



Stewardship and Shareholders Rights Directive

Verity Capital is the trading name of VerityCorp Ltd, a UK company that is authorised and regulated by the Financial Conduct Authority under firm reference number 992520.



Introduction

VerityCorp Ltd (“Verity” or the “firm”) is a MiFID investment firm that provides portfolio management services to investors which may include transactions in shares traded on UK exchanges and/or an equivalent exchange abroad.

Therefore, Verity must comply with rules set out in COBS 2.2 of the FCA’s Handbook and make the disclosures set out in this document on how it complies with:

- Financial Reporting Council’s Stewardship Code
- FCA disclosure rules aligned with the Shareholder Rights Directive (SRD)

Financial Reporting Council’s Stewardship Code Statement

According to the Financial Reporting Council, the UK Stewardship Code 2020 “sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them. Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.”¹

The UK Stewardship Code 2020 (the “Code”) consists of twelve ‘apply and explain’ Principles for asset managers to address. These Principles seek to provide transparency in terms of how Verity engages with the underlying companies that are invested in through shares traded on a regulated market.

Verity complies with each of the Principles in the following way:

Principle 1: *Firms should develop investment beliefs, strategy, and culture that enable stewardship that creates long term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.*

Verity is a bespoke investment manager with a small experienced investment team with a very clearly defined business model and client target market with a culture and values that facilitate the delivery of a responsible investment strategy. The best interest of clients and beneficiaries is core to our business.

Principle 2: *Firms should have governance, resources and incentives that support stewardship.*

Verity has a very experienced board of directors who provide expert oversight and accountability for effectively meeting the Code. Remuneration structures follow the FCA rules and look to encourage excellent stewardship and investment decision making.

¹ <https://www.frc.org.uk/library/standards-codes-policy/stewardship/uk-stewardship-code/>



Principle 3: *Firms should manage conflicts of interest to put the best interests of clients and beneficiaries first.*

Verity is an independent boutique investment business and so there is a low risk of conflict of interest. In the event that a potential conflict of interest is identified the governing body of the Firm will meet and determine the appropriate course of action in accordance with its conflicts of interest policy.

Principle 4: *Firms should identify and respond to market-wide and systemic risks to promote a well-functioning financial system.*

Verity are required by the FCA to consider market-wide and systemic risks in terms of their own financial soundness and retain an appropriate level of permanent capital and liquidity. The Firm has an extremely experienced investment management team and accordingly deploy investment strategies that promote well-functioning financial markets and do not lead to triggers of systemic risks that may lead to the collapse of an industry.

Principle 5: *Firms should review their policies, assure their processes and assess the effectiveness of their activities.*

Verity are a well-established Firm and have developed policies to ensure they enable effective stewardship. These policies are also periodically reviewed by retained external consultants who report their findings to the board.

Principle 6: *Firms should take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.*

Verity have a very well-defined client target market and provide a boutique service where client understanding is paramount to providing the discretionary investment management service. From July 2023 Verity have complied with the outcomes of the FCA's Consumer Duty Regime which focus on client communication and understanding.

Principle 7: *Firms should systematically integrate stewardship and investment, including material environmental, social, and governance issues, and climate change, to fulfil their responsibilities.*

Investment strategies developed by Verity factor in stewardship.

Verity will publish an ESG disclosure to address where the Firm's investment strategies have prioritised ESG issues.

Principle 8: *Firms should monitor and hold to account managers and/or service providers.*

Where relevant, Verity monitors its service providers and business partners to ensure services have been delivered to meet the clients needs and is aligned with the Firm's investment and stewardship strategy and Policies.



Principle 9: *Firms should engage with issuers to maintain or enhance the value of assets.*

As a boutique manager the influence that Verity is able to bring to bear on investee companies is limited. In the event that Verity loses confidence in the management of an investee company the investment will be divested.

Principle 10: *Signatories, where necessary, participate in collaborative engagement to influence issuers.*

Verity is willing to work collectively with other investors and will determine on a case-by-case basis whether such collaboration is in the best interests of its clients. However, as a boutique manager the influence that Verity is able to bring to bear on investee companies is limited. In the event that Verity loses confidence in the management of an investee company the investment will be divested.

