

# SUSTAINABILITY REPORT 2020





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A man with short dark hair, wearing a light pink button-down shirt, is seated in an office. He is looking slightly to his left with a neutral expression. In the background, there are several charts and documents pinned to a wall, and a black office chair is visible behind him.

# 95%

of portfolio holdings have  
S.M.A.R.T. long-term targets  
on absolute CO2 emissions  
reduction\*

# 4,278,632+

total number of beneficiaries that portfolio holdings  
have reached cumulatively to date through training,  
education and awareness campaigns\*

# 62%

of portfolio holdings have adopted Science-based  
Targets Initiative (SBTi) for their carbon emissions  
reduction targets, in line with the Paris Agreement\*

# 85%

of portfolio holdings have clear and S.M.A.R.T  
targets on workplace health and safety, diversity  
and inclusion, and employee engagement\*

\*as at 30 June 2020



# ABOUT THE REPORT

This report is Panarchy Partner's inaugural Sustainability Report and marks the committed beginnings of our sustainability journey. The report follows one of the most used and internationally recognized sustainability reporting frameworks - the GRI Standards for Sustainability Reporting.

This report in principle adheres to the guidelines set by the GRI Standards, as well as the United Nation's Sustainable Development Goals (SDGs). This report covers the company's time period from 01 January 2019 to 31 December 2019.



*Be The Change You Want  
to Create*

Panarchy Partners Pte Ltd is a Singaporean funds management company registered with the Monetary Authority of Singapore (MAS).

Founded in 2018, we are a passionate team of experienced investment professionals who aspire to redefine wealth and its creation.

With a combined experience approaching 100 years, we offer sustainability-driven funds management to our partners, or Panvestors as we call them.

Our Panvestors share the desire for sustainable returns and progress on the four forms of capital: Financial, Environmental, Social and Human.

# WHO WE ARE

# STATEMENT FROM THE CEO & FOUNDER

It gives me immense pleasure to welcome you to Panarchy Partner's inaugural Sustainability Report. Our Global Panvest Fund, Panarchy Foundation and Panarchy Partners team's own efforts is how we make our impact. This Sustainability Report sets the roadmap for the Panarchy team.

We believe investing needs to change, it needs to evolve and respect other stakeholders. Since our inception in 2018, Panarchy Partners and its team have been committed to helping all capital owners and users work together for a better world. To achieve our Purpose, we aim to redefine wealth and how it is created. By investing in and partnering with companies with Purpose, is how we aim to deliver on our Purpose.

One of the unique achievements of 2019 for Panarchy Partners was that we directly engaged with all of our portfolio companies. We held one-on-one conference calls with portfolio companies with the aim of helping them achieve the targets they set for their sustainability journey.

We look forward to delivering on our Purpose in the years to come and as proof of our commitment to a multi-stakeholder approach, we proudly became the first Singaporean Fund Manager to be BCorp certified in June 2020.

I look forward to sharing more with you as we continue down our purpose-led path.

Happy Panvesting!

CEO and Founding Panvestor  
Munib Madni



# The Four Forms of Capital

Our Panvest® philosophy eliminates the need to make a distinction between investing and sustainable investing. As Panvestors, it is our goal to become a stakeholder in all forms of capital: Financial, Environmental, Social and Human. Only then do we believe that we will benefit comprehensively as shareholders.

At Panarchy Partners, we believe that positive change and the ability to respond to change creates resilience - the foundation of sustainability. All of us have the potential to make a change if we want to. Lastly, our Purpose is what keeps us going strong.



## Purpose: Drives Businesses for the Long Run

### Transforms People and Businesses:

- Purpose has created disruptors: e.g. Neste
- Purpose protects businesses from disruption - e.g. 3M, Unilever

### A lever driving innovation:

- Purpose led innovation creates impact for all stakeholders - e.g. Telenor
- Purpose led innovation ensures secular growth - e.g. PayPal

### Optimizes Business Models:

- Purpose led products, services, brands are more successful - e.g. Danone
- Purpose helps attract, engage and retain the best employees - e.g. SAP

**PURPOSE PROVIDES THE BALANCE  
BETWEEN PLANET, PEOPLE AND PROFITS**

# Stakeholders & Materiality

We recognize the importance of i) understanding our key stakeholders, and ii) identifying material topics that will define the business in the years to come. In August 2018, we conducted our first stakeholder engagement in line with the AccountAbility AA1000 Principles. We continue to engage with our stakeholders periodically, as well as on an ad-hoc basis.

