

FY2020/21

STEWARDSHIP & SUSTAINABILITY REPORT



Our Mission Statement: Be The Change You Want To Create

What do we do?

"We help redefine wealth and how its created"

Why do we exist?

"Together with capital owners and users we aim for a better future for the world"

How do we do that?

By "Panvesting and Partnering "

We support UN Sustainable Development Goals:



Certified



Corporation

This company meets the highest standards of social and environmental impact

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Letter From Founding Panvestor

Dear Panvestors,

I'm pleased to share with you our 2020/21 Stewardship and Sustainability Report. 2020 will of course be remembered for the COVID-19 pandemic and the negative impact it has had on human health, families, society in general and countries. It's under these circumstances that our resilience is fundamentally tested individually and collectively.

The COVID-19 pandemic was the first real test for our team, our portfolio companies and our Panvest® philosophy. I am proud to report that with much support from many amongst you, we have been able to survive and thrive.

First I am grateful to our team who seamlessly transitioned to a new working environment maintaining an exemplary level of professionalism and enthusiasm for our Panvestors. We as a team also delivered on our commitment to the broader Singapore Responsible Investing community through collaborations with the likes of Stewardship Asia Centre, WMI and our Panvesting Internship program. During the second half of 2020 as we were allowed to move around, the Panarchy team supported Willing Hearts Soup Kitchen by contributing 60 hours of their time.

During Covid, the companies we are invested in have truly shown their respect for all stakeholders, including shareholders. Our Panvest philosophy has helped us identify purpose-driven companies that acted for their employees, suppliers and customers.

Through all of the above, the highlight of our year was of course us becoming Singapore's 1st B Corp Certified Funds Management company. This sets a very high standard for the Panarchy Team to maintain.

In 2020 we were greatly honoured to have established our Stewards of Purpose, non-investment advisory board, to strengthen our focus on the four forms of capital; Human, Social, Environmental and Financial.

There has never been a more urgent and clear message that every business must act now to change the course on climate change and safeguard our future for next generations. The IPCC's sixth assessment on climate change shows that human activities are the source of the problem and that this truth is indisputable. As we head towards the next annual UN climate change conference COP26 in Glasgow in November 2021, we are reminded of the massive endeavour that is required to limit global warming to well below 2°C. There is a push by most nations to honour and fulfil the Paris Agreement by accelerating action. In Singapore, we have seen the launch of the Singapore Green Plan in 2021 that will strengthen Singapore's commitment to the Paris Agreement.

Under this plan we aspire to halve our nation's emissions from its peak to 33MtCO₂e by 2050 with a view to achieving net zero emissions as soon as viable in the second half of the century. Singapore will also enhance its nationally determined contribution (NDC), to peak emissions at the equivalent of 65 million tonnes of carbon dioxide around 2030.

Crucial to achieving a decarbonized world is the development of successful methodologies, quality metrics on carbon inventories and transparent reporting of progress against all these emissions targets. Industry collaborations along entire value chains and knowledge transfer is key. At Panarchy Partners, we are doing our utmost to contribute by engaging our key stakeholders on climate-related risks and opportunities. We also track and report the GHG emissions of our portfolio and our own operations.

Happy Panvesting,

Munib Madni

Founding Panvestor



What Does Panarchy Mean?

Panarchy*, is a framework describing the sustainable relationship between humans, human-created systems (both social and economic) and the environment, whereby each party needs to act and react to each other in a healthy and respectful way. It also identifies the need for adaptive cycles of change at different levels (hierarchies) by different members of the ecosystem in order for it to remain stable and sustainable.

*"Panarchy: Understanding Transformations in Human and Natural Systems" Edited by Lance H. Gunderson, C.S.Holling; Island Press, 2002.



Why Now?

It is becoming abundantly clear that the various systems, processes and procedures in place that have allowed our human community to flourish and grow, are being stretched. Whether it is social and income inequality, gaps in human development, technology adoption based on wealth, or the recently identified planetary boundaries within our global ecosystems - these all need to be managed, now more urgently than ever.

With the current seven billion human population expected to reach nine billion by 2050, growth in a sustainable manner appears to be the only solution. The time for Panvesting has arrived.

What Is A Panvestor?

The word "pan" means "all" in Greek. Panvestor is a term we coined for an investor who pays particular attention to all relevant forms of capital — financial, human, social and environmental capital. As Panvestors we believe that companies that incorporate these four forms of capital are more sustainable in the long term and therefore potentially superior investments.



About Panarchy Partners

Our Purpose Statement:

“Together with capital owners and users we aim for a better future for the world”

Panarchy Partners is a Singapore-based employee-owned asset management company founded in 2018 with a dedicated focus on sustainability through our Panvest® Philosophy. Panarchy Partners is regulated by the Monetary Authority of Singapore. In 2020 we are proud to have become a the first funds management company to B Corp Certified in Singapore. We are also signatories of the UN PRI and the Singapore Stewardship Principles for Responsible Investors. Our ultimate responsibility is to all our stakeholders including our fiduciary duty to our clients. As active owners we believe that governance and stewardship are vital to protect and enhance the value of our clients’ financial capital while also delivering progress on human, social and environmental capital.

Panarchy Partners is an active fund manager which invests in companies globally using our proprietary Panvest® Philosophy, which goes beyond ESG integration. We engage with all of our companies that gives us a detailed picture of the progress that's being made by our portfolio companies on all forms of capital.

Panvesting describes how we think investing should evolve. As a shareholder, to Panvest® is to be vested in all (Pan) four forms of capital; Human, Social, Environmental and Financial. We look for companies whose Purpose is to make a positive change for all stakeholders, including shareholders. Through Panvesting, we seek out proof of that Purpose. Companies that have strategies to explicitly develop all forms of capital - in line with their Purpose are better positioned to deliver sustainable growth and returns over the long-term.

