

Veritas Asset Management LLP UK Stewardship Code

We are committed to provide our clients with outstanding investment performance by concentrating on long term success in both our investment practice and business development and aim to ensure that corporate governance and engagement form an integral part of our investment process.

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

Through our stewardship policy, we aim to provide a robust and pragmatic framework to ensure our ownership responsibilities are exercised appropriately, that we effectively monitor the companies in which we invest for our clients and that, where we believe it is necessary, we intervene with those companies on issues that are likely to adversely impact the interests of our clients.

This policy explains the extent to which we have complied with the Code and contains a description of how the principles of the Code have been applied.

Principle 1

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

This policy describes Veritas Asset Management LLP's arrangements for integrating stewardship within our wider investment process. This policy is disclosed on our website www.veritas-asset.com and also provided to new clients as part of the take on process.

We actively consider our obligations of ownership and stewardship for our clients. We invest on behalf of a large variety of clients, from direct investors in our funds to segregated mandates and in relation to all of these clients, we acknowledge our fiduciary duty to preserve and enhance value on their behalf. As we hold investments in companies on a long-term basis, we regard the process of stewardship as a natural part of our investment approach. Our portfolio managers regularly meet with the management and non-executive directors of our investee companies. We also monitor all investee companies through ongoing proprietary research, and written communications to discuss a range of issues relating to strategy, governance, share value, performance, risk and remuneration. This engagement serves to confirm and support the investment thesis and establish a good ongoing channel of communication with companies to ensure that the strategy is being executed whilst monitoring effective control of the Board and relevant sub-committees. We believe that such monitoring provides us with a clear indication of the quality of the management and the board and consequently the company's ability to deliver its key goals and anticipated operational performance.

We aim to ensure that investee companies are conscious of all risk factors, including social and environmental risks and we believe that good robust engagement on how shareholder interest can be improved adds value to the investment chain in producing superior returns for our clients.

All of our outsourcing arrangements are entered into following a thorough due diligence process to ensure that we only procure services and products from sector-leading companies. Once appointed, we continue with ongoing monitoring of our third party service providers.

Principle 2

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

We believe that as we are a privately owned, independently run partnership and our only business activity is asset management; we do not encounter some of the conflicts faced by larger financial services companies. Notwithstanding this, we still ensure that we have a robust Conflicts of Interest Policy which clearly sets out how we identify, consider, mitigate, manage, disclose and record all conflicts and ensure they are dealt with in a manner that is not prejudicial to any of our clients. We seek 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. Our core aim is to always act in the interests of clients.

We endeavour to undertake a risk based approach to conflicts of interest and consider all conflicts when implementing policies and procedures. Disclosure of actual or potential conflicts forms a central part of the Conflicts of Interest Policy and any conflicts that arise will be disclosed to the relevant parties. We maintain a 'conflicts register' of both potential and actual conflicts of interest which is available to clients on request as well as a robust Conflicts of Interest Policy which is available to clients on our website at www.vamllp.com. One of the areas where conflicts may arise is in respect of the selection of brokers and to mitigate this potential conflict we have a robust Order Execution Policy which sets out the arrangements in place for obtaining best execution for the client which our dealers must adhere to. Our Broker Committee meets regularly to review the usage and performance of brokers, commission spend, commission rates and other broker related issues and Compliance conducts a weekly monitoring review on best execution to ensure that the best possible value for clients is achieved in the execution of client orders. Potential conflicts may also exist in respect of the independence of the different business areas and this is mitigated by maintaining a robust segregation of duties which is reinforced by clear separate reporting lines.

We have put numerous procedures in place to manage and mitigate conflicts, including prior approval of all employee personal trades, anti-bribery and corruption policy and an annual disclosure of outside interests, if any. All staff are subject to a gifts and entertainment policy which requires that disclosures are made and prior approval sought where necessary to ensure that we transact business solely on the merits of the products and services offered.

We seek to act in the interests of all of our clients when considering engagement and voting. Conflicts of interest may arise from time to time, such as voting on matters affecting an investee company, whose pension scheme may be one of our clients or where our clients are shareholders in two companies involved in both sides of a deal or dispute. Where a significant conflict arises the Compliance Committee will make a determination.

Conflicts of interest management practices are reviewed periodically by the Compliance Committee. The Conflicts of Interest Policy and procedures and the conflicts register are updated and approved on an annual basis by the Compliance Committee.

Principle 3

Institutional investors should monitor their investee companies

As detailed in Principle 1, we regularly engage with the management of investee companies to enable us to fully understand the relevant company's approach to stewardship. It is of paramount importance that we carry out a fundamental analysis of the investee company's strategy, risk management and governance both prior to, and during, deploying capital on behalf of our clients. Proprietary research is also conducted to validate all matters discussed with management. In addition to engaging with management of the investee companies, we also access the opinions of a variety of company and sector experts as well as monitoring the views of governmental officials, non-governmental organisations and other influential stakeholders.

Our investment process revolves around a holistic assessment of a company and the multi-faceted social and economic context in which it operates. Each company is analysed on a case-by-case basis and we make no attempt to force a common framework across all companies given the wide range of industries they operate in. Our analysis of risks is specific to the business and industry in question and is monitored constantly across our holding period. The primary ways in which we

factor our stewardship responsibilities into our investment process are (1) to avoid investing in companies involved in activities which are deemed illegal or inappropriate and (2) to seek a substantially higher margin of safety in our valuation of the equity where there might be risks and/or debate surrounding the corporate governance of the business.