Our broad list of stakeholders are:

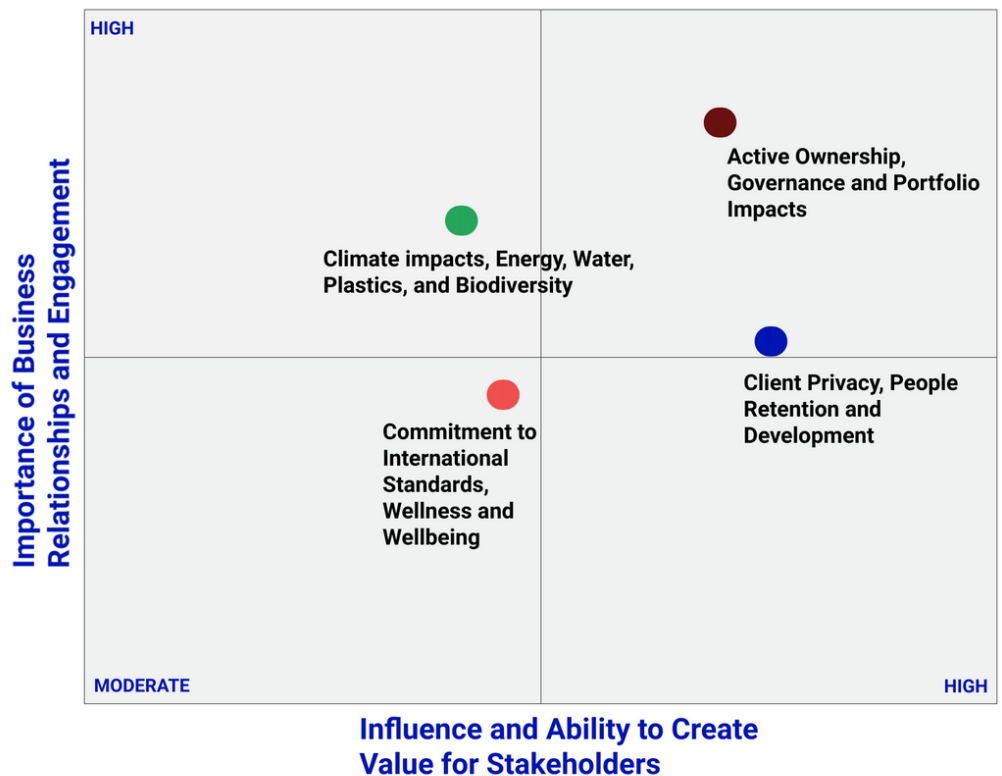
- **Business partners, Panvestors, and Employees**
- **Our Stewards of Purpose (Advisory Board)**
- **Fund platforms, distribution channels, and consultants**
- **Media and NGOs**
- **Regulators and stock exchanges**
- **Suppliers, i.e. data providers and broader society**

We conducted an online survey for both internal and external stakeholders. Participating stakeholders consisted of employees, a Board candidate, business partners, business community, investors, clients, media and service providers, and a portfolio company.

