ended our research process into a US retailer at an early stage because of concerns around environmental factors.

If a company passes the investment team's initial assessments, we will then continue with our full initiation process which includes more robust research, input from sector specialists and meeting company management where possible. This includes doing work to understand a company's approach to managing ESG risks and, where necessary, engaging with the company to gain a better understanding of its approach and encouraging greater disclosure. For example, during 2020 we engaged with a US-based technology company as part of our investment research process because we had concerns about how the company manages its environmental impact and how it treats its workforce. Our research into this company continues but the call reassured us about the work the company is doing to address these issues.

Once an investment has been made, we continue to monitor companies 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 ongoing monitoring process, we consider the extent to which companies are:

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

While we do not separate financial and non-financial issues, we have increased our use of ESG-specific meetings with investee companies to ensure that sufficient time is allocated to these issues. Having meetings focused on particular issues also means we can ensure that the most relevant people, both from our own business and from the investee company, are included in the meeting.

Should our monitoring or engagement work lead us to conclude that the investment case for a company has changed or should we make insufficient progress on an engagement, we will reassess our options and may choose to sell our holding. When we choose to sell for ESG reasons or following an attempt at engagement, we inform the company in writing of our reasons for doing so. There were no such cases in this reporting period.

Principle 8 – Monitoring managers and service providers
Signatories monitor and hold to account managers and/or service providers.

Context
We use a variety of data sources in our investment research process to help with our assessment of a company's approach to ESG factors and in our stewardship work.

Our primary source of information is that provided by companies themselves (such as annual reports, CSR reports, proxy statements and on company websites). We also use information obtained through directly engaging with company management and investor relations teams. All research is done by our in-house investment team, not a separate ESG department. Our focused investment style (25-40 companies) allows us to know our investments inside out, focusing us on what is material on a case-by-case basis.

We supplement this research with information provided by third parties including ESG data providers, sell-side analysts and proxy advisors. The information obtained from these providers is used alongside our analysts' own research and information available directly from our investee companies, and we often use it as a guide to show where more investigation is needed.

It is important to note that we do not make investment or voting decisions based solely on information provided by third parties.

As set out under Principle 2, the third-party providers we use are:
- V.E for ESG research and screening for involvement in controversial activities
- Credit Suisse's HOLT for information on company governance structures and compensation
- CDP (formerly Carbon Disclosure Project) for information on a company's approach to managing environmental risks
- ISS for proxy voting recommendations and environmental data

Monitoring data providers
The data provided in relation to ESG research and stewardship is continuously reviewed by our stewardship group. Our research process and stewardship activities are constantly evolving and therefore so too are our data requirements. Twice a year, the group will discuss the quality and accuracy of the information received from third parties, the timeliness of the information and the relevance it has for our investment process. Should any issues with our current providers be identified, for example inaccurate information is provided, we will contact the provider directly to raise our concerns and to find a solution. This occurred during 2020 when we picked up an inconsistency in the third-party ethical screening tool we use. We raised the issue with the relevant investee company and they were able to resolve the issue with the third-party provider.

If the issue is not addressed in a timely manner, then we may look to find an alternative data provider.

In 2020, we also conducted a full review of our data providers and further information is included below under Activity and Outcome.

Where necessary, any issues in relation to data providers will be escalated to our Broker Review Group or Investment Governance Committee.

Monitoring voting activity

For clients of our UK business, voting choices are submitted via our custodian (SEI Investments Europe Ltd). After each vote has been submitted, we obtain confirmation from the custodian that the vote has been processed correctly. If any issues are identified, we will work with the custodian to understand the reason for them and to ensure that a solution is found for future votes, escalating the issue to senior staff at the custodian if necessary.

Activity and Outcome

Monitoring data providers

In 2020, we carried out a full review of the providers we use to obtain information for ESG research and our stewardship activities. This process involved:

- Reviewing the information we currently receive from our data providers in the context of our investment process and client needs.
- Identifying additional information that may be required in the future as our investment thinking evolves or to enhance client reporting or for regulatory reasons.
- Exploring the research and methodology options presented by a range of providers and trialling the use of this research in our investment process.

At the end of this review, we made the decision to continue using our current providers as they have enhanced the service provided and can give us the additional information we need at this stage.

We continue to believe that ESG data from third-party providers can be useful in highlighting areas that require further research, but that the data has several limitations including inconsistent ratings methodologies across different providers, a reliance on backward looking data and the application of arbitrary rules and standards.

