

Sustainable Finance Disclosure Regulation (“SFDR”)

Disclosures under Article 7 and Article 10

Veritas Common Contractual Fund on behalf of its sub-fund Veritas Global Focus Common Contractual Fund (the “Fund”)

The Fund may be regarded as “promoting, among other characteristics, environmental or social characteristics provided that the companies in which the investments are made follow good governance practices” within the meaning of Article 8 of SFDR. As the Fund does not have sustainable investment as its objective, it should not be regarded as falling within Article 9 of SFDR.

Environmental and Social Characteristics promoted by the Fund

The governance of companies is central to responding to the risk/ opportunities posed by social and environmental factors and we look to ensure alignment. Specifically, we look to promote the following;

- the support and monitoring of the global transition to net zero emissions in line with the goals of the Paris Climate Agreement. Our expectation is that investee companies are preparing for the transition to a low carbon economy and offer transparency in relation to their strategies and processes to achieve this outcome.

- producing an investable ‘universe list’ of high-quality companies with sustainable business models. This ‘universe list’ comprises less than 10% of the total addressable universe of companies – most listed equities simply do not qualify to be added onto the universe list. In other words, our process is deliberately designed to keep the universe list highly selective and ‘narrow’, which allows us to have a deeper understanding of the companies we follow and invest in. To make the cut into our universe list, we need to believe that the company being analysed is distinctive and possesses a sustainable competitive advantage, attractive growth prospects and stewardship by able and honest management teams who are aligned with shareholders. This includes, but not limited to, adjusting to environmental risks such as energy consumption and source, use of plastics, and social factors like value-based healthcare provision.

Methodologies used to assess measure and monitor the impact of the product’s environmental or social characteristics

The following procedures are implemented in the investment process on a continuous basis:

(a) ESG Integration

Our investment process revolves around a holistic assessment of a company and the multi-faceted social and economic context in which it operates. Our analysis of risks is highly specific to the business and industry in question and is followed up real time across our holding period. We integrate traditional ESG factors into our analysis at all steps of the process and along multiple dimensions. This includes a sustainability analysis covering the following areas; a) Sustainability of demand and growth i.e., whether the company’s basic business proposition is likely to become more or less relevant over time; b) Sustainability of business model. Environmental and social factors have to ultimately make sense from a business perspective to have value for shareholders (or indeed, society – as a weak business with poor cash flows cannot invest for

the benefit of society); c) Sustainable capital structure. Some businesses are inherently more stable and can support higher leverage to the benefit of equity holders; d) Sustainability of the board. The key judgment we are trying to form is whether the principal-agent relationship is adequately represented. We are wary of the use of different share classes with unequal voting rights or the presence of stakeholders whose incentives may not be aligned with shareholders; e) Executive remuneration and shareholder alignment. This is a key element as incentives drive behaviours at all levels. We tend to prefer management teams with 'skin in the game' who are aligned with shareholders and likely to think and act like we would in assessing all relevant variables (and risks) that affect the long-term value of the business (including Environmental and Social factors); f) Capital allocation. This is central to value creation and encompasses all aspects of the business including environmental and social forces. Businesses that allocate capital wisely (in innovation, in treating stakeholders fairly, and for future growth and opportunities) will be able to drive healthy cash flows, returns on capital and hence shareholder value. We try and judge appropriateness of capital allocation policies relative to the firm's position in the industry and in its own lifecycle; g) disclosure and accounting. We are looking for quality and conservatism of financial accounting policies. We pay attention to off-balance sheet liabilities and risks that are opaque and the quality and transparency of disclosure of key performance indicators for outside investors to judge performance.

Additionally, we consider the regulatory context. It is important to recognise the importance of governments in driving societal change. The role of governments will also come under scrutiny, and businesses are prone to be either helped or hurt by this (e.g., regulation, taxation). This is a direct link between ESG 'policy' and shareholder value creation (or destruction). This context drives some of the trends/ themes in idea generation related to climate change and healthcare provision.

(b) Data source and limitations to methodologies

Assessment of environmental and social characteristics need to be considered alongside the management to whom shareholders delegate fiduciary duty to run companies on their behalf and in their interest. We do not sidestep this responsibility by appointing third party ESG rating agencies where methodology in assessment is inconsistent and often one dimensional.

