



# CLIMATE TRANSPARENCY REPORT 2020

Veritas Asset Management LLP

# About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US\$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2020 PRI Reporting Framework.

## About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (<https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/-AFE40F99-50CD-46D1-88B7-29EC47D13A89/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1>). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2020 climate reporting as “private”. Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the [PRI website](#) and on the [Data Portal](#).

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

# TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	✓	Public				
SG 07.7 CC	-	Public				
SG 07.8 CC	-	Public				
SG 13.1	✓	Public				
SG 13.2	✓	Public				
SG 13.4 CC	✓	Private				
SG 13.5 CC	✓	Private				
SG 13.6 CC	✓	Private				
SG 13.7 CC	✓	Private				
SG 13.8 CC	✓	Private				
SG 14.1	✓	Public				
SG 14.2	✓	Public				
SG 14.3	✓	Public				
SG 14.6 CC	✓	Public				
SG 14.7 CC	-	Public				
SG 14.8 CC	✓	Public				
SG 14.9 CC	✓	Public				
SG 15.1	✓	Public				
SG 15.2	✓	Public				
SG 15.3	✓	Public				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation
Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.	

# ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS	
<b>Name</b>	Veritas Asset Management LLP
<b>Signatory Category</b>	Fund Management - Majority
<b>Signatory Type</b>	Investment Manager
<b>Size</b>	US\$ 10 - 29.99 billion AUM
<b>Main Asset Class</b>	>50% Listed Equity Internally Managed
<b>Signed PRI Initiative</b>	2017
<b>Region</b>	Europe
<b>Country</b>	United Kingdom
<b>Disclosure of Voluntary Indicators</b>	96% from 38 Voluntary indicators

# Veritas Asset Management LLP

## Reported Information

### Public version

### Strategy and Governance

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Investment policy

SG 01	Mandatory	Public	Core Assessed	General
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**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

SG 01.1	Indicate if you have an investment policy that covers your responsible investment approach.
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SG 01.6	Additional information [Optional].
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The investment policies for our pooled funds are outlined in the documents titled; "Veritas Funds plc prospectus dated 9 February 2020", "Prospectus dated 1 July 2019 - Veritas Common Contractual Fund" and "Prospectus of The Real Return Funds plc -Dated 1 July 2019." Our responsible investment approach which governs the pooled funds are outlined the policy documents titled; "VAM LLP - Global ESG Policy" and "VAM LLP- Global Voting Policy." The policy documents explain our responsible investment approach and how this enables us to execute our investment objective outlined in the investment policy. In addition, a number of the investment management agreements (IMAs) for the segregated mandates we manage, incorporate responsible investment as a standalone section.

SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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SG 01.6 CC	Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation's investment time horizon.
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Yes

	Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.
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There are two main ways we address these issues. The first is excluding those companies that we deem to fail our sustainability criteria - be it sustainability of product/service, business model, cash flow, capital structure or governance. You have companies that score well on high level ESG scores like Pacific Gas and Electric Company ("PG&E") but without the capital structure they go into bankruptcy as soon as hit by an external risk (ironically climate related in their case). Due to these sustainability factors we exclude companies related to Oil, Coal, most Utilities, Steel, Cement, Agriculture etc. This means our Universe List of 250 companies does not contain these businesses so we would not buy at any price.

The Second approach is opportunity arising from the necessity of transition. Some of these are related to the high probability of greater regulation. For example we have invested in companies in Asia that benefit from the greater environmental regulation e.g. Centre Testing International (environmental monitoring), Techtronic Industries (cordless power tools). Elsewhere we have invested in companies like Canadian Pacific Railway which transport goods across North America. They generate 4x less carbon than trucks, offering their customers a way to lower their own carbon footprints and management have KPI's in place to continue fuel efficiency which, despite already being favourable, is the bulk of their cost. This alignment of targets with incentives is key.

No

SG 01.7 CC	Indicate whether the organisation has assessed the likelihood and impact of these climate risks?
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Yes

Describe the associated timescales linked to these risks and opportunities.

