

Albizia ASEAN Tenggara Fund

Responsible Investing Report

January to December 2020

It is no coincidence that what was the toughest year for humanity in most people's memory was also probably the best year for the planet in some time, with carbon emissions estimated to have fallen by around 7%, the steepest drop since 1945 (New Scientist: www.bit.ly/2020emissions).

While a rebound is almost certain to follow as economies and travel normalise, it is heartening that the pace of emissions has slowed substantially in the last decade, and the drop in emissions last year meant they were lower than they have been since 2010.

This suggests that the efforts of governments, industries, companies and investors across the planet are having a real impact, and that as more join this bandwagon, the greater the impact should be. It is reassuring that our own efforts, as members of the UN PRI and directly engaging with our investee companies, are part of a bigger movement that is beginning to work.

In December, we announced our official support for the Task Force for Climate Related Financial Disclosures (TCFD): disclosure is vital to all forms of governance, and if investors wish to know the climate impact of their investments, and lower them, it requires the data to be made available.

Before announcing our support, we surveyed all our investments to see how many were already disclosing carbon usage and emissions, how many might be persuaded to and have already opened discussions with those that do not.

While the events of 2020 are likely to mean that some companies are excused by their regulators from taking a forward step towards full disclosure in 2021, we are engaging with all companies in the hope that we can see progress. We look forward to updating you on this project in 2021.

As a boutique fund manager, we adopt a focused approach in everything we do, and our responsible investing strategy is no different. We believe that by working with our companies, we can potentially identify long-term risks they may not currently fully appreciate, and more critically help find solutions to those risks.

The last 12 months have been an object lesson of how severe unexpected tail-risk events can be. While we obviously hope such risks don't happen, we believe keeping a look-out for risks and solutions enables us to help our companies become better, enhancing the way they interact with stakeholders and the environment, and allowing for sustainable profit growth, which in turn improves their long-term share price performance.

We began 2020 continuing our focus of engaging with portfolio companies on single-use plastics. From our work with the UN PRI's International Working Group on Plastics (IWGP), we understood that the first step towards reducing waste was for companies to gauge their own "plastic footprint".

In late 2019, we asked our companies for their readiness to footprint, without asking them to do the footprinting itself. We received answers ranging from an immediate report on levels of plastic used, to replies that the footprinting would be impossible, and after compiling these, shared them with organisations such as WWF Singapore, United Nations Environmental Programme in Thailand and UN PRI itself.

Perhaps the best plastics news of the year was **Century Pacific** Group (including **Shakey's Pizza**) announcing it had become “plastic neutral” by buying credits from plasticcreditexchange.com (PCX), a Manila-based NGO that pays for the sorting and separation of end-of-use plastics to be used in cement co-processing. The company is setting such a strong example that Nestle and Pepsi in the Philippines have already followed suit.

We had a detailed discussion with **Century Pacific** regarding their motivation in making this change. It was encouraging to hear that shareholder requests had played at least a small part in kick-starting the process, although intrinsic drivers were vital to seeing it through.

We thought this conversation was too good to keep to ourselves, and asked **Century Pacific** and PCX to join us in a panel for a UNEP conference called SEA of Solutions. We then sent video of the panel to all our portfolio companies in the hope that seeing a peer discuss its path to plastic reduction could inspire other companies. (<https://seaofsolutions2020.hubilo.com/community/#/session-stream/29612>) is the conference video link and shorter YouTube link (<https://youtu.be/iKuygBplhs>).

We continued to vote at all portfolio shareholder meetings, either by proxy, or this year, for the first time, by Zoom, and push for increasing transparency from the few companies that can improve significantly in providing timely information. We feel that this is improving.

More than anything, we are heartened by how our companies welcome our responsible investing approach as part of our long-term partnerships, as this will be vital in making the approach itself sustainable.

Albizia Capital
March 2020