We believe companies that adhere to our Panvestor principles stand a better-than-average chance of ensuring ecosystem wide sustainable growth as well as attractive financial returns for their shareholders.

Our Stakeholders And Materiality

We recognise 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 and materiality assessment in line with the AccountAbility AA1000 Principles. We continue to engage with our stakeholders periodically, as well as on an ad-hoc basis.

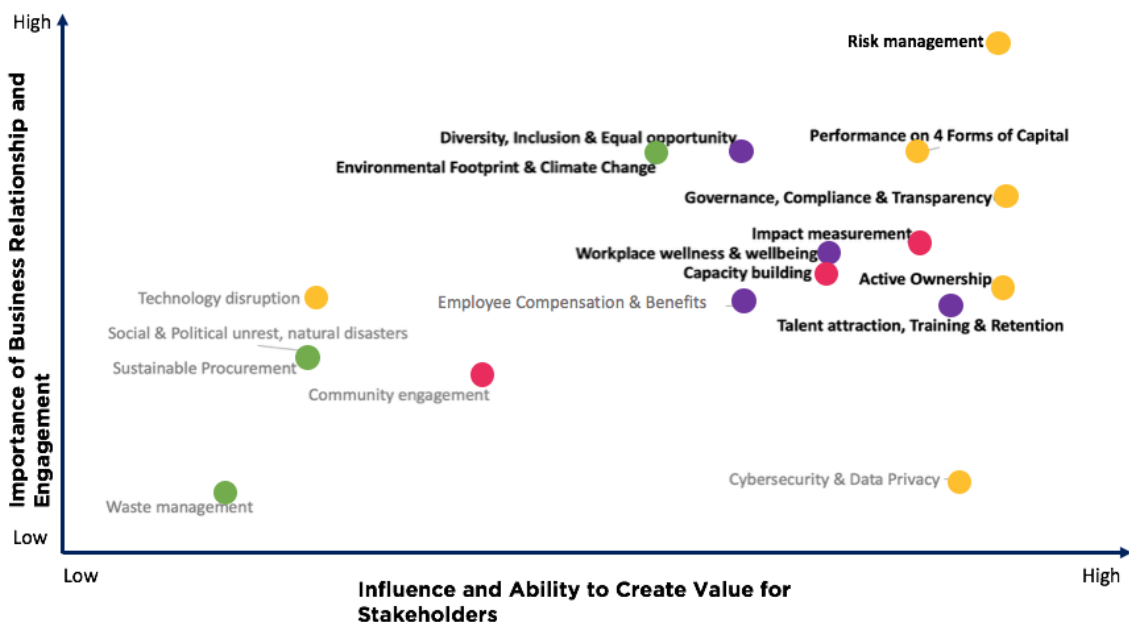
Our broad list of stakeholders are:

- Business partners, Panvestors and Employees
- Portfolio companies
- Our Stewards of Purpose (Non-Advisory Board)
- Fund platforms, distribution channels and consultants
- Media and NGOs
- Regulators and Stock Exchanges
- Suppliers, i.e. data providers and broader society

In January 2021, we invited our internal and external stakeholders to participate in an online survey where the main aim was to obtain inputs from each stakeholder group on Panarchy Partners' materiality and sustainability objectives. Participating stakeholders consisted of our employees, our Stewards of Purpose, our portfolio companies, business partners, the business community, investors, clients, media and service providers. Response rates were 100% and 67% for internal and external stakeholders, respectively. The results of the stakeholder input formed the basis of a materiality assessment workshop in June 2021. At the workshop the team at Panarchy Partners prioritized 10 key environmental, social, human and financial impacts that are pertinent to our business, and significant to our stakeholders (as highlighted in bold in the Materiality Matrix).

Managing these impacts is imperative for us. Our governance structure for sustainability permeates functions and seniority, ensuring that sustainability is integrated at all levels. We will review our material topics annually to ensure that they remain relevant to our business and stakeholders.

Panarchy Partners' Materiality Matrix



B Corp Certification

In June 2020 we received the news that we met the requirements for B Corp Certification making us the first funds management company in Singapore and one of a handful in Asia to be certified B Corp. With only 13 B Corps in Singapore in 2020, we aim to grow the community of likeminded businesses that share the same mission to 'Be The Change.'

This rigorous 18 month certification process provided us with some soul searching where we looked at our internal working practices and how we create impact through The Global Parvest® Fund and the Panarchy Foundation, while bringing value to all of our stakeholders.

It also gave us insight into companies that we own such as Danone which has committed to have its entire company B Corp certified by 2025 - with the KPI's included in the CEO's compensation.

B Corp Certification is not a sole assessment - we will have to re-do the certification process and improve our scores by 10% to be re-certified in 3 years time... committing to continuous improvement! Something that we very much believe in - that sustainability is a journey.

For us B Corp Certification signals to all stakeholders that we are serious about delivering on our mission. It also signals to our team and future talent that we care. And it cements our responsibility as stewards for change together with our partners to build a better world. We continue to work internally and externally with other partners to improve the ecosystem for all stakeholders and will commit to the principles of B Corp in the years to come.



This company meets the highest standards of social and environmental impact



Our Stewards Of Purpose

In 2020 we established our non-investment advisory board, Stewards of Purpose, to guide us and provide insight into the four forms of capital; Human, Social, Environmental and Financial.

This non-investment advisory board will meet 3 times a year and be available for ad hoc guidance in their area of expertise in the four forms of capital.

The Agenda For Meetings cover:

- Panarchy Partners Strategy Review and Updates
- External Affairs - Partnerships and Others
- Internal Affairs - including People, Purpose, Panarchy Foundation and Others



“Environmental capital is crucially important for businesses in an increasingly carbon-constrained world. The environment matters and ESG has gained importance among investors, policy makers and key stakeholders because it is seen as a way to safeguard businesses from present and future risks.”

