



# CLIMATE TRANSPARENCY REPORT

## 2019

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 2019 PRI Reporting Framework.

## About this report

This report is an export of only the climate-related indicators from the 2019 Reporting Framework response. The full Public Transparency Report is available here ([https://reporting.unpri.org/surveys/PRI-reporting-framework-2019/-D4324BE5-34B9-4EB7-B765-2F6DBD33675F/00000000-0000-0000-0000-000000000000/doc/2/-%7C%7C\\*complete\\*%7C\\*public\\*/Merged/](https://reporting.unpri.org/surveys/PRI-reporting-framework-2019/-D4324BE5-34B9-4EB7-B765-2F6DBD33675F/00000000-0000-0000-0000-000000000000/doc/2/-%7C%7C*complete*%7C*public*/Merged/)). 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 2019 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 01.1	✓	Public				
SG 01.2	✓	Public				
SG 01.3	✓	Public				
SG 01.4	✓	Public				
SG 01.5	✓	Public				
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 01.11 CC	✓	Public				
SG 01.12 CC	✓	Public				
SG 02.2	✓	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	-	Public				
SG 13.5 CC	-	Public				
SG 13.6 CC	-	Public				
SG 13.7 CC	-	Public				
SG 13.8 CC	-	Public				
SG 14.1	✓	Public				
SG 14.2	-	Public				
SG 14.3	-	Public				
SG 14.4	-	Public				
SG 14.5	✓	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>	100% 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

**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.

Yes

SG 01.2

Indicate the components/types and coverage of your policy.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input type="checkbox"/> Formalised guidelines on environmental factors <input type="checkbox"/> Formalised guidelines on social factors <input type="checkbox"/> Formalised guidelines on corporate governance factors <input checked="" type="checkbox"/> Fiduciary (or equivalent) duties <input type="checkbox"/> Asset class-specific RI guidelines <input type="checkbox"/> Sector specific RI guidelines <input type="checkbox"/> Screening / exclusions policy <input checked="" type="checkbox"/> Engagement policy <input checked="" type="checkbox"/> (Proxy) voting policy <input type="checkbox"/> Other, specify (1) <input type="checkbox"/> Other, specify(2)	<input type="radio"/> Applicable policies cover all AUM <input checked="" type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

**SG 01.3**

Indicate if the investment policy covers any of the following

- Your organisation's definition of ESG and/or responsible investment and it's relation to investments
- Your investment objectives that take ESG factors/real economy influence into account
- Time horizon of your investment
- Governance structure of organisational ESG responsibilities
- ESG incorporation approaches
- Active ownership approaches
- Reporting
- Climate change
- Understanding and incorporating client / beneficiary sustainability preferences
- Other RI considerations, specify (1)
- Other RI considerations, specify (2)

**SG 01.4**

Describe your organisation's investment principles and overall investment strategy, interpretation of fiduciary (or equivalent) duties, and how they consider ESG factors and real economy impact.

We look for good quality companies (those that generate high levels of cash, have high barriers to entry and predictable deployment of cash) and we remain patient to buy these companies at the right price (typically, we aim for a 15% p.a absolute investment rate (IRR) of return over a 5 year rolling period). The more predictable a company, the easier it is to model, the higher the likelihood to make the desired return. The first part of the process therefore is identifying quality companies to add to our Universe List. The analysts focus on a list of stocks that have been generated in a number of ways including themes (looking for tailwinds which will ensure cash generation will continue into the future) and screening (looking for good quality companies that for some reason look undervalued). These are companies that at first sight look as if they may be attractive long term and warrant further analysis. The analyst will analyse the company in depth, including considerations that may affect the company sustainability. Given we are looking for predictability, anything that may jeopardise this is important. A company can be rejected for a number of reasons including aspects relating to ESG.

**SG 01.5**

Provide a brief description of the key elements, any variations or exceptions to your investment policy that covers your responsible investment approach. [Optional]

The key elements are as follows; 1) seek good quality companies and place them on our Universe List. Here we consider ESG factors. 2) Remain patient to buy the company at the right entry point. Sustainability factors are also considered at this stage of the process. The Universe List consists of approximately 250 companies of which the majority we seek the 15% p.a IRR. Companies with a 1 rating have the greatest predictability and better corporate governance. For these businesses we only seek a 12.5% IRR i.e. there is a lower margin of safety sort due to less risk factors. The majority of companies are rated 2 and a 15% IRR sort. Companies with a 3 rating are those whose corporate governance may leave some concerns e.g. Cayman Islands holding company or the company is more cyclical in nature and as a consequence we look for a 20% IRR.

No

**SG 01.6**

Additional information [Optional].

The investment policy's for our pooled funds are outlined in the documents titled; "Veritas Funds plc prospectus - Dated 1 October 2018", "Veritas Common Contractual Fund Prospectus with Supplement 25 May 2016" and "Prospectus of The Real Return Funds plc - Dated 13 July 2017." Our responsible investment approach which governs the pooled funds are outlined the policy documents titled; "VAM LLP - Global ESG Policy", "VAM LLP Asian ESG Policy - Nov



2017", &quot;VAM LLP- Global Voting Policy&quot; and &quot;VAM LLP Asian Voting Policy - Dec 2017.&quot; 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 (IMA) for the segregated mandates we manage, incorporate responsible investment as an standalone section.

