Veritas
— Asset
Management

Real Return
Investing

Veritas Asset Management LLP

Net Zero Statement

Veritas Asset Management LLP (“Veritas” or “Firm”) is committed to achieving Net Zero by 2050. The Firm’s pledge to achieve Net Zero is reflected in the commitment to the Net Zero Asset Managers Initiative (“NZAM”) and the Science-Based Targets Initiative (“SBTi").

Firm level commitment

Veritas became carbon neutral in 2022. Alphacello Ltd, a third-party organisation, has been appointed to independently calculate and verify carbon emissions of the Firm. The methodology used is consistent with the GHG Protocol Corporate Accounting and Reporting Standard. The Firm has applied a financial control approach to Scope 1, 2 and 3 emissions for which Veritas is responsible, using 2019 as the base year.

Veritas recognise that not only must emissions be reduced, residual emissions should be offset and contributions must be made to assist others to reduce their footprint. The Firm’s carbon mitigation strategy is to offset its carbon usage through VCS (Verified Carbon Standard) projects. During early 2022, residual emissions were netted off (based on 2019 levels) by contributing to a small hydro-power project in India and a biomass cookstoves project in Malawi. Less developed countries with governments that cannot direct sufficient funds to support environmental initiatives require assistance with climate adaptation and mitigation. It's essential that any offsets make a direct impact in reducing emissions immediately, as illustrated in the contribution to the biomass project. Veritas also believes in supporting newer technologies such as Hydro Power to encourage further innovation.

Financed Emissions: Net Zero Alignment Framework

The most significant portion of Veritas’ emissions are financed emissions as a direct result of providing investment management services to segregated clients and a suite of Veritas branded funds (“Funds"). Veritas is committed to achieving financed emissions of Net Zero by 2050 with the percentage of AUM managed in line with Net Zero by that date being 100%. This is a measurable commitment by virtue of becoming a signatory of the Net Zero Asset Managers initiative (“NZAM”). The Firm has also signed up to the Science Based Targets initiative (“SBTi”) and are obliged to set interim targets for both SBTi and for NZAM to demonstrate progression to those targets.

In line with the commitment to progress towards managing 100% of assets in line with a Net Zero targets, all Funds are classified as Article 8 under the Sustainable Finance Disclosure Regulation (“SFDR”), meaning the Funds promote environmental and social characteristics. Several binding commitments made under this regulation reinforce the pledge of ensuring the Funds are managed in line with achieving Net Zero.

Additionally, the investment process integrates environmental considerations into company analysis. Prior to investing in a business, the investment team will assess the materiality of risks posed by climate change on a case-by-case basis and, where necessary, the financial impact of physical risks. Post investment, the team conducts ongoing analysis of each business’s alignment with the pillars of the TCFD framework including governance, strategy, risks, metrics and targets. More specifically, the investment team are trying to identify how the company is positioned in its transition to a low-carbon economy, this includes identifying the following:

- Does the board have oversight of the company's climate strategy?
- Irrespective of materiality, what risks and opportunities does the business face?
- Has the company reviewed its entire carbon inventory and are disclosures independently verified?
- Where in the value chain are the bulk of emissions produced and does the business have the ability to make meaningful changes to reduce emissions?
- Has the business identified carbon emission reduction targets that are science-based?
- What temperature trajectory are these targets aligned with?
- Does the business have the ability to achieve Net Zero or is further innovation required within the sector?
- Will carbon offsets play a significant role in the business's transition strategy?
- What progress has the business made in reducing absolute emissions year-on-year?

Stewardship

Veritas is a long-only equity asset manager therefore, voting and engagement are the primary tools available to challenge management. The stewardship process incorporates climate change using the following methods.

- **ESG Red Line Voting Policy**

ESG Red Line ("Red Lines") voting was introduced in 2017, the framework was originally created by the non-profit organisation Association of Member Nominated Trustees ("AMNT"). 39 Red Lines were developed to support adherence and development of ESG topics. The Red Lines trigger a 'comply or explain' action to support ESG initiatives and encourage the Board of Directors to promote good practice to move towards a net zero environment. Veritas will communicate the outcome of the voting to clients along with the action being taken by a company if voting alongside management. The policy incorporates guidance on the disclosure on GHG emissions from the Carbon Disclosure Project ("CDP") and the UN Global Compact ("UNGC"). The Red Lines have been customized to apply across all Global mandates and are reviewed annually. Currently 29 Red Lines are applied of which 5 are related to Environmental topics as follows.