Ms Melissa Low (Environmental Capital)



Businesses are powerful enablers in the sustainability-led transformation journeys we all need to make for more sustainable development. The sustainability lens can be used to identify a company’s impacts, risks and opportunities, helping translate the material changes required across the business model to ensure a resilient, relevant, future-fit business.

Ms Michele Lemmens (Governance and Sustainability)



Firms exist within society which implicitly or explicitly give them a ‘license’ to operate. Managing social capital is part of stakeholder management-under what is usually known as Corporate Social responsibilities(CSR). Firms which manage this well achieve benefits of improving on their social capital i.e. better external relationships and standing in society, better staff morale within, seen as a model citizen by Governments - all of which helps enhance its brand value considerably in the longer term.

Mr Girija Pande (Social Capital)



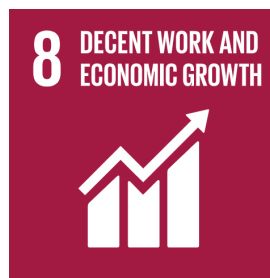
A firm's purpose is reinforced through the culture, values and people processes. Therefore the Company's purpose should be explicitly stated in the Company vision and/or mission so that it is clear to all stakeholders, as well as embedded within the Company's shared beliefs, values and practices, which underpin the Company's culture.

Ms Stephanie Nash (Human Capital)

The UN SDGs

As a company we support UN SDGs 4, 8 and 12 which we established through internal discussions when we founded the company in 2018. UN SDG 8 and 12 are part of us doing our day to day business and are integrated into our daily decisions through employment and our internal environmental management system (EMS). For UN SDG 4 we run specific programs to support the development of the sustainability ecosystem and in particular nurturing student talent. Please note that we track the UN SDG footprint of our portfolio companies separately (see page 24).

We support UN Sustainable Development Goals:



Volunteering

Despite COVID-19 restrictions the team managed to meet the total volunteering hours of 16 hours per full time employee for the year. Most of the volunteering for 2020 was spent at Willing Hearts, a soup kitchen here in Singapore that is run by volunteers that cooks, packs and delivers almost 10,000 meals per day to charities and elderly. For 2021 the team will increase the number of hours spent volunteering to 24 hours per full time employee.



*Pictures are from 2019 volunteering activities with Ray Of Hope as no pictures are allowed to be taken at Willing Hearts

Our Internship Program

Since our founding in 2018 we are proud to have had 28 interns join us at Panarchy Partners. This has been a fulfilling and rewarding experience for our team and hopefully our interns as well. Our interns become part of the Panarchy family for the time they're with us, joining us for health and well-being sessions as well as volunteering activities. We're proud to see where our interns end up - some now have full-time jobs at companies such as Facebook, the Economic Development Board and GIC.

Despite the COVID-19 pandemic we remain committed to our internship program. Each intern completes a 4-5 week stint with the sustainability team learning our resilience analysis and presenting their findings each week to the team on companies. They are then individually mentored to complete a personal project on topic that they are interested in on the four forms of capital. More can be found out about our internship program and details of all of our interns on our website. Some of the projects have covered:

- The vegan meat market
- UN SDGs
- Greenwashing and marketing
- Social Return On Investment (SROI) on water
- The hydrogen market
- Sustainable real estate certifications
- The EV auto industry in India
- Preventing food waste with plastic packaging



**Rakshit Bidani,
Intern 2020**

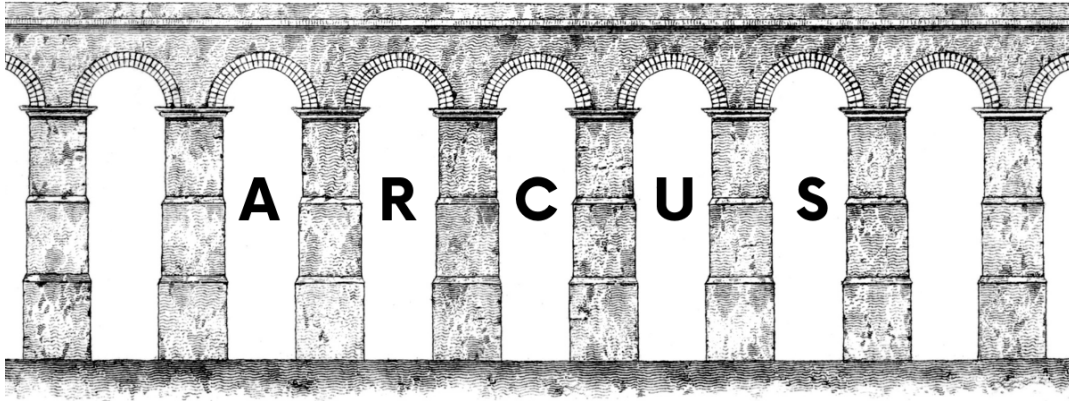
"Alongside the Resilience Analysis, I was given an opportunity to engage in a 5 week long personal project. It was the most fulfilling experience as it allowed to me to explore Impact Measurement, a field of study that I had been curious about. Such an opportunity is unique to the Panarchy Internship! It feels great to have come out with immense knowledge, direction and to have worked alongside such bright minds!"

**Yasmin Sim,
Intern 2021**

"This internship has allowed me to learn about the best sustainability practices from various companies across different sectors and countries. It's heartening to see that over the years, many companies are taking a more conscious effort to improve their ESG practices and be more transparent. I realized that the beauty of sustainable investment is that you can help firms that you believe in improve their sustainability practices!"



Our Insights



Arch (from Arcus) embodies innovation, interdependence, durability and resilience.

Every month we send our monthly newsletter ARCUS to all of our Panvestors and stakeholders. Each month we cover the latest insights, ideas and perspectives on the trends shaping the sustainable finance world from the team at Panarchy Partners. For a complete list of our past editions and to sign-up please visit our [website](#).