Principle 11: *Signatories, where necessary, escalate stewardship activities to influence issuers.*

As a boutique manager the influence that Verity is able to bring to bear on investee companies is limited. In the event that Verity loses confidence in the management of an investee company the investment will be divested.

Principle 12 *Signatories actively exercise their rights and responsibilities.*

Verity is a boutique investment manager and as such the holdings that it has in UK companies are small as a proportion of the issued share capital. Verity will only exercise voting rights where it believes such voting to be in the best interest of its clients.

Verity's policy is to exercise voting rights where it believes, taking into account the size of the holding, it is in the interests of the underlying clients for such rights to be exercised.



Shareholder Rights Directive (SRD) Engagement Policy

Alongside the Financial Reporting Council's Stewardship Code sits the FCA's own rules on disclosures: a MiFID investment firm, that provides portfolio management services to investors, must disclose where it invests on behalf of its client in shares traded in a regulated market (both in the UK and equivalent markets elsewhere).

The FCA Handbook sets out areas that Verity must address:

i. Investment Strategy

Verity's investment philosophy is to seek and select investments from a global universe. We place your capital in a broad array of attractive assets (fixed income, equities etc) to reduce the risk of permanent capital loss.

ii. How shareholder engagement is integrated into its investment strategies

Where Verity invests in companies its investment analyst will carry out a prior research process into the skill and expertise of the investment's management team, its business model, financial performance and strategy and future potential for growth.

This may inform Verity's initial and ongoing decision making. Verity's investment managers can also choose to conduct further engagement and form a significantly closer relationship with management and other shareholders before investing and after the investment is made.

iii. Exercises voting rights and other rights attached to shares

Verity's general policy is not to vote on AGM or EGM resolutions and corporate actions unless it is in the best interest of its clients by protecting or enhancing shareholder value and only when the size of the holding is material to the outcome to the resolution or outcome. Therefore, normally Verity will not generally exercise voting rights or co-operate with other shareholders.

iv. Cooperates with other shareholders

Similarly, Verity would only cooperate with other shareholders in the event that is in the best interest of its clients by protecting or enhancing shareholder value and only when the size of the holding is material to the outcome to the resolution or outcome.

v. Conducts dialogue with investee companies

Depending on the size of the investment Verity meets with an investee company's management and takes part in other formal opportunities provided by that company such as investor briefings.

vi. Communicates with other stakeholders of the investee companies

In relation to the above Verity's general policy is not to vote on AGM or EGM resolutions and corporate actions unless it is in the best interest of its clients by protecting or enhancing shareholder value and only when the size of the holding is material to the outcome to the resolution or outcome. Therefore, normally Verity will not generally exercise voting rights or co-operate with other shareholders.



In circumstances where Verity does engage, subject to the best interest of its client, Verity has the general policy of voting with management.

vii. Monitors Investee firms

Where Verity's investment teams invests in listed equities on behalf of its clients it seeks to invest in investee companies that are well managed and operate an appropriate culture to enhance long-term shareholder value. To identify these investments, factors such as company results or strategy changes, are monitored and periodically reviewed.

viii. Manages actual and potential conflicts of interest in relation to the firm's engagement activities

As stated above Verity's engagement policy is driven by achieving the best interest of its clients and therefore will seek to minimise and mitigate conflicts of interest wherever possible. How Verity manages its conflicts of interest is explained on its website.

Annual Disclosures

Verity annually reviews these disclosures.

Verity will amend this disclosure if it engages with a proxy service.

Verity note that on the 7th November 2023 the FRC stated that they are undertaking a fundamental review of the UK Stewardship Code 2020 to ensure it supports growth and the UK's competitiveness. We understand that a new version will be published by the FRC in 2024. The Firm will update this document upon publication of the new Code.

In the event that Verity invests on behalf of institutional clients who carry out activities relating to insurance or occupational pensions then the firm will make further required disclosures to those clients.