Our stress test is to look out 10 years and assess whether a company will maintain its dominance. A simple example would be to compare Microsoft Corporation with BP plc. Microsoft have a dominant product in office 365 and Cloud, which customers do not move away from. It's very likely that will still be the case in 10 years' time. BP, on the other hand, is held hostage to something outside its control - the oil price. We are likely to see a drop in the demand for oil as more renewable energy is developed. The company will have to make significant changes to its business model to adapt to the new world and has been behind the curve in this respect.

We consider all risks and opportunities over a 10 year time horizon, with the aim of holding companies for at least 5 years. Much of the process involves assessing management over these time periods and examining KPI's and incentives that are in place. If necessary we will push for better alignment. Specifically in relation to climate change, those businesses where climate/ carbon related factors are a risk or fuel is a large part of costs, we will specifically examine managements objectives/ targets and how these are measured. This would include aerospace companies such as Safran, Airbus and the aforementioned Canadian Pacific Railway.

No

**SG 01.8  
CC**

Indicate whether the organisation publicly supports the TCFD?

Yes

No

**SG 01.9  
CC**

Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

Yes

Describe

We have detailed our approach in SG 01.6CC - SG 01.8CC. Additionally, we introduced a policy to encourage greater disclosure of carbon emissions. In order to make greater sense of transition and readiness for a 2 degree world, we need all companies to disclose their carbon output in a consistent manner. Currently there is too much reliance on estimates which can be inconsistent between providers. Any company in which we are invested that does not disclose, we will initially write to encourage disclosure and then raise the item when we meet with management. We also believe that ideally there is open architecture to carbon disclosure rather than the need to sign up to a particular third party provider. We have recently signed up our support the TPI in their work towards a freely available online tool.

No

**SG 1.10  
CC**

Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

- Public PRI Climate Transparency Report
- Annual financial filings
- Regular client reporting
- Member communications
- Other
- We currently do not publish TCFD disclosures

## Governance and human resources

SG 07 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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**SG 07.5 CC** Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.

Board members or trustees

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Other Chief-level staff or heads of departments

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Portfolio managers

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Investment analysts

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Other role, specify (1)

**The ESG Team**

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

**SG 07.6 CC** For board-level roles that have climate-related issue oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.

Please refer to response to SG 07.2

**ESG issues in asset allocation**

SG 13	Mandatory	Public	Descriptive	PRI 1
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**SG 13.1**

Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

- Yes, in order to assess future ESG factors

Describe

Given we are a concentrated equity manager, we conduct scenario testing on a case by case basis. If the analyst believes an environmental or social factor is significant, we will model for assumptions e.g. varying levels of regulation for social media/ data platform companies such as Facebook and Alphabet.

- Yes, in order to assess future climate-related risks and opportunities

Describe

We carried out scenario testing on Vail Resorts, the number one North American Ski Resort company, in order to underwrite climate risk. We assume varying greenhouse gas concentration pathways e.g. no-levelling off of GHG emissions and an aggressive increase and effect on resorts of different altitudes.

- No, our organisation does not currently carry out scenario analysis and/or modelling

**SG 13.2**

Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

We do the following

- Allocation between asset classes
- Determining fixed income duration
- Allocation of assets between geographic markets
- Sector weightings
- Other, specify
- We do not consider ESG issues in strategic asset allocation

<b>SG 14</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Public</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
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**SG 14.1**

Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.

- Changing demographics
- Climate change
- Resource scarcity
- Technological developments
- Other, specify(1)

other description (1)

Healthy Asia

- Other, specify(2)

other description (2)

Green Asia

None of the above

**SG 14.2**

Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

- Established a climate change sensitive or climate change integrated asset allocation strategy
- Targeted low carbon or climate resilient investments
- Phase out your investments in your fossil fuel holdings
- Reduced portfolio exposure to emissions intensive or fossil fuel holdings
- Used emissions data or analysis to inform investment decision making
- Sought climate change integration by companies
- Sought climate supportive policy from governments
- Other, specify
- None of the above

**SG 14.3**

Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

- Scenario analysis
- Disclosures on emissions risks to clients/trustees/management/beneficiaries
- Climate-related targets
- Encouraging internal and/or external portfolio managers to monitor emissions risks
- Emissions-risk monitoring and reporting are formalised into contracts when appointing managers
- Weighted average carbon intensity
- Carbon footprint (scope 1 and 2)
- Portfolio carbon footprint
- Total carbon emissions
- Carbon intensity
- Exposure to carbon-related assets
- Other emissions metrics
- Other, specify
- None of the above

<b>SG 14 CC</b>	<b>Voluntary</b>	<b>Public</b>	<b>General</b>
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**SG 14.6 CC** Provide further details on the key metric(s) used to assess climate-related risks and opportunities.

Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
<b>Portfolio carbon footprint</b>	<input checked="" type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Monitoring	tCO2e/Mil USD	Scope 1

<b>SG 14.8 CC</b>	Indicate whether climate-related risks are integrated into overall risk management and explain the risk management processes used for identifying, assessing and managing climate-related risks.
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- Processes for climate-related risks are integrated into overall risk management

Please describe
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The companies with the biggest climate change risk and transitional risk are oil, gas and coal companies. Given the lack of predictability we largely avoid these businesses. Some of the companies held have low carbon emissions but either have no disclosure or no climate change committee (or both). We encourage disclosure but do not subscribe to screening out companies purely on non-disclosure, especially if not seen as a high-risk company. In some cases, the company has been focusing on risks more specific to their businesses

- Processes for climate-related risks are not integrated into overall risk management

<b>SG 14.9 CC</b>	Indicate whether your organisation, and/or external investment manager or service providers acting on your behalf, undertake active ownership activities to encourage TCFD adoption.
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- Yes

Please describe
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We are a supporter of TCFD initiative and encourage all invested companies to disclose emissions data, preferably verified by a third party.

- No, we do not undertake active ownership activities.
- No, we do not undertake active ownership activities to encourage TCFD adoption.

<b>SG 15</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Public</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>SG 15.1</b>	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.
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- Yes

<b>SG 15.2</b>	Indicate the percentage of your total AUM invested in environmental and social themed areas.
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%
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17.4

<b>SG 15.3</b>	Specify which thematic area(s) you invest in, indicate the percentage of your AUM in the particular asset class and provide a brief description.
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Area
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- Energy efficiency / Clean technology

Asset class invested

- Listed equity

Percentage of AUM (+/-5%) per asset class invested in the area

5.7

Brief description and measures of investment

It should be stressed that we do not run specific themed funds but utilise themes to generate ideas. Given we generally only hold around 30 stocks in our portfolios, we may only be holding one or two positions related to a particular theme at any one time. Within Energy efficiency we look for companies that benefit from the need to either reduce carbon themselves and/or their clients. Canadian Pacific Railway is more energy efficient itself and provides a way for its clients to reduce their carbon footprint. Tectonic for example provide building sites with the ability to use non-fuel power tools.

- Renewable energy
- Green buildings
- Sustainable forestry
- Sustainable agriculture
- Microfinance
- SME financing
- Social enterprise / community investing
- Affordable housing
- Education

Asset class invested

- Listed equity

Percentage of AUM (+/-5%) per asset class invested in the area

0.5

Brief description and measures of investment

We believe that technology is key to education and delivering a wider coverage to children especially in more rural areas / smaller cities within Asia. We are invested in TAL Education and New Oriental Education and Technology.

- Global health

Asset class invested

- Listed equity

Percentage of AUM (+/-5%) per asset class invested in the area

11.2

We have specific themes related to 'value based healthcare' and 'healthy Asia'. In the former we seek businesses that seek to take cost out of the system or provide some value add medical need - usually a medical device - rather than investing in pharmaceutical companies that depend on raising drug pricing. Examples would be companies like Sonic Healthcare that performs diagnostic testing (2% of medical costs but dictates where much of the rest is spent) or Baxter International which provide kidney dialysis machines that can be used at home saving the patient travelling to hospital 2-3 times a week. In addition we invest in Coopers and its contact lens to help treat Myopia, a global epidemic. Within Healthy Asia, we are investing in specific Asian names that will benefit from the substantial increase in health spend, as particularly China and India are addressing under resourced health care provision. Investments have been made in Apollo Hospitals, Samsung Biologics, Aire Hospitals to name a few.

- Water
- Other area, specify

No