We will continue to review whether the information we receive is meeting our requirements and those of our clients.

Principle 9 – Engagement

Signatories engage with issuers to maintain or enhance the value of assets.

Context

Our engagement activities are an integral part of our approach to responsible investment and are carried out by our investment team. Our focused investment style (25-40 companies) allows us to know our investments inside out, focusing us on what is material for each company.

Throughout our engagement work, we follow our four stewardship principles which are:

- An aversion to box ticking: our focused investment approach enables us to fully understand the material risks to each business.
- A focus on all stakeholders: we recognise that businesses exist within society and therefore have a duty to all stakeholders, not just shareholders.
- A culture of partnership with management teams: we recognise and value progress in pursuit of long-term sustainability.
- We are prepared to vote with our feet: we will not hold shares in companies where we identify a material risk to the long-term viability of the business.

On initially investing in a company, we introduce ourselves in writing to the Chair of the Board and CEO outlining our investment strategy and approach to stewardship. This letter sets out what we expect of companies and what they should expect from us. Following investment, we engage with companies on issues which, if addressed, will further improve real returns over the long term and enhance the sustainability of their businesses. We seek to engage directly with company management, the Chair of the Board and other Board members. We also engage with companies before becoming shareholders, for example, if the company does not disclose much information about managing environmental risks or if we have questions in relation to governance structures.

Because of our investment approach and the in-depth research that we carry out prior to becoming shareholders, both in relation to financial and non-financial issues, it is unlikely that we would become shareholders in a company which faced significant, material risks. Our stewardship activities are, therefore, generally focused on issues which will enhance the long-term sustainability of the company but if not addressed by the company, would not change our investment thesis.

As set our under Principle 5, where we do engage with companies to encourage improvements, we monitor the progress of our engagements by setting ourselves clear objectives at the outset and 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.

Where we make insufficient progress on an engagement, 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. However, as set out in our stewardship principles, we recognise that it can take time for companies to make changes and we value progress in pursuit of long-term sustainability.

Further details on our overall approach to engagement is set out in our Stewardship and Engagement Policy which is available on our website:
https://www.veritasinvestment.co.uk/wp-content/uploads/2021.01-Stewardship-and-Engagement-Policy_LM.pdf

We communicate our engagement activities to clients through our annual stewardship report, our quarterly newsletters and throughout the year in client meetings. A copy of our latest stewardship report to clients is available on our website: https://www.veritasinvestment.co.uk/wp-content/uploads/2020-Stewardship-Report.pdf

Activity and Outcome

Listed equities

Our engagement work continued throughout 2020 despite the restrictions imposed as a result of the pandemic. In fact, we would argue that during these turbulent times, building long-term and constructive partnerships with our investee companies has become even more important. Over the last year, we engaged, through meetings and in writing, with 18 companies which represents over 60% of our core equity holdings. We also engaged with a number of companies as part of our initial research process. Some examples of this work are set out in the case studies below.

The main themes for our engagement work this year were:

- **Encouraging broader and clearer disclosure from investee companies, particularly on environmental and social factors**. As highlighted in our response to Principle 4, businesses can no longer ignore the environmental and social risks they face but despite all the attention given to climate-related issues, many companies, particularly those based in the US, are still not publishing transparent data. Recent analysis by Bloomberg found that over 100 of America's largest public companies on the S&P 500 did not disclose adequate environmental data this year[1]. However, we fully acknowledge that navigating this territory is tricky. There are many ESG reporting frameworks and standards and without armies of reporting staff, no company can possibly respond to them all. We therefore encourage our investee companies to focus on identifying and managing the most material sustainability risks they face. This means that companies can concentrate on what is relevant to them, rather than on issues that may not have as much impact on the long-term durability of their business. In general, we have also advocated for establishing, or maintaining, an integrated approach to financial and non-financial reporting.

[1] https://www.bloomberg.com/graphics/2020-company-emissions-pledges/?srnd=premium-europe

Engagement case study		
Company: Experian	**Sector:** Data Services	**Geography:** UK & Ireland
Engagement issue: Disclosure of information on environmental issues **Engagement milestone reached:** 4 (We received confirmation from the company that the plan is implemented) In January, Experian asked for our views on its non-financial reporting. Some of Experian's ESG characteristics are excellent: improving social inclusion by enabling access to finance (important pillars of the UN Sustainable Development Goals) is at the heart of its business. However, while the company has long been aware of the environmental challenges it faces, reporting on these issues and the setting of clear targets was falling short of best practice. Because of our long-term relationship with the company, we were able to have an open and honest discussion explaining which parts of the company's disclosure we liked, where we thought there was room for expansion and, importantly, why the management and disclosure of these issues is integral to the long-term success of the business. In September, the company told us it had taken on board our recommendations and has introduced a new goal to reach net zero emissions by 2030 and is reporting carbon emissions in line with TCFD recommendations. While there are still improvements to be made, we are delighted with this progress.		