Environmental	E1	Climate Change: Requirement for an Environmental Sustainability Committee	If the company does not have a sustainability committee with responsibility for environmental issues including climate change chaired by a board director, or if the company is outside the FTSE 350 and does not have a named board member with responsibility for this area as evidence of appropriate concern, vote against the chair of the board.
	E2	Climate change: Task Force on Climate-related Financial Disclosures"	If the company does not report in line with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") vote against the chair of the board.
	E3	Climate change: introduction and disclosure of emission reduction targets	If the company has failed to commit to introduce and disclose science-based emission reduction targets, a coherent strategy and action plan in line with a 1.5°C scenario, vote against the chair of the board.
	E5	Climate change: disclosure of information via CDP questionnaires	If the company has failed to disclose quantitative and qualitative environmental information through for example CDP's water and forests questionnaires or similar, vote against the re-election of the chair of the sustainability committee or, in the absence of such a committee, against the re-election of the chair of the main board.

	E6	Environmental damage	If the company has a history of major incidents of environmental damage, or a major incident in the year under report, and the directors' report does not include a substantial account of how it is responding to resulting criticism and of the ways in which it proposes to minimise the risks of repetition, vote against the reappointment of the chair. [1]

- **TCFD Alignment and Thematic Engagement**

In 2021, Veritas introduced a TCFD engagement framework. All investee companies are assessed on where they are in their transition to a low-carbon economy. Veritas uses data from The Carbon Disclosure Project ("CDP") reports, raw data from third parties such as MSCI ESG Research LLC, and disclosures directly from the company. The assessment is aligned with the Taskforce on Climate-Related Financial Disclosures ("TCFD") framework, including governance, strategy, risks, metrics & targets. Essentially, where there is a shortfall, Veritas will engage with management.

Alongside the TCFD work, Veritas will focus on Thematic engagement, classified as interactions with a company to promote good business practices. For example, companies should have their transition plans independently verified by an organisation like the Science Based Targets Initiative ("SBTi"), irrespective of whether the company is a high carbon emitter. Whilst the Funds have a lower carbon footprint than the index, disclosure of climate credentials is essential if any sense is to be made at the portfolio level and across the industry. Veritas encourages investee companies to have targets verified by the SBTi.

Targets and assessing effectiveness.

It is important to have a measurable outcome to the climate and voting activity on client portfolios. One of the most effective is to illustrate the implied temperature rise ("ITR") for a strategy. Veritas have appointed an external partner, the Carbon Trust, to assist with calculating the implied temperature rise of all financed emissions to determine an overall pathway to net zero (assumed to be linear). Carbon Trust are respected advisors to organisations and governments on climate transition pathways and use SBTi approved methodology.

The implied temperature rise (ITR) model assembled by Carbon Trust only incorporates companies with targets set that have been verified by SBTi. Companies that have committed to SBTi but are yet to have their targets approved or have no targets set, receive a default score of 3.2°C[2]. As a result, some companies are assigned a higher ITR in the model until their targets are verified.

Whilst the model uses the weighted average approach (the respective weighting is the invested value in a company divided by the total value of all portfolios), this hard-line default approach impacts the overall implied temperature rise, which is the key takeaway. The ITR will reduce quickly by encouraging companies to commit to having their targets verified by SBTi, which aligns with the TCFD engagement framework.

Interim 2030 target

The decarbonisation framework is consistent with the SBTi Financial Institutions Target Methodology, which incorporates the IPCC pathway to 1.5°C. The Temperature Rating methodology is used to determine the targets for financed emissions. The baseline year set was 2021, at which point the firm-level metrics were 2.76°C (Scopes 1+2) and 2.93°C (Scopes 1+2+3). The interim targets for 2030 are 2.37°C (Scopes 1+2) and 2.48°C (Scopes 1+2+3). The main target set is to achieve 1.5°C by 2050 by aiming for an annual temperature reduction of 0.04°C (Scopes1+2) and 0.05°C (Scopes 1+2+3).