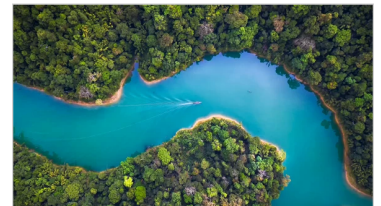
Is Davos Killing Shareholder Value?

Diving into the debate on shareholder primacy and stakeholder theory.



Capital Allocators Going 3D

Re-imagining the risk return framework with impact.



Known Unknowns -World Environment Day on 5th June

Understanding financial risks and opportunities in a decarbonising world.



Purposeful Checks And Balances

How boards are evolving to include the stewardship of all forms of capital.



UN SDGs Making Fund Managers Feel Like Muppets

How fund managers can engage with companies on their UN SDG alignments.

The Panarchy Foundation

The stakeholder engagement highlighted to us the need for more awareness of the Panarchy Foundation and its work. The Panarchy Foundation's mission is to support grassroots charities making a significant impact to those without a voice which we as a team have identified as Children, Earth and Animals. 50% of our net performance fees from the Global Panvest® Fund will be given to the foundation to support missions within these areas.

In December 2020 we made a donation to The Orangutan Foundation, a charitable organisation based in the UK that just celebrated its 30th anniversary. The foundation protects 500k acres of Orangutan habitat that's home to 5000 critically endangered orangutans. The donation was made up of an adoption of an infant orangutan called Mona and 100 acres of habit which is the equivalent of 100 football pitches.

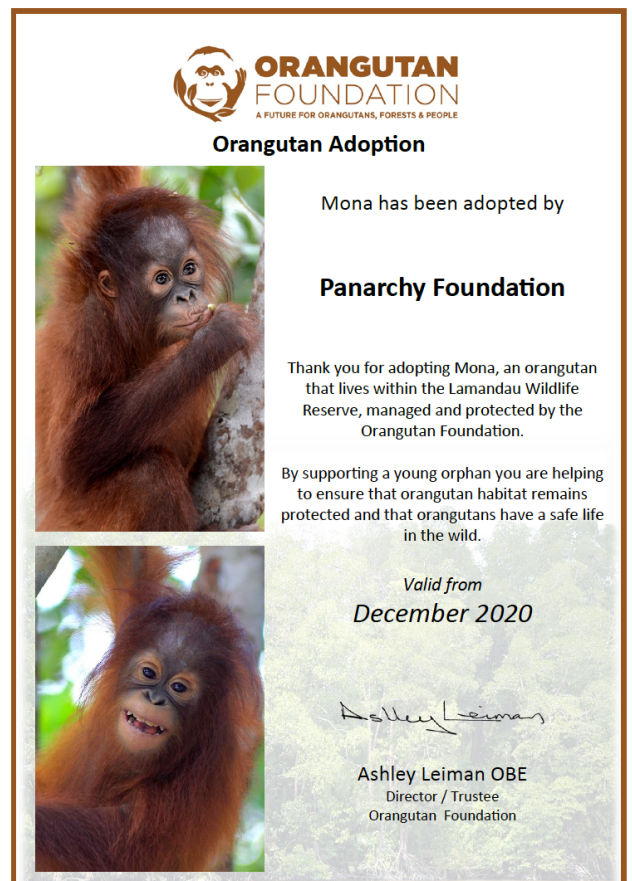
The team will propose more charities to the Panarchy Foundation Board throughout the year.

MONA

Orphaned orangutan Mona was only two-years-old when she was rescued from a village in the province of Central Kalimantan, Indonesian Borneo. She was being kept as pet and was handed over by her owner to the wildlife department in March 2017. We do not know what happened to her mother, but it was most likely she was killed.

Mona is a playful and active orangutan being cared for by Orangutan Foundation at Camp JL, which is an orangutan release camp in the Lamandau Wildlife Reserve. Orangutan Foundation staff take Mona into the forest every day to play and develop the skills needed to live independently in the wild such as, nest-building and finding forest fruits to eat.

Mona shares her home with other orphaned orangutans, Boy and Adib, who are both male, and with Nyunyu and Timtom, who are female. They are often seen playing together, climbing and swinging in the trees. Mona's favourite thing to do is eat - she loves eating ubar fruit!



The image shows an 'Orangutan Adoption' certificate. At the top left is the Orangutan Foundation logo, which includes a stylized orangutan face and the text 'ORANGUTAN FOUNDATION' and 'A FUTURE FOR ORANGUTANS, FORESTS & PEOPLE'. Below the logo is the title 'Orangutan Adoption'. To the left of the text are two photographs of the orangutan Mona: the top one shows her eating, and the bottom one shows her smiling. To the right of the photos, the text reads: 'Mona has been adopted by Panarchy Foundation'. Below this, it says: 'Thank you for adopting Mona, an orangutan that lives within the Lamandau Wildlife Reserve, managed and protected by the Orangutan Foundation.' Further down, it states: 'By supporting a young orphan you are helping to ensure that orangutan habitat remains protected and that orangutans have a safe life in the wild.' The certificate is signed and dated 'Valid from December 2020' by Ashley Leiman OBE, Director / Trustee of the Orangutan Foundation.

Panarchy Partners

Environmental Footprint

Panarchy Partners has implemented an Environmental Management System (EMS) to track our own energy consumption, GHG emissions, water consumption, waste disposal and recycling. We highly encourage our employees to use public transport for travel as part of our efforts to reduce emissions. The EMS is shared with all new employees and interns at their induction training. As we operate from a small office in tropical Singapore, our greenhouse gas emissions come mainly from electricity for cooling. Due to the Covid-19 health crisis we conducted all meetings with overseas participants virtually and did not travel for business in 2020.