Engagement case study		
Company: Cerner Corporation	**Sector:** Healthcare Technology	**Geography:** US
Engagement issue: Disclosure of information on environmental and social issues **Engagement milestone reached:** 2 (We received acknowledgement from the company that our concerns are valid) We started a dialogue with Cerner about the most appropriate ESG metrics for the company to disclose. Following our letter to the company, we received a thorough response from Director of Investor Relations who flagged that the company had provided a (short) corporate social responsibility report for first time and invited us to provide input on what indicators we would like to see. Our response firstly encouraged them to keep an integrated report of financial and non-financial issues as this is unusual in US. We also suggested that they should not be aiming for a high rating from ESG rating agencies and that we believe a better approach is to focus on the most material issues for the company such as energy management, consumer privacy, data security, employee engagement, diversity and inclusion). We believe this will provide a solid framework, not only for disclosure, but for Cerner's on-going work on establishing long-term objective targets. Our letter will be shared with the executive management team and we look forward to seeing if the company will set and disclose more ESG specific targets in the year ahead.		

- **Encouraging companies to include non-financial/sustainability goals in their remuneration packages**. We believe this helps to focus minds and ensure management is as committed to delivering on these targets as they are to delivering typical financial ones. This fits well with our preference for management teams with appropriate long-term incentives, recognising that financial and non-financial performance are closely linked, and it is an issue in which regulators are increasingly interested. For example, in France, it is already a requirement for companies to include environmental and social factors in remuneration schemes. It is worth noting that several companies in our portfolios already include non-financial goals in remuneration packages, in some cases at both executive level and throughout the business. When we have raised the issue with companies, several have asked for our input on which metrics to include which we provided.

<table>
<tr><td colspan="3">Engagement case study</td></tr>
<tr><td>Company: Hasbro Inc</td><td>Sector: Consumer Services</td><td>Geography: US</td></tr>
<tr><td colspan="3">Engagement issue: Inclusion of non-financial/sustainability goals in remuneration packages
Engagement milestone reached: 2 (We received acknowledgement from the company that our concerns are valid)

Managing non-financial risks is embedded in the culture at Hasbro and the company’s disclosure around these issues is excellent. We often use Hasbro’s disclosure as an example of best practice when engaging with other companies.

Because of this, we found it surprising that non-financial metrics are not included in management compensation. When we discussed the issue with management, we were asked to send examples of good practice in this area and were told that the issue is on the agenda for consideration.

While we do not expect to see immediate change on this issue, it is something we will continue to raise with the company when we speak.</td></tr>
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- **Encouraging companies with long-tenured audit firms to consider changing audit firm**. Best practice in Europe is to re-tender after 10 years and change auditor firm every 20 years. However, in the US indefinite tenure is common and we have been speaking to some of our US companies to understand their reluctance to change audit firm and to ensure that, as far as possible, other safeguards are in place. Further information on this engagement work is included as a case study under Principle 11 (Escalation).

Fixed Income

We are continuing to develop our engagement policy and process for our fixed income assets. While we acknowledge that bondholders are unlikely to have the same access to company management as shareholders, we are exploring options for extending our engagement work to cover this asset class over the years ahead, for example, through collaborative engagement.

As set out under Principle 6, listed equities make up the majority of our assets under management so we have focused on enhancing our engagement work for these assets over the last year as this is where we can have the biggest impact for our clients. It is also worth noting that around one-third of our fixed income holdings are developed market sovereign bonds or supranational bonds (for example, the European Investment Bank) so as a first step, we will be focusing on our corporate debt holdings.

Principle 10 – Collaboration

Signatories, where necessary, participate in collaborative engagement to influence issuers.

Context

As shareholders, we seek to build long-term, direct relationships with our investee companies. Our focused portfolios (25-40 holdings), high number of investment professionals to investee companies, in-depth research process and long-term approach mean we can get to know our investee companies inside out, something which we believe is vital for successful engagements. We are therefore confident that where we choose to pursue engagements with investee companies on our own, we can reach a successful outcome for our clients.

