CLIMATE TRANSPARENCY REPORT 2020

Arisaig Partners (Asia) Pte Ltd

Principles for Responsible Investment

About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2020 PRI Reporting Framework.

About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/-DDA1589C-07E0-4AFD-9DBA-448D46576B5D/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2020 climate reporting as "private". Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the PRI website and on the Data Portal.

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 07.5 CC	✓	Private				
SG 07.6 CC	✓	Private				
SG 07.7 CC	✓	Private				
SG 07.8 CC	-	Private				
SG 13.1	✓	Public				
SG 13.2	✓	Public				
SG 13.4 CC	✓	Public				
SG 13.5 CC	✓	Public				
SG 13.6 CC	✓	Public				
SG 13.7 CC	✓	Public				
SG 13.8 CC	✓	Public				
SG 14.1	✓	Private				
SG 14.2	✓	Private				
SG 14.3	✓	Private				
SG 14.6 CC	✓	Private				
SG 14.7 CC	-	Private				
SG 14.8 CC	✓	Private				
SG 14.9 CC	✓	Private				
SG 15.1	✓	Private				
SG 15.2	✓	Private				
SG 15.3	✓	Private				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation
Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.	

ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS	
Name	Arisaig Partners (Asia) Pte Ltd
Signatory Category	Fund Management - Majority
Signatory Type	Investment Manager
Size	US$ 1 - 4.99 billion AUM
Main Asset Class	>50% Listed Equity Internally Managed
Signed PRI Initiative	2010
Region	Asia
Country	Singapore
Disclosure of Voluntary Indicators	67% from 38 Voluntary indicators

Arisaig Partners (Asia) Pte Ltd

Reported Information

Public version

Strategy and Governance

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Investment policy

SG 01	Mandatory	Public	Core Assessed	General

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 01.1	Indicate if you have an investment policy that covers your responsible investment approach.

SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

SG 01.6 CC	Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation's investment time horizon.

◉ Yes

	Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.

In early 2020 we published our first Climate Policy. Although we have considered the risk of climate change within our portfolios for some time - for example, we have conducted an annual carbon footprinting of all our holdings since 2015 - we felt we had work to do to deepen our broader understanding of climate risk, and indeed opportunity.

Transition risk - At present, the clearest way of identifying and considering transition risk at a portfolio and company level is to consider the effects of (increasingly likely) carbon pricing (i.e. assume that government policy will force companies to pay for their carbon emissions in future, thus internalising the cost onto the PnL). To support us in this analysis, we recruited South Pole, a climate research specialist. Through their analysis of each holding, they have helped to identify several firms that had particularly high potential revenue at risk.

On top of this, we used data from environmental footprinting specialist Trucost to map out detailed carbon footprint at a company and portfolio level.

In addition, it is important that we consider the direction of travel for emissions. Our emphasis on growth businesses means that the future footprint of our holdings could be significantly larger than it is today in absolute terms if appropriate (ideally Science-Based) targets are not implemented.

With this in mind, we have already begun reviewing several high carbon intensity portfolio positions that we deem to be inadequately managing this risk. This is resulting in re-weighting of positions and in some cases, supporting the case for outright disposals. It has also led to an adjustment in our universe as we look to follow consumers towards less environmentally intensive products and services.

Physical Risk - Physical climate risk is incredibly complex to model at a global, system-wide level. However, two key features of physical climate risk are that the effects tend to be geographically concentrated and more prone to capital heavy businesses (both in terms of physical and natural capital).

Through our research we have recognized that although our sector focus on asset-light consumer businesses helps mitigate some physical risk, the geographic exposure of our portfolios is more of a concern. The countries seen as particularly vulnerable include India, Philippines, Vietnam, Pakistan and Bangladesh.

In order to build a deeper understanding of this, we employed South Pole to conduct a portfolio physical risk assessment. In order to enhance this, we commissioned another third-party research firm to collect the geolocations of all the major facilities of all our holdings - thousands in total.

The initial results have confirmed our earlier theories around exposure, with companies whose business is concentrated in markets that are both economically fragile and in the pathway of physical climate events scoring the highest in terms of risk (measured by revenue at risk). What was also strikingly evident was the inflection point in risk to our companies and portfolios in a scenario of global temperatures breaching 2°C above pre-industrial levels.

○ No

SG 01.7 CC	Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

◉ Yes

	Describe the associated timescales linked to these risks and opportunities.