GHG EMISSIONS – total Scope 1 and Scope 2

| | 2020 | 2019 | Change (%) |
|--|------------|------------|------------|
| GHG emissions, portfolio companies (tCO₂e)¹ | 14,513,199 | 18,502,574 | -21.6% |
| GHG emissions, our operations (tCO₂e)² | 2.250 | n.a. | - |

Notes:

1. The dataset only covers companies that were included in the portfolio for both 2019 and 2020 on a like-for-like basis (94.2% AUM as at 31 December 2020). Publicly available Scope 1 and 2 GHG emissions data for 2020 as provided by portfolio companies.

2. In 2019, Panarchy Partners offices were part of the shared office space sustainably managed by Unilever in Singapore. Emission derived from electricity use for that year is therefore unavailable. CO₂-equivalent calculations for Singapore are for CO₂ and CH₄ as conversion factors for other greenhouse gases are not provided by the Energy Market Authority. GHG Protocol requires reporting of the six main greenhouse gases in CO₂ equivalents as described in the Kyoto Protocol are Carbon Dioxide (CO₂), Methane (CH₄), Hydrofluorocarbons (HFCs), Nitrous Oxide (N₂O), Perfluorocarbons (PFCs) and Sulphur Hexafluoride (SF₆).



*“Yes, the planet got destroyed.
But for a beautiful moment in time we
created a lot of value for shareholders.”*

Our Company Targets



Active ownership:

- 100% proxy voting used for portfolio (In-house decisions).

Performance (impact) on all 4 forms of Capital:

- Greater than 7% p.a. financial returns.

Governance, compliance & transparency:

- 100% employee engagement in cyber security and compliance training and education.

Risk management:

- Conduct annual review of operational risk and sustainability risks.



Diversity, equity & inclusion

- Every new employee/intern must complete diversity and inclusion training in the introduction program.

Workplace wellness & wellbeing

- Annual block leave with no communication with the office: 5 days every 6 months. Minimum mandated leave of 15 days per year excluding public holidays.
- 100% completion rate of employee engagement survey on an annual basis.

Talent attraction, training & retention

- At least one peer review completed annually for all employees.
- At least 25 hours of training completed per year per FTE. This includes 10 hours self-directed upskilling.
- We will report the annual progress on Human Capital for our portfolio companies.



Capacity building:

- Minimum 8 interns trained throughout the year.
- 24 hours for 2021 and 36 hours for 2022 volunteering hours per FTE per year.

Impact measurements:

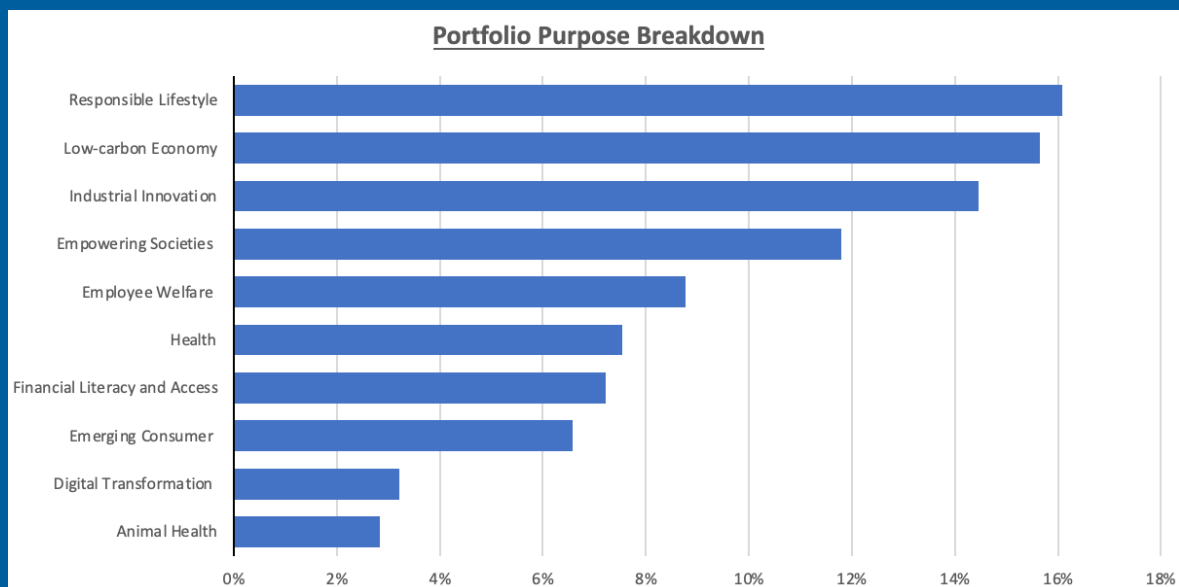
- Donating 50% of our net performance fees to Panarchy Partners Foundation.
- We will report the annual progress on Social Capital for our portfolio companies.



Environmental Footprint and Climate Change

- We will engage with 100% of portfolio companies on science-based decarbonization targets, prioritizing the achievement of real economy emissions reductions within the sectors and companies in which we invest.
- We will report on portfolio Scope 1 & 2 emissions and, to the extent possible, material portfolio Scope 3 emissions on an annual basis.