However, where appropriate, we would engage with other investors to increase the probability of a good outcome for our clients. We would consider collaborative engagement to influence both issuers and supervisory bodies, such as regulators or governments.

To facilitate collective engagement, we are members of the Principles for Responsible Investment and are signatories to the CDP (formerly Carbon Disclosure Project).

Our investment approach means that we would not invest in companies in sectors we believe to be fundamentally challenged or where we believe companies are not managing ESG risks sufficiently. This approach means that we currently do not invest in the equities of any oil and gas, cement, chemicals or mining companies and so we have found that many of the environmental-focused initiatives predominantly target companies of which we are not shareholders. We are continuing to look for other opportunities to join collaborative engagement initiatives that are relevant for our investee companies.

Activity and Outcome

In 2020, we took part in the CDP's Non-Disclosure Campaign by co-signing letters to the small number of our investee companies who did not respond to the CDP's disclosure requests. Unfortunately, this activity has yet to result in any further disclosure from companies, but we intend to take part in the Non-Disclosure Campaign for 2021. We believe that increasing corporate environmental transparency around climate change, forests and water security is crucial if we are to meet the goals set out under the Paris Climate Change Agreement.

Principle 11 – Escalation
Signatories, where necessary, escalate stewardship activities to influence issuers.

Context
Our stewardship work is always undertaken in the spirit of partnership. We recognise and value progress in pursuit of long-term sustainability and with any interaction, our goal is to work with companies and to encourage improvement over the long term. We understand that it can take time for companies to make the changes we are seeking, and we take this into consideration when setting our engagement objectives.

Because of our investment approach and the in-depth research that we carry out prior to becoming shareholders, both in relation to financial and non-financial issues, it is unlikely that we would become shareholders in a company which faced significant, material risks. Our stewardship activities are, therefore, generally focused on issues which will enhance the long-term sustainability of the company but if not addressed by the company, would not change our investment thesis.

Where we have concerns, we would usually hope to raise these through the introductory letter we send to companies when we first become shareholders and through our regular meetings with company management and investor relations teams. However, we recognise that there may be instances where a company does not respond constructively to our concerns and where we believe the company will not take any action to address these concerns. In such circumstance, depending on the nature and the severity of the issue, we may decide to escalate our engagement activities.

As a first step, escalation would normally involve holding additional meetings with company management to better explain our position and to improve our understanding of the company's position. Should this step not be successful, we will consider further escalation including:
- Writing to or meeting with senior board members, such as the senior independent director or the Chairman
- Abstaining or voting against management at general meetings
- Collaborating with other investors
- Voting with our feet and selling our shares.

Where we vote against company management with whom we have been in dialogue, we aim to communicate with the company prior to casting our vote to restate our concerns and explain our voting intention. In addition, for all companies where we vote against a management recommendation, we aim to write to them to inform them of our decision, explain our reasons and encourage future dialogue on the issue.

Should we decide to sell our shares following unsuccessful engagement activity, we will again write to the company to explain our actions and the reasons for the sale.

Asset classes
We expect to apply this policy to listed equities held across all sectors and geographies. However, there may be instances where direct access to company management and directors is more limited.

As highlighted under Principle 9, we are still developing our stewardship and engagement activity in relation to fixed income assets and we understand that where we only hold bonds in a company, our rights and access to management will not be the same as for shareholders.

Activity and Outcome

During the past year, our stewardship activities have generally been well-received by company management and we have not felt it necessary to move beyond our initial engagement activities of seeking meetings with company management and investor relations teams.

One area where we did escalate our engagement activities was in relation to auditor tenure.

Escalation case study
Issue: Engagement on auditor tenure
We take our responsibility for auditor appointment seriously, especially given several recent high-profile failures, most notably the recent issues with Wirecard in Germany. Auditors should be re-appointed annually and the audit re-tendered on a periodic basis. Best practice in Europe is to re-tender after ten years and change auditor firm every 20 years. However, in the US indefinite tenure is common and we have been speaking to some of our US companies to understand their reluctance to change audit firm and to ensure that, as far as possible, other safeguards are in place. In 2019, we abstained on votes to reappoint long-tenured auditors at nine general meetings for US companies. In each case, we wrote to the company to explain the reasons behind our decisions. At the time, we informed companies that we would vote against the reappointment of the auditors at the 2020 general meetings should the same audit firm be put forward again. In light of the Covid-19 pandemic, we chose not to take this approach as we thought a global pandemic would not the best time to change audit firm. Instead, we chose to abstain on the votes again and to raise the issue directly with these companies in our meetings with them. This approach allowed us to better explain our concerns and to get a better understanding of the checks and balances companies use to ensure the quality of the audit work remains high, such as carrying out an annual appraisal of the audit firm using detailed scorecards and obtaining independent audit quality oversight by the PCAOB (The Public Company Accounting Oversight Board). For two companies (ADP and Avery Dennison), we had meetings with the Chairs of the Audit Committees so were able to hear first-hand accounts of how these processes work in practice. Our engagement objectives for 2021 include trying to secure meetings with Audit Committee Chairs for the other companies where long auditor tenure is a concern. As a result of these interactions and bearing in mind US law, our approach to the issue has changed. We still disagree on principle with the reappointment of long-tenured auditors but as well as continuing to encourage companies to consider changing audit firm, we are now focusing on the mitigating controls companies have in place and the extent to which these are appropriate.