We narrow our investment universe to a select list of companies around the world which we believe possess a durable competitive advantage and attractive growth prospects and are stewarded by able and honest management teams who are aligned with shareholders. Given that we are valuing future cashflow when selecting companies, we know that the more robust and dependable the management, the more likely that this will be achieved. As a result of this, we find that our process naturally excludes large swathes of companies which score inadequately on traditional ESG criteria.

We have an 'engaged owner' approach to corporate governance of our investee companies and seek to ensure that they are good stewards of our capital. As investors with a multi-year horizon, we are very sensitive to governance issues that might not have a bearing on short term share price performance but are very important to the long term sustainability of the business. We emphasize and carefully analyse issues like disclosure and accounting, Board remuneration, Executive management capital allocation and risk management.

As a general rule, we do not wish to be made insiders. We request investee companies and their advisers to ensure that information that could affect our ability to deal in shares of the company concerned is not conveyed to us without our prior agreement. Internal guidelines and procedures set out in our Market Abuse Policy are applied where we become insiders. Staff are provided training on our market abuse policies and the procedures that need to be put in place if they are made insiders. Staff are advised to immediately report this to Compliance who will then place the relevant stock on the stop list and ensure that a block is applied on the portfolio management system and on personal dealing.

Principle 4

Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value

We aim to be perceived as a committed partner by our investee companies and we believe that regular and ongoing dialogue with these companies is one of the most effective methods to ensure engagement and to enable us to raise our concerns.

We do not believe that we should micro-manage the affairs of our investee companies but there may be circumstances where we deem it necessary to escalate matters to enhance and protect our clients' interests. These circumstances might include where minority shareholder rights are put at risk, or there are remuneration issues, if the board shows a significant lack of independence or if other governance conflicts arise where the board structure is compromised or we otherwise have long term strategic concerns. In these situations, we will hold more frequent dialogue and raise our concerns with the investee company directly and generally our approach is to hold such discussions in a confidential manner with only the investee companies involved. Where appropriate, we will work with management and suggest changes that the management may wish to consider such as board composition and business heads. If we deem it necessary, we will collaborate with other shareholders to bring pressure to bear on the board, as detailed in Principle 5 below and we will also carefully consider abstaining or voting against management resolutions if we conclude that this will be an effective tool.

In some rare circumstances, we may believe, however, that it is ultimately in the best interests of the client, to sell the position rather than continuing to intervene where we believe that engagement efforts are not proving to be effective or supported.

Principle 5

Institutional investors should be willing to act collectively with other investors where appropriate

We may collaborate with other shareholders only where we consider that our sole engagement is not resulting in an effective outcome. We will ensure that our clients' interests are clearly aligned with the interests of other shareholders prior to deciding whether to collaborate and we always remain fully aware of potential conflicts, concert party rules and issues of insider information when we participate in any shareholder collaboration. We may contact individual shareholders directly or through industry groups such as the Investment Association and Investor Forum and we will carefully consider each case on its own merits before we decide to engage with other shareholders. In the past, we have engaged with other shareholders on issues of governance and acquisitions. Institutional investors interested in collective engagement should contact stewardship@veritas-asset.com.

Principle 6

Institutional investors should have a clear policy on voting and disclosure of voting activity

We owe a duty to our clients to exercise their voting rights in a thoughtful and considered manner and we are committed to evaluating and voting proxy issues in the best interests of our clients and we have a policy in place which sets out our guidelines for voting proxies which is reviewed on an annual basis.

Our Fund Managers, in conjunction with the analysts, retain discretion for the voting decisions on the companies held within the portfolios they manage, unless provided with specific voting instructions by the clients for their underlying assets. We use Proxy Edge and ISS Proxy Exchange's voting platforms to vote shares electronically and we aim to vote on all shares except where there are onerous restrictions e.g. share blocking. We will not automatically support the Board if we believe that to do so would not be in the best interest of our clients. We monitor our votes and may depart from our policy where we judge that this will be in the interests of our clients. Although we are cognisant of proxy advisers' voting recommendations, we do not delegate our stewardship activities when deciding how to vote our clients' shares.

All voting activity is recorded, including abstentions and votes against and we do endeavour to inform investee companies in advance in the event that we do vote against management resolutions.

Our current policy is to not disclose our voting records publicly due to confidentiality obligations, the protection of proprietary information and the best interests of our clients. However, we do provide detailed voting records and any engagement activities in the quarterly reports to our clients.

Veritas Asset Management LLP does not engage in stock lending activities.

Principle 7

Institutional investors should report periodically on their stewardship and voting activities

Portfolio managers will keep a record of all engagement and voting activity that they participate in which will be logged centrally and this is available to clients on request. We are able to provide a statistical summary of the number and types of resolutions we have opposed, a detailed report listing all the resolutions we voted on in client portfolios and a summary of our engagement highlights and key stewardship issues over a quarter.

Given the small size of our operations and the high level of transparency, we have not sought an independent opinion on our shareholder engagement or voting. However, our operational voting processes and procedures are subject to regular review by internal audit/compliance. We review and approve the statement on stewardship and the voting policy annually and these topics are also discussed regularly at the portfolio meetings conducted by our investment team.

We provide clients with details of voting and engagement activities in their quarterly reports.

Veritas — Asset Management

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Further information

For further information please contact

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