CREATING IMPACT THROUGH OUR PURPOSEFUL PORTFOLIO



Purpose And 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. Nestle
Purpose protects businesses from disruption - e.g. 3M, Unilever

A Lever Driving Innovation:

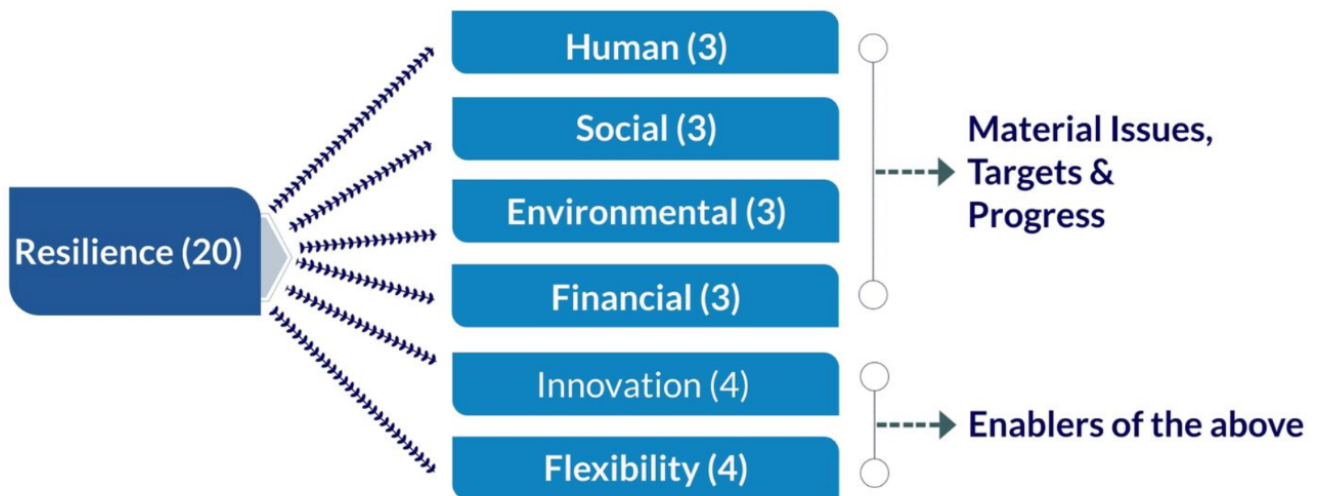
Purpose led innovation creates impact for all stakeholders - e.g. Telenor
Purpose led innovation ensures secular growth - e.g. PayPal

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

Our 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 companies** on which we have conducted a resilience analysis across 2 or more data points. By 2020 we have achieved the following:

- In-depth analysis of **350+ global companies** 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

Panarchy Partners As Stewards For The Environment

There has never been a more urgent and clear message that every business must act now to change the course on climate change and safeguard our future for next generations. The IPCC's sixth assessment on climate change shows that human activities are the source of the problem and that this truth is indisputable. At Panarchy Partners, through our Panvesting philosophy we respect Human, Social and Environmental capital while deploying Financial capital for our partners, and in doing so we are part of a movement devising new investment strategies that drive businesses towards operating within our planetary boundaries.

Panarchy Partners Climate Change Strategy

- We appreciate our biggest contribution to climate protection will come through our portfolio companies. We report on Scope 1 & 2 emissions of our portfolio companies, and will expand to report material portfolio Scope 3 emissions, on an annual basis.
- We engage with 100% of portfolio companies on science-based decarbonization targets, prioritizing the achievement of real economy emissions reductions within the sectors and companies in which we invest.
- We aim to confirm our overall Portfolio Environmental Commitments in 2022 and beyond, once we have fully analysed data from our portfolio companies pathways to their various environmental and climate targets, whether it be carbon neutrality, net zero and/or SBTI based targets.

Intentions For The Medium-Term

It is Panarchy Partners intention to both minimise negative impacts of climate change as well as to identify solutions/opportunities through our investment strategy. This ties in with our proprietary Resilience Framework for assessing companies and in advocating a clear message for our portfolio companies to decarbonize their value-chains in our regular engagement calls.

Net Zero

We work closely with our clients in support of their net zero ambitions as sustainability is at the core of what we do. We have a dedicated team of specialists who evaluate companies' actions towards achieving their environmental targets. In our engagements, we have detected a vacuum when it comes to seeing clearly defined actions and roadmaps answering the question 'how will you deliver on your carbon target?' However, we believe that with increasing levels of collaborations and partnerships we will see more innovation leading to avenues for GHG emissions reductions.

Panarchy Partners is also at the forefront of climate-related investment opportunities in sectors that are part of the solutions consistent with emissions reductions required to keep warming to 1.5°Celsius. An example of this is the Finnish renewable energy company NESTE that is the world's largest producer of renewable diesel and sustainable aviation fuel (For more information on Neste, please see the story box below).

At Panarchy Partners, we analyse each company individually using our resilience framework and an array of binary and objective assessment criteria. The objective assessment is complemented with an evaluation of where the company sits in the regulatory landscape, against peers, with industry and stakeholder expectations. Our framework substantiates a fundamental objective to invest in purpose-driven companies that demonstrate progress, from where they began their journey towards a long-term horizon.



As Panvestors, we aim to better understand the opportunities and constraints for companies in delivering on their climate targets before we can make and deliver on a portfolio wide climate commitment.



Tracking Of Portfolio's Environmental Performance

We conduct regular engagement calls with our portfolio companies and with candidates on an ad-hoc and pre investment basis. During these calls, we communicate our expectation that they should have in place S.M.A.R.T. targets for all four forms of capital, and for climate-related targets we enquire about the status of SBTi targets, target boundary and scope, and how companies will deliver on their targets. By gaining additional insight directly from the sustainability teams we are better placed to differentiate real practices from baseless claims. We emphasize that these engagement calls are two-way dialogues where a central theme is sharing of best practices and learning from each other.

Since our launch in 2018, we have in place a robust data management system for monitoring of our portfolio companies' Scope 1, Scope 2 and Scope 3 GHG emissions over time. GHG emissions of our portfolio companies reduced by 21.6% compared to 2019 (on a like-for-like basis, see table below). For target setting, 60% of the total number of portfolio companies (63% AUM) have set SBTi targets, as at 31 December 2020.

We are currently expanding our understanding of financial impacts of climate-related risks and opportunities. Every quarter, we share the financial and non-financial performances of our portfolio in a report with our clients.