Transition Risk: we believe the effects of transition risk are already being felt albeit with only a fraction of the force that is likely to come in years ahead. Consumer surveys tell us that consumers around the emerging world are increasingly conscious of this issue and favour companies/brands that are taking a leading stance on carbon emissions. Poor disclosure is still impairing their ability to make good decisions here, but this should increase over time. Initial government policy response (e.g. electric vehicle subsidies; single-use plastic bans) is helping to improve awareness of the environment and shift behaviour. We think this will only continue. While currently more of a risk for our consumption-oriented portfolios, we believe that opportunities could emerge for the leading, innovative players to capture new growth opportunities (e.g. plant-based foods, regenerative supply chains, circular distribution systems).

Physical Risk: extreme weather events are already part of daily operations for many emerging market companies - for example, retailers in the Philippines having to manage their inventory, store footprint and staff safety during the annual typhoon season, or brewers in India coping with droughts. The big question and concern is to what extent these events will increase in frequency and intensity over time, calling into question the adaptation strategies of the exposed companies. To analyse this, we run scenario analysis of individual equities (based on the geographic footprint of its revenues and facilities). This considers four different future climate temperature scenarios, which we can tie back to the IPCC RCPs in 2046-2065 (just beyond the period of our 20-year DCF models). We then use this to determine how much more vulnerable each company could become. We then use this to guide engagement practices with companies to determine whether this is being suitably managed.

○ No

SG 01.8 CC	Indicate whether the organisation publicly supports the TCFD?

◉ Yes

○ No

SG 01.9 CC	Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

◉ Yes

	Describe

Yes, we have a Climate Policy which covers our approach to integrating climate risk into both our portfolios and our internal operations. This runs through how we analyse both transition and physical risk, the internal frameworks we have developed to understand this and how we engage with companies on these issues. The objective through all of this is to ensure that our long-term buy-and-hold portfolios are not overly exposed to these risks and where possible, to push companies towards improved management of them.

The governance of this risk stretches up to the Board and is reported on by our Managing Partner, Rebecca Lewis. Charlie Carnegie, Head of Sustainability Research, is then responsible for overseeing the risk identification process and reports to the Investment Risk Committee on this and other sustainability risks within the funds.

In 2020, we will be launching a positive impact fund - the Arisaig Next Generation Fund. One of its key impact objectives will be around the environmental theme. To this end, we have been expanding our research to identify companies which are able to deliver climate opportunities within sustainable, compounding business models (i.e. free from subsidies, large contracts and low return on capital).

○ No

SG 1.10 CC	Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

☑ Public PRI Climate Transparency Report

☐ Annual financial filings

☐ Regular client reporting

☐ Member communications

☐ Other

☐ We currently do not publish TCFD disclosures

Governance and human resources

ESG issues in asset allocation

SG 13	Mandatory	Public	Descriptive	PRI 1

SG 13.1	Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

☑ Yes, in order to assess future ESG factors

	Describe

We us an internal long-term cash flow model - called the Arisaig Crystal Ball (ACB) - to value every company we invest in. Within this, we have a scenario dedicated to ESG. This forces the analyst to integrate the risks and opportunities identified within the sustainability risk assessments.

☑ Yes, in order to assess future climate-related risks and opportunities

	Describe

Yes, we use South Pole to help us perform scenario assessments on our portfolios to understand the scope of physical and transition risk at a fund and security level.

☐ No, our organisation does not currently carry out scenario analysis and/or modelling

SG 13.2	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

	We do the following

☑ Allocation between asset classes

☐ Determining fixed income duration

☑ Allocation of assets between geographic markets

☑ Sector weightings

☑ Other, specify

We invest exclusively in high quality emerging market equity franchises and hold them for the long term. All positions must therefore have high ESG standards

☐ We do not consider ESG issues in strategic asset allocation

SG 13.3	Additional information. [OPTIONAL]

We consider ESG within all investment decisions in a systematic manner. We do this because we want to build very high conviction in a company before investing. This is part of our commitment to patient, long-term investing in which we seek to minimise portfolio turnover by investing in the highest quality companies, hold them for as long as possible (ideally forever) and in turn to let them do the heavy lifting.

In practical terms, we invest in listed deep-moated franchises in emerging markets that possess 'growth, quality and alignment' characteristics. We narrow down our universe by removing all companies in the fossil fuels, heavy industry, armaments, tobacco, gambling and pornography sectors.

We then assess all potential companies through internal frameworks that measure governance and sustainability risk. This helps us identify which companies are well aligned and who understand how sustainability factors are and will affect their competetive positioning and growth oppportunities.

SG 13 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

SG 13.4 CC	Describe how your organisation is using scenario analysis to manage climate-related risks and opportunities, including how the analysis has been interpreted, its results, and any future plans.