Principle 12 – Exercising rights and responsibilities
Signatories actively exercise their rights and responsibilities.

Context
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.

In line with our stewardship principle of focusing on materiality, each voting decision is taken on a case-by-case basis by our investment managers, based on independent judgement, analysis, and the outcome of engagements with companies. As we aim to invest only in well-run companies which have strong management teams and governance structures, we typically expect to vote with the board recommendations.

Further details are set out in our Voting Policy which is available on our website:
https://www.veritasinvestment.co.uk/wp-content/uploads/2021.01-Voting-Policy_LM.pdf

This policy includes details of our voting policies in relation to Boards of Directors, shareholder voting rights, remuneration, auditors and capital allocation. 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.

We provide our clients with an annual stewardship report, detailing our voting and engagement on their behalf. This report is also publicly available on our website:
https://www.veritasinvestment.co.uk/wp-content/uploads/2020-Stewardship-Report.pdf

Use of proxy advisors
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 us with in-depth analysis of shareholder meeting agendas and voting recommendations based on its Sustainability Policy.

However, we do not automatically follow ISS' recommendations on any votes. As highlighted above, each voting decision is taken on a case-by-case basis. 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. Should ISS recommend voting against company management, where appropriate we will engage with company management to improve our understanding prior to voting.

Client views on voting decisions

As part of our discretionary investment management agreements, our clients have given us voting authority for the equities we hold on their behalf. To date, we have had no voting directions from clients for shares held in discretionary portfolios.

Our clients understand that we aim to invest only in well-run companies which have strong management teams and governance structures, so we would not expect to have many votes on contentious issues for which clients may have strong views.

However, if our clients did express a view on a particular vote, then we would of course take this into consideration.

Stock lending

We do not lend stock.

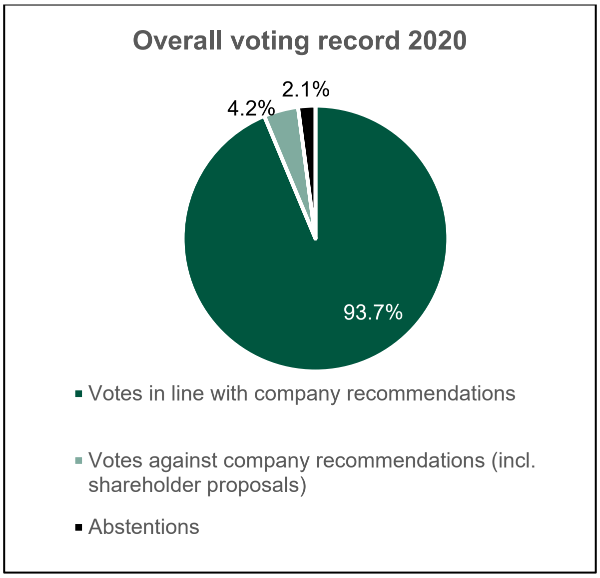
Activity and Outcome

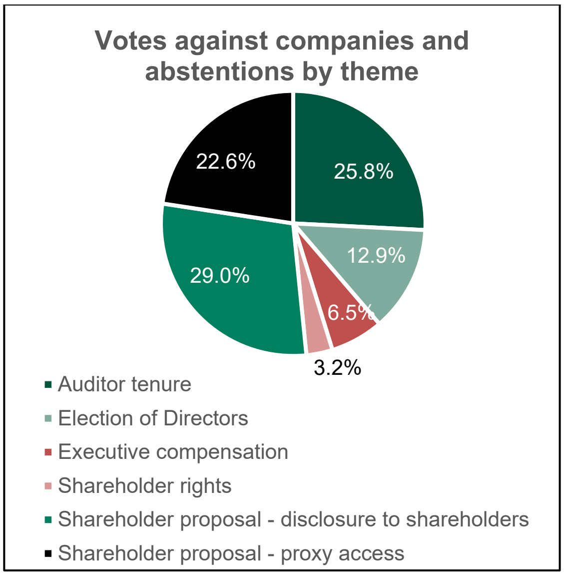
As highlighted above, we aim to invest only in well-run companies which have strong management teams and governance structures, so we typically expect to vote with the board recommendations.