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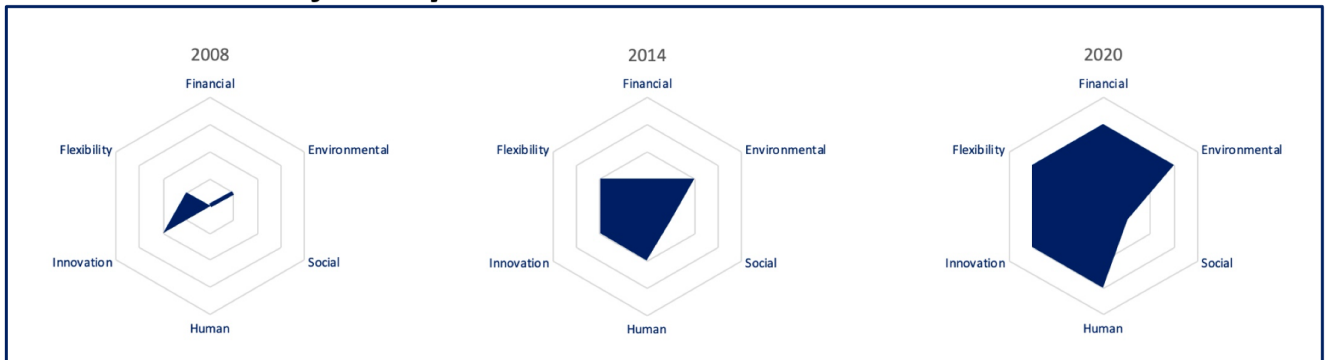
Neste is the world's largest producer of renewable diesel and sustainable aviation fuel

Neste's Purpose has changed over time, from the regional oil refiner set up to secure Finland's oil supply in 1948 to the present time where their purpose is now to create a healthier planet for our children. As a purpose-driven company, it drives them to search for new ways to reduce the amount of carbon released into the atmosphere, and to innovate circular solutions to reuse carbon again and again.

To us, Neste has embarked on a promising track. In our resilience analysis, we determine the year when companies first start to engage stakeholders and report on their sustainability impacts as the defining moment for transformation. This is potentially the inflection point where we start to see significant implementation of sustainability initiatives and delivery on targets.

For Neste, our analysis measures their progression along a wide range of factors. The findings provides us with new insights and uncover important topics for us to discuss with their teams during our engagement.

Neste's resilience journey



Source: Panarchy Partners resilience analysis

As shown, Neste has matured in innovation, flexibility and in the four forms of capital. For example, in Environmental Capital, Neste has committed to reaching carbon neutral production by 2035 and help customers reduce greenhouse gas emissions by at least 20 million tons annually by 2030.

To achieve this, their teams have identified over 80 actions for decreasing GHG emissions from production and they integrate GHG emissions into all decision-making and key activities.

Some of these measures include increasing the share of renewable electricity towards 100% and engaging with suppliers to reduce emissions related to production of steam and hydrogen supplied to Neste. At the Porvoo refinery, they are replacing a steam-powered compressor to a more energy-efficient electric motor.

Reducing emissions wherever feasible will collectively turn into significant milestones for Neste and increase the likelihood that they deliver on their carbon targets.

As we engage with companies such as Neste, Panarchy Partners gains detailed insights into the status of their sustainability journeys.

Engagement And Impact

Our strategy is data driven and engagement backed, with company engagement having 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.

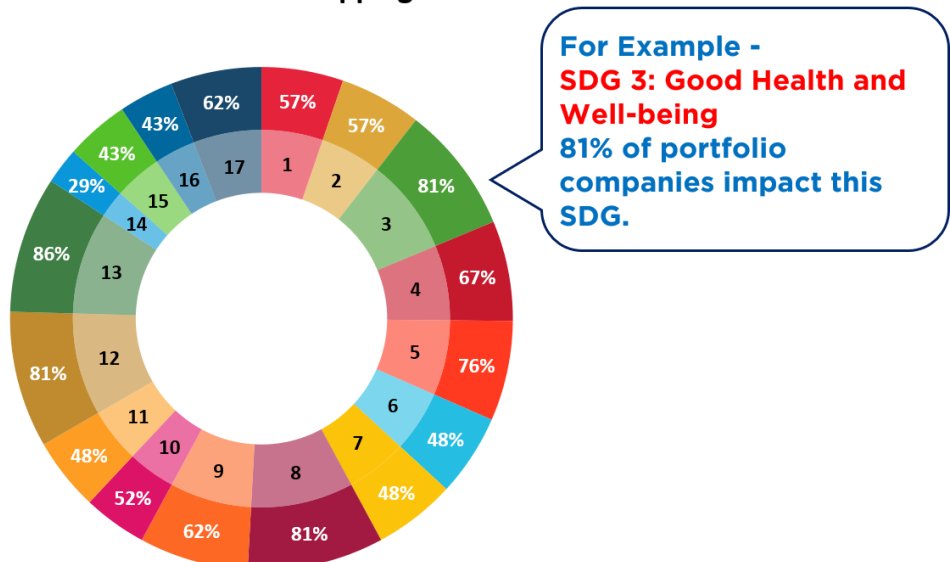
There are three types of engagement:

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.

3) **Voting at AGMs:** We take our voting rights seriously and do not outsource to third-party service providers. We are advocates of change and improvement.

Portfolio SDG Mapping



*UN SDGs represented from our Portfolio at end of year 2020.

