

# Veritas Asset Management LLP

## Conflicts of interest policy

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## 1. Overview

The senior management of Veritas Asset Management LLP (“VAM”) are committed to identifying and understanding where in its business, conflicts of interest might occur. In line with MIFID II and UK FCA Handbook requirements, we take all reasonable steps to manage these conflicts. Where we determine that it is not possible to mitigate a conflict, we will ensure fair treatment of clients and will clearly and accurately disclose the existence of the conflict to them.

### Conflicts of Interests – the Rules

The MIFID Delegated Regulation on Organisational Requirements and Operating Conditions (2017/565) (the “MIFID Org Regulation”) and Chapter 10 of the FCA’s Senior Management Arrangements, Systems and Controls Sourcebook (“SYSC”) outlines a number of rules in relation to conflicts of interest and FCA Conduct of Business rules - COBS 2.3A (together, the “Conflicts of Interest Rules”).

VAM is authorised and regulated by the Financial Conduct Authority as an investment firm that is subject to the requirements of the Markets and Financial Instruments Directive and Markets in Financial Instruments Regulation (together, “MIFID II”) and the FCA rules that implement MIFID II.

## 2. Scope

This policy applies to Veritas Asset Management LLP and its subsidiary Veritas Asset Management (Asia) Ltd. The following examples are not an exhaustive list where VAM will endeavour to identify conflicts of interest between:

- VAM (including its partners, employees, and appointed representatives or any person(s) directly or indirectly linked to them by control) over a client of VAM
- One Segregated client over another Segregated client\*
- VAM over Investors in the Fund\*\*
- Investors in the Fund over a segregated client
- Different investors within the same Fund (e.g. in the same share classes)
- VAM staff vs. VAM (the Firm)
- Vendor/Service provider vs. a Client
- An investee company whose pension scheme may be one of our clients
- Where our clients are shareholders in two companies involved in both sides of a deal or dispute

\*Definition of a segregated client – an institutional investor for whom we perform a discretionary portfolio management service

\*\* Definition of a ‘Fund’ means a collective investment vehicle managed by VAM including but not limited to and UCITS as defined by relevant legislation (Veritas Funds PLC, Veritas Common Contractual Funds)

## 3. Identification of Conflicts of Interest

VAM has an obligation to establish, implement and maintain an effective Conflicts of Interest policy. Procedures for identifying conflicts operate at key levels:

Staff in all business lines are encouraged to be aware of the potential for conflicts of interest to arise within VAM’s operations. They receive training to create awareness of conflicts and of VAM’s responsibilities as its clients’ agent, to manage conflicts

appropriately. Where they believe that they may have identified a conflict, staff are required to report details to both the manager in their department and to the Compliance Officer who will decide whether a reported item should be escalated to the Management Committee. Staff involved in the oversight of activities carried out on behalf of VAM's clients by a third party are also expected to report identified conflicts in the same way. Identified conflicts are added to the Conflicts Log which is maintained by Compliance.

Senior management is required to confirm that the Log accurately and comprehensively describes the conflicts within their business. The Compliance Committee will periodically review this policy and the Conflicts Log of identified conflicts to ensure that they continue to reflect the business operations.

The Governance arrangements of VAM have been established to ensure oversight of VAM's duties in regard to conflicts of interests. Conflicts of interest management practices are reviewed by the Compliance Committee. The Managing Partners Board receives minutes of meetings and can question the Committee about its activities.

#### 4. Analysis, Mitigation and Disclosure of Conflicts

In accordance with the Conflict of Interest rules, VAM has identified a number of potential conflicts which may arise in the course of it providing services to its clients. VAM has analysed each possible conflict by looking at the following:

- The type of conflict
- How the conflict affects our clients
- How this conflict is currently managed, controlled or mitigated
- Whether there are any significant residual conflicts after mitigation

Mitigation of conflicts can take many forms. We will, as necessary and appropriate:

1. Implement policies and procedures that either limit practices that result in conflicts or prescribe practices that ensure proper handling of clients' interests – for example, personal account dealing, gifts & hospitality, permissible expenses and expenses reimbursement, information barriers, use of corporate access, order execution, order allocation, cross trading, remuneration policy. The governance arrangements of VAM have been established to ensure oversight of VAM's duties in regards to conflicts of interests.
2. Physically separate any function where we consider that their close proximity would lead to poor management of conflicts.
3. Consider the question of possible conflicts when creating or changing reporting lines and job descriptions including whether they could compromise controls achieved through segregation of duties.
4. Give consideration to the question of conflicts when new clients, new products, new systems, decision to undertake or continue business relationships and day to day business activities, new procedures are being introduced, or where there are reorganisations.
5. Seek to ensure that our practices do not favour the interests of:
  - VAM (including its partners, employees, and appointed representatives or any person(s) directly or indirectly linked to them by control) over a client of VAM
  - One Segregated client over another Segregated client\*
  - VAM over Investors in the Fund\*\*
  - Investors in the Fund over a segregated client
  - Different investors within the same Fund (e.g. in the same share classes)
  - VAM staff vs. VAM (the Firm)
  - Vendor/Service provider vs. a Client

6. Manage the interests of individual investors in each of the Funds we manage as well as the interests of the Funds as a whole, including consideration of the sometimes conflicting interests of different investors within a Fund (e.g. where liquidity and other issues could arise in a Fund after some investors redeem their holdings.)
7. In the absence of specific client direction, operate effective strategies over the exercise of proxy voting rights and clients' participation in corporate actions to ensure that these are performed according to the investment objectives of the relevant clients and reflect their best interests.
8. Structure remuneration policies to ensure that they do not cause conflicts by incentivising weak application of key controls and/or oversight measures.

VAM seeks to create an environment where staff awareness of conflicts of interests and potential conflicts of interests is conducive to identifying and resolving issues as they arise.

Disclosure of actual or potential conflicts forms a central part of the Conflicts of Interest Policy regardless of whether it is possible to mitigate conflicts to provide sufficient protection of clients' interests. It is particularly important that we disclose actual or potential conflicts of interests where we are not reasonably confident that procedures and measures for managing the conflict or potential conflict will prevent the risk of damage to client interests.

## 5. Inducements

Conflicts may also arise (but not limited to) with inducements, examples of which are detailed below:

### 1. Trail Commissions

VAM is permitted to continue with trail commissions, as specified in the FCA Conduct of Business rules 6.1.A4A. There is a separate VAM Adviser Charging and Remuneration policy which is available upon request.

### 2. Research Inducements

VAM complies with the key new requirements under MIFID II in relation to Research:

- The setting and assessment of Research budgets
- Client agreement of the Research budgets
- Regular assessment of the quality of the research and its ability to contribute to the investment process.
- Enhanced disclosure of information to clients on the costs of Research.
- Written policies outlining the approach to Research including how VAM will allocate costs fairly to Clients' portfolios.
- Brokers to establish separate charges for Research and Execution.

Please refer to the Research Policy for further details.

## 6. Key Exceptions – Minor Non-Monetary Benefits (MNMBs)

Include satisfying the following aspects:

- Capable of enhancing quality of service
- Of a scale and nature so as not to impair the compliance with VAM's duty to act in the best interests of clients
- Subject to a disclosure obligation
- Includes corporate hospitality of an 'acceptable, de-minimis' nature
- VAM Gifts & Entertainments policy – satisfy above requirement
- The following are acceptable and is not an exhaustive list. If there is any doubt as to whether something is acceptable or not, then the Gifts & Entertainment Policy and Compliance Officer should be consulted:
  1. Certain written materials
  2. Conferences/Training Seminars
  3. Hospitality (of a de-minimis value) is acceptable in the context of a business meeting or training.

**Any benefit involving a third party allocating valuable resources to the investment firm will not be considered minor.**

## 7. New or Ad hoc Conflicts of Interests

This policy does not serve as an exhaustive list of all conflicts of interests that may be encountered by VAM. In the event that a new or ad hoc conflict arises which has not been anticipated by this policy, VAM will employ methods to manage such conflicts of interest. If in certain circumstances a conflict cannot be managed, then VAM will disclose it. However, it is not our policy to undertake products or services where we cannot manage conflicts adequately.

## 8. Periodic Review

At least annually, this policy and its internal procedures will be reviewed for identifying, preventing and managing Conflicts of Interests.