

Responsible Investment

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Making a real change with your investments

The reasons to invest responsibly continue to build post COP26 and Covid



CharityFinance
SUPPLEMENT



A fully integrated approach

SAM COTTERELL

Investment Partner – Veritas Investment Partners

Long-term thinking is key to impactful responsible investing

Why doesn't Veritas have a separate ESG strategy?

Environmental, social and governance (ESG) factors are fully integrated into our investment approach. This is true for 100% of our portfolios for charities, corporates and private clients. Our primary goal for all our clients is a financial performance target of beating inflation, over a five-year view, but in reality often much longer.

We believe that ESG risks have the potential to become real financial risks and opportunities for our investee companies in the medium-to-long term. Companies that provide key products or services that enable a shift to a more sustainable world are likely to have a tailwind of growth behind them. Environmental risks are becoming an absolute cost to companies – environmental regulation is rapidly increasing and costs such as carbon taxes are now a reality. As well as responding to stricter regulation, companies need to maintain their social licence to operate, given broader awareness and knowledge from consumers, as well as the ability to attract and retain their workforces. More sustainable practices in terms of social issues can provide real economic benefits, such as lower staff turnover and greater customer loyalty over the mid-to-long term. Not including these risks in our assessment of a company would therefore give us an incomplete analysis.

“ ESG factors are fully integrated into our investment approach ”

Why is it so important to be long term?

We have a clear idea of why our clients need to invest. It is to protect their assets against inflation and preserve their wealth for the future. We therefore take a long-term view when it comes to identifying companies for portfolios. We invest in great businesses, with strong and predictable characteristics, that are built to last. These companies offer products and services that will remain in demand

for the foreseeable future, regardless of the economic backdrop. We aim to hold shares in companies for at least five years.

Clearly, longer-term holdings also mean our clients pay less in transaction fees. The other major benefit is when considering ESG issues and our stewardship work. ESG issues tend to be long term in nature. Investors who are only interested in the following quarter's results are unlikely to be very engaged with developing a credible net-zero plan or whether a company is working with their supply chain on human rights. We believe in building a relationship with our investee companies, raising material issues with them and being supportive of their efforts to improve in areas we believe demand attention, while recognising that often improvement can be a multi-year process.

What we do

Veritas Investment Partners is an independent investment manager focusing on real returns. Our sole aim is to protect and grow our clients' assets over the long term, over and above inflation, to meet their, and their beneficiaries' needs for the future. We do this by investing in a focused list of great businesses that have strong and predictable characteristics, and that are built to last. Sustainability is included in all parts of our investment process – from initial research of a company to continual monitoring of the companies we hold and engagement with them.

VERITAS

INVESTMENT PARTNERS

FAST FACTS

- Long-term real return investors
- Independent – employee owned
- Partners with our clients, our investee companies and our colleagues
- Research driven, investment led and client centred
- Over £6bn* assets under management, including over £1bn managed on behalf of charities

* As at 31 December 2021

How is your ESG and stewardship work resourced?

We are a small, closely knit team of 22 investment professionals who work in partnership with each other. Given our focused approach, whereby we hold 25-40 companies, we have the capacity to perform in-depth work on each of our companies. For example, over 20% of our company meetings are now focused on ESG issues, although these issues are also often raised in more general meetings. We regard shareholder voting as an important means of communicating with companies and therefore exercise our right to vote on behalf of clients.

The analyst responsible for each company will lead on any engagement work. This means there is one main point of contact for our companies and the analyst can focus on what is material and financially meaningful for each company. This also ensures that ESG considerations and engagement work is fully integrated into our overall thinking and analysis. The analysts are supported in all engagement work by members of the stewardship working group, as well as the broader team where appropriate. The group includes our CIO, and a mix of analysts and portfolio managers. This group focuses on the policies and processes for our stewardship work and on ensuring consistency of practices across the investment team.

We were delighted to be included in the UK Stewardship Code 2021 signatory list.

“ Focus on what is material and financially meaningful for each company ”

How is Veritas reflecting sustainability?

Veritas Investment Partners is fully owned by our employees, so we can choose to reflect and constantly improve our own business practices.

We have been certified as carbon neutral* by Natural Capital Partners since 2018, use 100% renewable electricity and our new offices were awarded a gold SKA** rating.

In our supply chain we prefer to use independent, local and fair-trade companies, ensure the London Living Wage is paid, as well as monitor our suppliers' environmental impact.

We are a diverse team, believing that diversity of thought is important for the investment debate. In the investment team, we have 54:46 male:female split, ages span five decades and we have a diverse range of educational backgrounds. We also encourage the future diversity of our industry by working with organisations such as the Sutton Trust, Social Mobility Trust and 10,000 Black Interns to offer work experience and internships.

Our teams take part in fundraising and volunteering activities and the Veritas Charitable Foundation enables efficient donations to our favoured charities.

* Includes Scope 1, 2 and 3 emissions except for portfolio emissions

** SKA is an environmental assessment for non-domestic fit outs run by the Royal Institute of Chartered Surveyors