2020 Portfolio Impact Review

Human Capital Engagement Focus:

- Employee training focus on reskilling and upskilling
- Measuring employee engagement outcomes and its impact on business
- Integrating mental health topics into workplace wellness
- Measuring financial impact of recruitment exercises

- 85% of portfolio companies have S.M.A.R.T. targets on human capital ranging from diversity, training and employee engagement
- 50% of portfolio companies have specific S.M.A.R.T. targets on gender diversity metrics
- 37% is the average gender diversity at board level of total portfolio



Social Capital Engagement Focus:

- Social impact measurement models using SDGs
- Input-output-outcome-impact model for social programs
- Customer data and product focused issues
- Supplier focused training on sustainability

- 95% of portfolio companies formally support the United Nations Sustainable Development Goals (UN SDGs)
- 65% of portfolio companies have S.M.A.R.T. targets on social and community investments



Environmental Capital Engagement Focus:

- Renewable energy uptake to reduce operational footprint
- Climate risk integration, i.e., TCFD reporting
- Emergence of internal carbon pricing mechanisms
- Plastics waste and recycling efforts

- 95% of portfolio companies continue to progress on S.M.A.R.T. targets - confirmed through engagements in 2020
- 65% of portfolio companies have officially adopted the SBTi approved carbon emissions targets vs 60% in 2019
- 25% portfolio companies have adopted the Business Ambition for 1.5° Reduction Targets
- 10.9% Portfolio emissions reduction in 2019 and 15-17% (Estimated) Portfolio emission reduction in 2020



An Overview Of Stewardship

Stewardship is an integral part of Panarchy Partner's investment process. We believe that effective stewardship comes from active engagement and best practice sharing with our portfolio companies. We aim to deliver sustainable returns with impact through regular active engagement with our portfolio companies. This gives us deep knowledge of our portfolio companies' purpose and sustainable practices.

We have aligned our voting policy to provide proper stewardship of the four forms of capital: financial, human, social and environmental capital. We expect the Board and its governance structure to direct, enable and support the stewardship efforts of management through the proper governance of capital and stakeholders.

In general, we look for the following in making the decision on each vote:

Board Quality

- Independence & Diversity
- Qualifications & Tenure of each board member
- Transparency
- Appropriate remuneration for role

Executive Compensation

- Full disclosure and transparency of executive compensation policies both long and short-term
- Compensation policies in line with peers
- Preference for long-term compensation policies >3 years with clear performance targets
- KPIs that include non-financial capital for senior management
- Restricted equity compensation that is long-term with holding requirements
- Clawbacks for malfeasance

Capital Allocation

- Decision-making that ensures a long-term high-return on capital
- Avoids negative externalities for stakeholders

Environmental Risks

- Adequate Consideration, Reporting and Disclosures that ensure the sustainable health and growth of the company and safe-guard the health of the planet

Human Capital

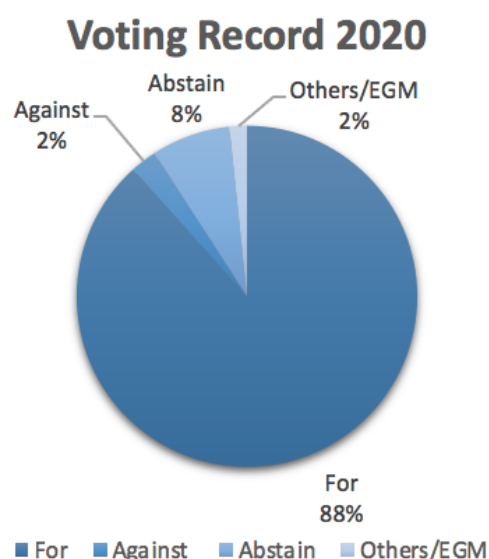
- Support policies that support human capital industry specific metrics such as diversity and inclusion, health and wellbeing and safety and treat human capital as an asset rather than expense

Social Capital

- Maintaining and safe-guarding the company's license to operate and reputation

Stewardship In 2020

In 2020, we focused on capital management due to COVID-19 and the impact it would have on human capital for our portfolio companies. We decided that buybacks would not be a good use of funds while companies were making redundancies. For this reason we abstained on all share buyback decisions and engaged with companies on their COVID-19 contingency plans.



For each portfolio company we also analysed their public response to COVID-19 as in the example of Unilever and Reckitt Benckiser below to ensure that the four forms of capital were adequately respected. Within the first few weeks of the pandemic 44% of our portfolio companies had taken specific actions to address stakeholder needs with support to suppliers, communities and employees.

UNILEVER

[13 March 2020 – CEO Announcement on action for all employees, contractors, suppliers, etc](#)

Focuses on must to do, must not to dos, and other actions to be taken.

24 March 2020 Announcement: [Unilever contributes more than €100m to continue helping p affected around the world](#)

Focus on:

- i) Consumers and communities – 50mn product donations, product partnerships, education and awareness programs
- ii) Customers and suppliers – 500mn cash flow relief support extended in the value chain for livelihoods supports
- iii) Workforce – protection from sudden drop in pay from market disruption for up to 3 months

Social media post on their LinkedIn, Facebook and Twitter on these efi hygiene products

RECKITT-BENCKISER

[12 March 2020 – Public Health Information Campaign Launched by Dettol and Lysol](#) (specific Covid-19 facts website launched as well)

Focus on: information awareness, showcasing company’s commitment to fight the issue

16 March 2020 - [Lagos \(Nigeria\): Jumia, the leading e-commerce platform in Africa has announced a maj partnership with RB, the global health products manufacturer to help consumers access hygienic produc at the lowest price](#)

19 March 2020 - [Napisan donates €250,000 to support San Raffaele Hospital in Milan, Italy](#)

25 March 202 - [Fight for Access Fund](#)

Annual investment of 1% adjusted operating profit to address improved access. Additional €32 million as part of Fight for Access Fund to address collective fight against the spread of Covid-19. Also to involve product donation of Dettol, Lysol and Napisan

Looking Ahead

"I believe with the foundations we have set in 2020, Panarchy Partners, team and eco-system can only grow to create a wider impact."

Munib Madni,
Founding Panvestor