We aim to vote on all equities for which clients have given us voting authority. However, we recognise this may not always be possible. Because of share registration requirements, we are currently unable to vote at meetings for Swiss-listed equities, but we are working with our custodian to try to find a solution to this. Our focused investment approach means we only hold 25-40 companies in portfolios and in 2020, we voted on 462 proposals at 32 company meetings across seven different countries. This means we voted 92% of core equity holdings in client portfolios.

A breakdown of how we voted during 2020 is included below. Our full voting record for 2020 is available to clients and contacts on request.

Total Number of Meetings Voted	Total number of Proposals Voted	Total number of Management Proposals			Total number of Shareholder Proposals	
		Votes for	Votes Against	Votes Abstained	Votes for	Votes Against
32	462	426	9	10	12	5





In each case where we voted against company management, either on a management proposal or on a shareholder proposal, we wrote to the company to explain our decision and to encourage dialogue with the company.

Voting case studies, giving specific examples of our voting activity and the outcome of this, are included below.

Voting case study – engagement prior to voting
Company: Align Technology AGM
The ISS Sustainability voting policy recommended voting against three members of the Board who sit on the Compensation Committee and voting against the proposed executive officers' compensation. This was based on a one-off discretionary award to the CEO and an excessive payment to the former Chief Legal Officer when he left the company. As highlighted previously, we do not make voting decisions purely based on the ISS voting recommendations, so we engaged with the company prior to making our voting decisions and were given a call with the investor relations team, the head of global resources and the company secretary that evening. We discussed the concerns raised in the voting recommendations and asked the company representatives to explain the payments. They told us that the CEO's package was a one-off and based on independent advice and that the chief legal officer's retirement payment was really a retrenchment. He had been with Align since the early days when salaries were low, but packages (for example, on retirement or contract severance) were more generous. We decided that as both payments were stand-alone events, we could understand why the payments were made and that they did not pose any additional long-term risks to shareholders. The outcome of this engagement was that we decided to vote in favour of all the resolutions, against the recommendations from ISS. It is worth noting that two weeks later ISS also changed the voting recommendations to recommending voting for all resolutions.

We also took the opportunity to raise broader ESG issues, such as including non-financial metrics in executive compensation and enhancing public disclosure of ESG factors.

Voting case study – shareholder proposals on proxy access
Company meetings: Multiple
Some of the shareholder proposals we supported, at the AGMs for Amphenol and LabCorp amongst others, this year requested a change in the share ownership threshold needed to call a special meeting. As with auditor tenure, this is another area in which there is a stark difference between practices in Europe and in the US. In Europe, only a 5% holding is usually required to call a special meeting whereas in the US shareholders often cannot call special meetings at all or the ownership threshold is high (usually a 25% holding or more). For some of the largest companies, this means needing to hold billions of dollars-worth of shares to be able to call a meeting. The rights in Europe generally do not result in multiple extra meetings and as the proposals were calling for the threshold to be dropped to 10-15% (still a higher threshold than in Europe), we chose to support measures that potentially give shareholders greater rights. During our engagement work with other US-based companies, including several in the healthcare sector, we raised this difference in shareholder proxy rights between the US and Europe and highlighted that companies are increasingly facing shareholder proposals to address this. At the Alphabet AGM, we also supported shareholder proposals to improve the rights of shareholder, such as the proposal to require a majority vote for the election of directors and the proposal to approve a recapitalisation plan for all stock to have one vote per share. This is a core principle of our voting policy and should a similar proposal be tabled at the next annual meeting, our intention would be to support it again.

Regulatory information

Veritas Investment Partners (UK) Limited is authorised and regulated by the Financial Conduct Authority in the conduct of its investment business. It is registered under number 923827. For more information click on www.fca.org.uk.

Veritas Investment Partners (UK) Limited is a discretionary investment manager and does not offer investment advice; and no information contained within this document should be construed as such. If you are in doubt, you should seek advice from a financial adviser.

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