[1] *Proxy voting policy guidance stipulated in the table is applicable to Global Funds. Comparable guidance is due to be applied to Asian Funds in 2023.*

[2] *Default temperature score is subject to revisions based on guidance provided by the Intergovernmental Panel on Climate Change ("IPCC").*

CARBON TRUST

Scope 1,2&3 target trajectory 1.5DS

Method 3: Portfolio weighting

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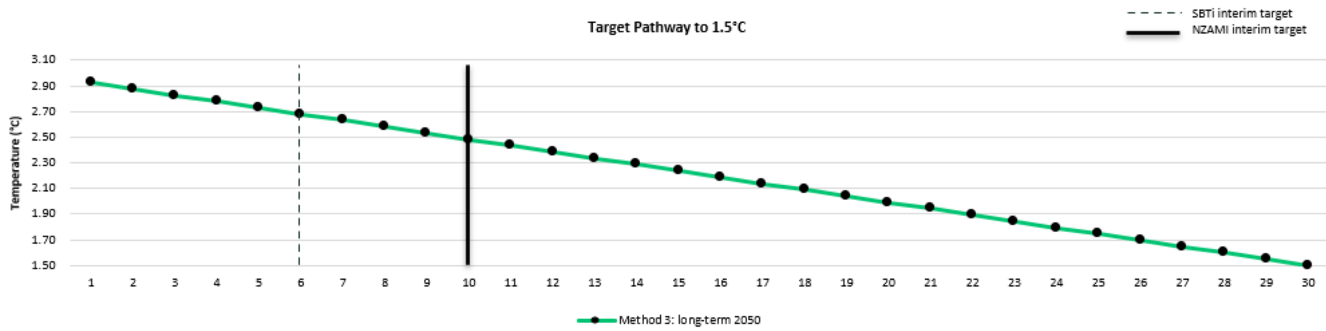

Target setting	Long-term target 2050
Baseline Year (t1)	2021
Longer-term target	**2050**
Interim Target (NZAMI)	**2030**
Interim Target (SBTi)	**2026**
Current Temp Scoring S1&2	2.93
Target Temp Scoring S1&2	**1.50**
Δ Temp reduction t1 + n	0.05

Interim Target	Year	Long-term target 2050
The Net Zero Asset Managers	2030	NZAMI interim target is 2030 so time frame is 9 years so [2.93°C - (9 x 0.05)] = **2.48°C temperature score by 2030**
Science-based target	2026	SBTi interim target is 2026 so time frame is 5 years so [2.93°C - (5 x 0.05)] = **2.68°C temperature score by 2026**

In line with the commitment to Net Zero by 2050, all portfolios managed by Veritas are categorised as Article 8 under the Sustainable Finance Disclosure Regulation ("SFDR").

Veritas intends to invest a minimum of 60% of the Fund's NAV into investments which attain the environmental and/or social characteristics promoted by the Fund. To achieve the minimum 60% threshold of investments in companies that promote environmental and/or social characteristics, a blended methodology is applied that weights the binding elements equally.

The binding elements include the following areas that are relevant to climate:

1. Ensure that a minimum of 30%[3] of net assets are invested in companies committed to achieving Net Zero. Compliance will be measured using verification and commitments aligned with Science-Based Net Zero Target methodologies and/or pledges to the Business Ambition for 1.5°C campaign, each as promoted by the SBTi. This is important as companies that pledge Net Zero that are not science based are not captured. This ensures engagement to encourage companies to comply.

2. Strategies will be managed to achieve an overall carbon footprint (calculated regarding Scopes 1+2) that is a minimum of 50% lower than that of the Index and, via the TCFD engagement policy, aim to demonstrate a temperature level that is in line with 2050 Net Zero and independently verified.

[3] *Percentage stated is in reference to the Veritas Global Focus Fund. Thresholds are specific to each Fund, please refer to the Fund prospectus for further information.*