I confirm I have read and understood the Accountability tab for SG 01

I confirm I have read and understood the Accountability tab for SG 01

SG 01 CC	Voluntary	Public	Descriptive	General
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<b>SG 01.6 CC</b>	Indicate the climate-related risks and opportunities that have been identified and factored into the investment strategies and products, within the organisation's investment time horizon.
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The quality characteristics as we would define them, are not found in those companies that have a high level of risk related to climate change factors. Notably metals, mining, oil, coal and heavy industries etc. This one of the reasons the portfolios have low carbon footprints. In the case of the Asian strategy we currently have a theme titled "Green Asia", where we are looking for ideas related to renewable energy or those which benefit from the Chinese governments focus on levels of pollution. In the case of the Global Strategy, we hold a windfarm developer based on the improved economics behind this source of electricity and the company disinvesting totally from its less economical oil/gas business.

<b>SG 01.7 CC</b>	Indicate whether the organisation has assessed the likelihood and impact of these climate risks?
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- Yes
- No

<b>SG 01.9 CC</b>	Indicate whether the organisation publicly supports the TCFD?
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- Yes
- No

	Explain the rationale
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We don't publicly support the TCFD, however we engage with companies to encourage disclosure. We are assessing formally signing up.

<b>SG 01.10 CC</b>	Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.
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- Yes
- No

**SG 01.11  
CC**

Describe how and over what time frame the organisation will implement an organisation-wide strategy that manages climate-related risks and opportunities.

We have a low exposure to climate related risks across all portfolios and already encourage disclosure from companies where it is needed. We are currently assessing the various options to introduce an additional strategy that is both additive to the investment process and client reporting.

**SG 1.12  
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

specify

Not Applicable

**SG 02**

**Mandatory**

**Public**

**Core Assessed**

**PRI 6**

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

**SG 02.1**

Indicate which of your investment policy documents (if any) are publicly available. Provide a URL and an attachment of the document.

- Policy setting out your overall approach

URL/Attachment

- URL
- Attachment (will be made public)

Attachment

[File 1:VAM LLP - Global ESG Policy.pdf](#)

[File 2:VAM LLP - Asian ESG Policy.pdf](#)

- Fiduciary (or equivalent) duties

URL/Attachment

- URL
- Attachment (will be made public)

Attachment

[File 1:VAM LLP - Global ESG Policy.pdf](#)

[File 2:VAM LLP - Asian ESG Policy.pdf](#)

Engagement policy

URL/Attachment

- URL
- Attachment (will be made public)

Attachment

[File 1:VAM LLP - Global ESG Policy.pdf](#)

[File 2:VAM LLP - Asian ESG Policy.pdf](#)

(Proxy) voting policy

URL/Attachment

- URL
- Attachment (will be made public)

Attachment

[File 1:VAM LLP - Global Voting Policy.pdf](#)

[File 2:VAM LLP - Asian Voting Policy.pdf](#)

We do not publicly disclose our investment policy documents

**SG 02.2** Indicate if any of your investment policy components are publicly available. Provide URL and an attachment of the document.

Your organisation's definition of ESG and/or responsible investment and it's relation to investments

URL/Attachment

- URL
- Attachment

File Attachment

[VAM LLP - Asian ESG Policy.pdf \[136KB\]](#)

Time horizon of your investment

URL/Attachment

- URL
- Attachment

File Attachment

[VAM LLP - Global ESG Policy.pdf \[113KB\]](#)

- Active ownership approaches

URL/Attachment

- URL
- Attachment

File Attachment

[VAM LLP - Global ESG Policy.pdf \[113KB\]](#)

- Reporting

URL/Attachment

- URL
- Attachment

File Attachment

[VGFF USD A Quarterly Investment Report Q218.pdf \[569KB\]](#)

- We do not publicly disclose any investment policy components

**SG 02.3** Additional information [Optional].

Our investment policy documents for ESG and Proxy Voting are not available on our website. However, they are available to clients and on request to prospective clients.

**Governance and human resources**

<b>SG 07 CC</b>	<b>Voluntary</b>	<b>Public</b>	<b>Descriptive</b>	<b>General</b>
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<b>SG 07.5 CC</b>	Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.
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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)

Other description (1)

Other role, specify (1)

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

Other role, specify (2)

Other description (2)

Other role, specify (2)

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

**ESG issues in asset allocation**

<b>SG 13</b>	<b>Mandatory</b>	<b>Public</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>SG 13.1</b>	Indicate whether the organisation undertakes scenario analysis and/or modelling and provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).
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- Yes, to assess future ESG factors
- Yes, to assess future climate-related risks and opportunities
- No, not to assess future ESG/climate-related issues

<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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<b>SG 14.1</b>	Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.
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- Changing demographics
- Climate change
- Resource scarcity
- Technological developments
- Other, specify(1)
- Other, specify(2)
- None of the above

<b>SG 14.5</b>	Additional information [Optional]
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We have started to consider the merits of introducing carbon foot printing / analysis and/ or whether some form of Artificial intelligence (AI) data service may help provide additional, worthwhile information with which to question management. This will be concluded during 2019.

<b>SG 14 CC</b>	Voluntary	Public	General
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<b>SG 14.8 CC</b>	Indicate whether climate-related risks are integrated into overall risk management and explain the risks management processes for identifying, assessing, and managing climate-related risks.
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- Process for climate-related risks is 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 end 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.

- Process for climate-related risks is not integrated into our overall risk management

<b>SG 14.9 CC</b>	Indicate whether the organisation undertakes active ownership activities to encourage TCFD adoption.
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- Yes

Please describe
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Whilst we are not signed up to CPD and UN GC we are signed up to AMNT red lines which adhere to these.

- No, we do not engage

<b>SG 15</b>	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1
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**SG 15.1**

Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

- Yes
- No