☑ Initial assessment

	Describe

We commissioned South Pole, a climate research specialist, to assess our portfolios for both physical and transition risk related to climate change. They apply a range of climate scenarios to their analysis which allows us to visualize the potential risk within the portfolios under various possible climate conditions. We supported their efforts by commissioning separate research that collected the geolocation data of the key facilities of all of our holdings. This helped provide a more granular assessment of each company's exposure to climate events.

South Pole's assessment was crucial for understanding where material climate risk lay within our portfolios. For example, they helped us identify that the physical consequences of climate change could put 4% of the revenues of our holdings at risk on average under a 2°C global warming scenario (above pre-industrial levels), while a 3°C would put 30% of revenues at risk. For the top 10 most exposed companies, these figures were double.

☑ Incorporation into investment analysis

	Describe

The feedback from these assessments was integrated into internal research reports. It was then supplemented by several additional data sources. On the physical risk side, we looked at the World Resources Institute Aqueduct Water Risk Atlas and SwissRe's CatNet® natural disaster mapping tool, applying the geolocation data we had collected to understand where individual companies are particularly vulnerable. For example, we identified that a brewer in Vietnam had 5 breweries within areas that were vulnerable to rising sea levels and that a biscuit manufacturer in Bangladesh had a plant at risk of both river flooding and sea level ris.

On the transition risk side we acquired environmental footprint data from Trucost for all our holdings. This provides a granular breakdown of individual companies carbon footprint and by scope, allowing us to see where exposure to potential carbon regulation is most significant, and where within the value chain this lies. For example, we determined that ~60% fo the footprint of our holdings was in scope 3 emissions, which compared to 50% for the S&P EM BMI. We are also able to determine companies that are not reporting their carbon footprint either sufficiently or at all, which is a useful measure to understand how seriously they are approaching this issue.

For both physical and transition risk we have developed questionnaires for companies to dive deeper into the issue and understand how they are adapting to and mitigating against these risks respectively.

☑ Inform active ownership

	Describe

Based on the insights generated from the external and internal research, we are able to determine which companies are most exposed to physical and transition risk. Based on this, we prioritise our portfolio engagement to better understand the responses of these companies and, if necessary, push for improved practices. For example, we have been engaging with the management team of a Bangladeshi biscuit company to understand in detail how they are managing the sizeable physical risk that its operations in the country are exposed to. This helps us build a sense of how prepared and resilient the company is to this disruptive force.

Based on our transition risk work, we are also re-appraising several high-emission positions within the portfolio. This includes several dairy companies, which have notably high carbon footprints through their agricultural supply chains. Our upcoming engagement efforts

Looking ahead, we will be reaching out to all of our portfolio companies to inform them of our stance and ambition with regards to climate change. This should provide a platform for further conversations over the coming years as to how companies are approaching this in their own way.

☐ Other

SG 13.5 CC	Indicate who uses this analysis.

☑ Board members, trustees, C-level roles, Investment Committee

☑ Portfolio managers

☑ Dedicated responsible investment staff

☐ External managers

☐ Investment consultants/actuaries

☐ Other

SG 13.6 CC	Indicate whether your organisation has evaluated the potential impact of climate-related risks, beyond the investment time horizon, on its investment strategy.

◉ Yes

	Describe

South Pole's portfolio assessments model out the climate risks to 2050. This is 10 years beyond the end-point of our 20-year internal cash flow model, allowing us to consider the terminal value implications of climate risk on each individual company.

○ No

SG 13.7 CC	Indicate whether a range of climate scenarios is used.

☑ Analysis based on a 2°C or lower scenario

☐ Analysis based on an abrupt transition, consistent with the Inevitable Policy Response

☑ Analysis based on a 4°C or higher scenario

☐ No, a range is not used

SG 13.8 CC	Indicate the climate scenarios your organisation uses.

Provider	Scenario used
IEA	☑ Beyond 2 Degrees Scenario (B2DS)
IEA	☐ Energy Technology Perspectives (ETP) 2 Degrees scenario
IEA	☐ Sustainable Development Scenario (SDS)
IEA	☐ New Policy Scenario (NPS)
IEA	☐ Current Policy Scenario (CPS)
IRENA	☐ RE Map
Greenpeace	☐ Advanced Energy [R]evolution
Institute for Sustainable Development	☐ Deep Decarbonisation Pathway Project (DDPP)
Bloomberg	☐ BNEF reference scenario
IPCC	☑ Representative Concentration Pathway (RCP) 8.5
IPCC	☑ RPC 6
IPCC	☑ RPC 4.5
IPCC	☑ RPC 2.6
Other	☐ Other (1)
Other	☐ Other (2)
Other	☐ Other (3)