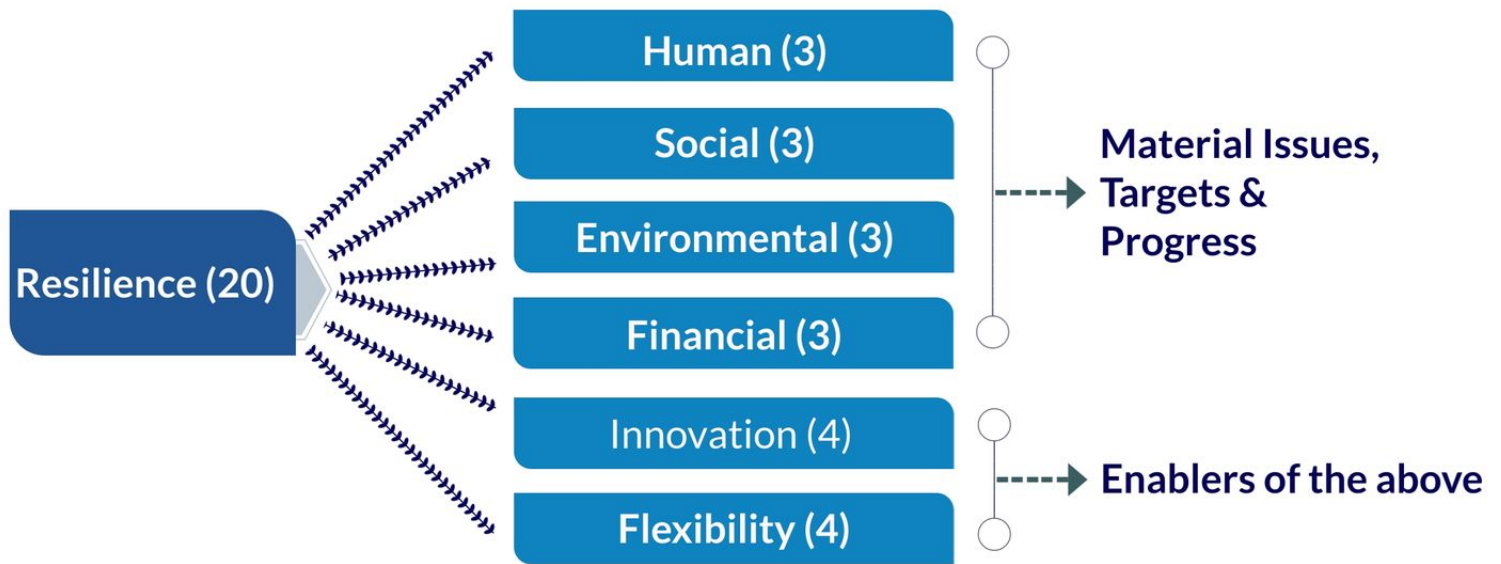
The main aim was to obtain inputs from each stakeholder group on the ranking of potential material topics (as highlighted in the Materiality Matrix), from an internal and external stakeholder point of view.

**Response rates were 100% and 67% respectively for internal and external stakeholders.**

## Panarchy's Materiality Matrix



# Resilience Framework



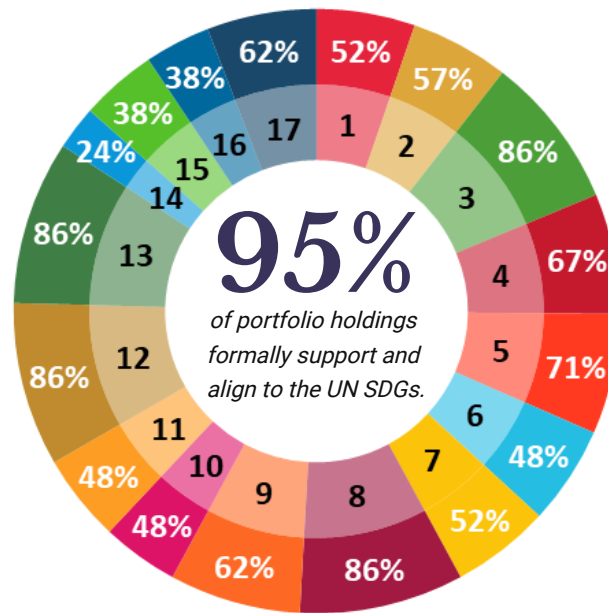
The **Resilience Framework** is the cornerstone of our Panvesting philosophy. Through this framework, we walk the talk by evaluating and assessing companies on their sustainability practices. While financial and economic analysis is still required, the resilience framework provides that backbone which enables strong contenders of sustainability to come through.

Using our Resilience Framework, we have curated a database of close to **300 global listings** on which we have conducted a resilience analysis across 2 or more data points. In 2019 we have achieved the following:

- In-depth analysis of **200+ global listings with scores (and growing...)** using our proprietary resilience framework
- **750+ data sets** analyzed (inclusive of back-testing)
- **12,000+ data points** analyzed on financial, environmental, social and human capital, along with innovation and flexibility topics which cover:
  - research and development
  - collaboration and new products
  - training and development
  - diversity and whistle-blowing
  - exceptional innovation culture and organizational flexibility



# SDG Footprint of Portfolio



As an example, **71%** of portfolio holdings contribute specifically to SDG 5 on Gender Equality.