- We run concentrated portfolios of high quality, sustainable businesses, derived from a 'universe list' that is less than 10% of the quoted equity market. Unsustainable businesses are excluded from the 'universe list'.
- The investment approach is iterative with dialogue and analysis which considers all aspects of sustainability as outlined above, rather than compartmentalising social and environmental characteristics.
- Given the importance of governance, we rate management on various factors associated with stewardship and sustainability of the business and monitor this rating over time.
- We seek a higher margin of safety in those companies where there are higher ESG risks. Companies on the 'universe list' are rated, with the higher rated companies requiring a lower rate of return before investment. Rating also affects position sizing within the portfolio.
- We have constructed a Global ESG Red Line Voting policy which includes environmental and social factors drawn in

line with the UN Global Compact. These can act as triggers to engage with management.

- We do subscribe to Sustainalytics to provide an independent carbon analysis of the portfolios for reporting purposes in order that we are able to report overall climate positioning to clients and place company activity into context.

Engagement

We think of ourselves as ‘engaged owners’ of the businesses we invest in (not just shareholders who buy and sell shares every day). We are hence willing and able to engage with companies to influence governance. We engage actively and regularly with the companies and maintain a constant dialogue on all key issues. There are 2 tiers to engagement. Tier 1 is defined as a specific attempt to influence governance/business practices that may have a material impact on long-term sustainable value creation. Tier 2 are proactive interactions with a company to promote good business practices. Environmental and social issues may be raised in both areas. Under the Tier 1, material issues will differ from company to company and sector to sector. The investment manager will have an assessment from the original research as to what is material for a business. These are issues that have the highest potential to affect the company's ability to create value for shareholders. If the company engages in an activity that challenges the sustainability of its operation or demonstrates lack of vision to adapt, we will have cause to engage. Coupled with materiality, the investment manager has a part to play in encouraging constructive behaviour. Related to environmental factors, there is a policy to engage with management to publish climate related disclosures even where it may not be seen as a material risk to the business.

An engagement log is kept that records the engagement objective, method of communication, summary of dialogue, time frame for implementation of necessary changes, and next steps (if required e.g., voting against management, adjustments to IRR or exiting the position).

Sustainability Indicators

The sustainability indicators used to measure the attainment of the environmental and social characteristics promoted by the Fund include:

- (a) alignment with the Paris Climate Accord adopted under the United Nations Framework
- (b) implementation of emissions reduction targets
- (c) alignment with net zero by 2050

Integration of Sustainability Risks into the Investment Process

ESG factors offer the most valuable insight when the framework is fully integrated into fundamental analysis that allows it to be placed in context along with industry, business, company, and financial analysis. Only by recognising the link between traditional ESG factors and long-term shareholder value creation can both investors and companies make ESG factors more relevant (and drive lasting societal change for the better). As concentrated investors who think and act like long term owners, we endeavour to fully integrate sustainability in all its important dimensions into company analysis and valuation.

Assessing sustainability risk is fundamental to the way we analyse businesses, short-list companies for the 'universe list', and build portfolios. This is highlighted by the fact the assessment occurs across all funds we manage. Belief not obligation. We expect senior management of investee companies to be responsible for integrating their own sustainability risk assessment. We expect the firm to have the skills, knowledge, and expertise to manage sustainability risk and the ability to identify and assess sustainability risk. Do they have relevant policies, a risk register, and incentives in place.

Principle Adverse Impacts

In accordance with the discretion granted pursuant to Article 7 of SFDR, the Investment Manager in respect of the Fund, does not currently consider the adverse impacts of investment decisions on sustainability factors or issue a statement on its website in relation to the due diligence policies with respect to those impacts, in line with the specific requirements of SFDR. This is pending (a) the adoption of final regulatory technical standards by the European Commission pursuant to Article 7 of SFDR, which shall set out detailed requirements in relation to the content, methodologies and presentation of information sustainability indicators in relation to adverse impacts on the climate and other environment-related adverse impacts and (b) the market developing to the point where appropriate and accurate data becomes more widely available/accessible such that the results of such an assessment would prove meaningful to investors.

Following the adoption and coming into force of such regulatory technical standards, currently expected to be from 1 January 2022, the Investment Manager intends to comply with the SFDR requirements in relation to the publication of adverse impacts in respect of the Fund and the relevant Supplement and the Investment Manager's website shall be updated accordingly.

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