## Engagement and Impact

**Our strategy's centrepiece is company engagement, which has two main objectives:**

- 1) We realize that company disclosures through integrated and sustainability reports, online information, dataset providers and global framework disclosures can provide a limited picture. It is only through engagement that we build relationships, rapport with portfolio companies, and continue an active dialogue that help us better understand their business, challenges, sustainability issues and impact.
- 2) We are partners with our companies and thus obliged to help them achieve their goals. Given our own research and learning from best practice sustainability leaders, we find ourselves humbly advising our portfolio companies on ways they can deliver on their non-financial capital targets.

**There are three types of engagement:**

- 1) Annual Resilience Review: Using our proprietary Resilience Framework, we curate a portfolio company's Resilience Review and seek out a meeting with their sustainability specialists. Our Resilience Review is a S.W.O.T. analysis of sorts and thus provides a good agenda for a productive dialogue. This review typically occurs in Q2 and Q3 of each calendar year.
- 2) Ad-hoc Topic Specific Calls: We will engage with our companies as and when we need answers or clarifications around certain issues. These engagements can be sector specific or issue specific and sees us dealing with non-financial capital issues. e.g. AML and funding of child trafficking call with portfolio banks.
- 3) AGM Voting: We take our voting rights seriously and do not outsource to third-party service providers. We are advocates of change and improvement.

# Company Engagement

## Outcomes

In 2019, we achieved a 100% success rate of engagement with all of our portfolio companies. 95% of portfolio companies responded to our Resilience Review requests and subsequently organized 1-hour long conference calls to discuss the issues we raised. The main highlight of our engagement was that many of the company's sustainability professionals were responding to such detailed questions for the first time. In doing so, we not only exhibited our sincere and diligent analytical skills but also established mutually beneficial relationship for the future.

The second highlight is that we were able to demonstrate to the portfolio companies the importance of a S.M.A.R.T. target for their non-financial capitals such as environmental, social and human capital.

Thirdly, through our engagement, we also became part of their stakeholder engagement process thus closing the loop with our partners. Last but not least, our engagement is having an impact, for example:

- Telenor Group lacked group-wide environmental S.M.A.R.T. targets and in our call we raised this issue. In their 2019 report, we noted that they adopted a group-wide S.M.A.R.T. target of going carbon neutral by 2025 in their Nordic operations, and reducing GHG emissions by 50% in Asian operations.
- Reckitt-Benckiser did not publicly commit to social investments even though we knew they were doing them. We discussed the issue with them during our call. In March 2020, RB has announced an 'Access Fund' which focuses on social and community programs, with 1% operating profit committed annually.

## Stewardship and Voting Policy

We invest in companies with strategies to explicitly develop all forms of capital: financial, environmental, social and human - since we believe these companies are better positioned to deliver sustainable growth and returns over the long term.

We carefully assess the idiosyncratic risks associated with these four forms of capital and require a sincere focus on each by the management teams of the companies we invest in.

As shareholders, we actively exercise our proxy voting rights to ensure good stewardship along with active engagement with a company. We believe in full transparency and will release voting decisions annually to our Panvestors.

# Goals beyond 2020+

## 1) Our commitment to compliance and transparency

- a: We aspire to fully comply with applicable rules and regulations.
- b: Uphold stringent client due diligence in 100% of cases
- c: Provide at least 2 AML/KYC trainings to employees per year

## 2) Valuing environmental resources and doing what we can

As a BCorp, we already practice energy and water consumption monitoring as part of our Environmental Management System. We also have a 'no plastics' policy in our offices.

In addition, we plan to install a voluntary emissions tracking for our employees. By self-reporting individual lifestyle emissions, we share stories of how we reduce our personal impact.

## 3) Promoting and safeguarding social license to operate

Panarchy Foundation leads the charge of our social efforts. We aspire to do the following:

- to volunteer at least 16 hours/employee in a year (within office hours), and
- to support causes in line with the Foundation's goal of helping children, animals, and the earth.



*Together with all capital owners and users,  
we aim for a better future for the world*