



Archipelago Capital Partners ESG Journey

August 2024



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Reporting period and scope

This report covers activities and performance of Archipelago Capital Partners (ACP) and its portfolio companies as of 31 December 2023. It includes some information from the first seven months of 2024 to assist stakeholders in understanding the report.

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Introduction to Archipelago Capital Partners

Private equity firm focused on Southeast Asia

- Established in 2016 with **offices in Singapore, Indonesia, and Philippines**.
- Focuses on investments where ACP play an **active role in adding value** to its investee companies.
- Seeks to generate alpha investment returns by investing in and **building long-term sustainable businesses**, that can become **“local or regional champions”**.
- Key investors** include sovereign wealth fund, DFIs, leading Asian financial institutions, well-established European investment funds/ family offices, and prominent families in the region.

Highlights of the Archipelago way



Holistic investment approach

- Proprietary sourcing through in-depth understanding of sector and local network.
- Flexible investment structuring.
- Experienced in working with partners.
- Invest with holistic strategy of value creation (e.g. roll-ups, bolt-on).



Strong operational value-add

- Global expertise delivered with local resources.
- Strength in business building, restructuring, performance management and advisory.
- Ready network of experts to deploy into companies as management or advisors.



Cohesive team with deep SEA expertise

- ACP team members have known each other and worked together for many years. Complementary skill sets and experience, with blend of operational and investment expertise. Deep roots and networks across the region.

Focused on three high-growth sectors...

Financial Services



- Banks
- Consumer Finance
- Remittances

Consumer goods & services



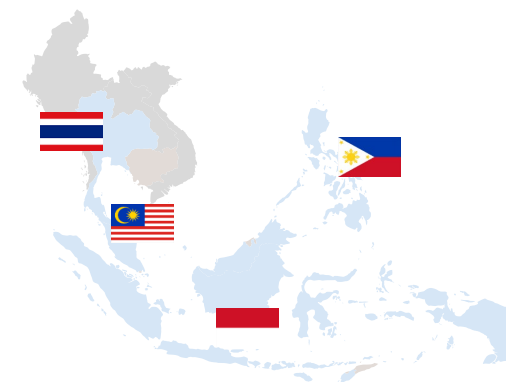
- Quick-service F&B
- Consumer Discretionary

“Niche” Industries



- Chemicals
- Logistics
- Packaging

... in 4 countries: Indonesia, Philippines, Thailand, Malaysia



The Archipelago Playbook

1 Three deal types

- Corporate Carve-out
- Business Succession
- Management Upgrade

2 Three core sector

- Consumer Goods & Services
- Financial Services
- Industrials & Logistics

3 Mid-market focus

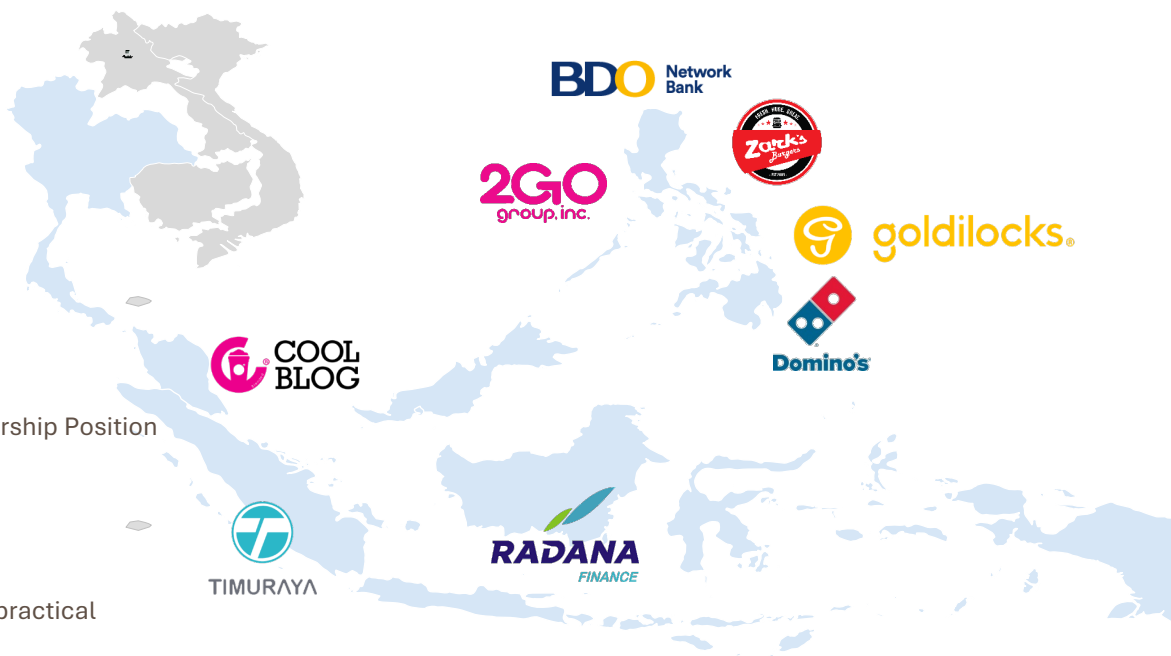
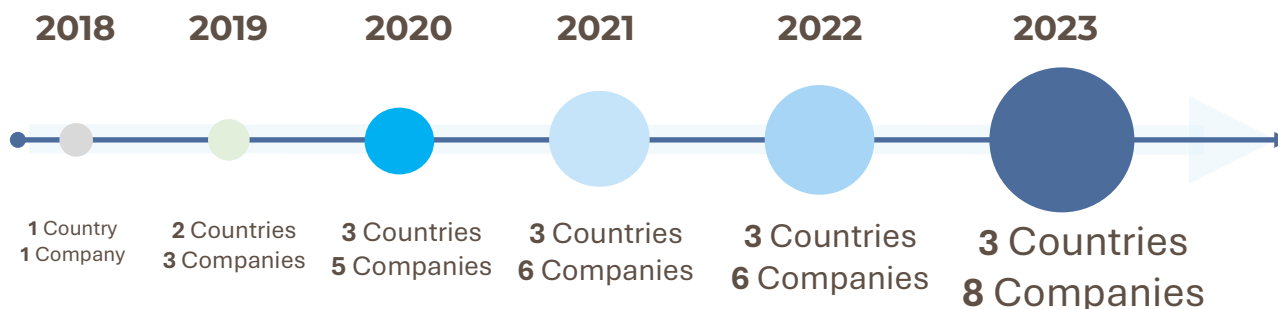
- Target Entry EV of \$30-100mn
- Control or Influential Minority
- Value Oriented & Downside Protected

4 Concentrated portfolio construct

- Target 2.5-3.0x Gross MOIC
- Established Businesses with Potential Market Leadership Position
- Significant GP Commitment

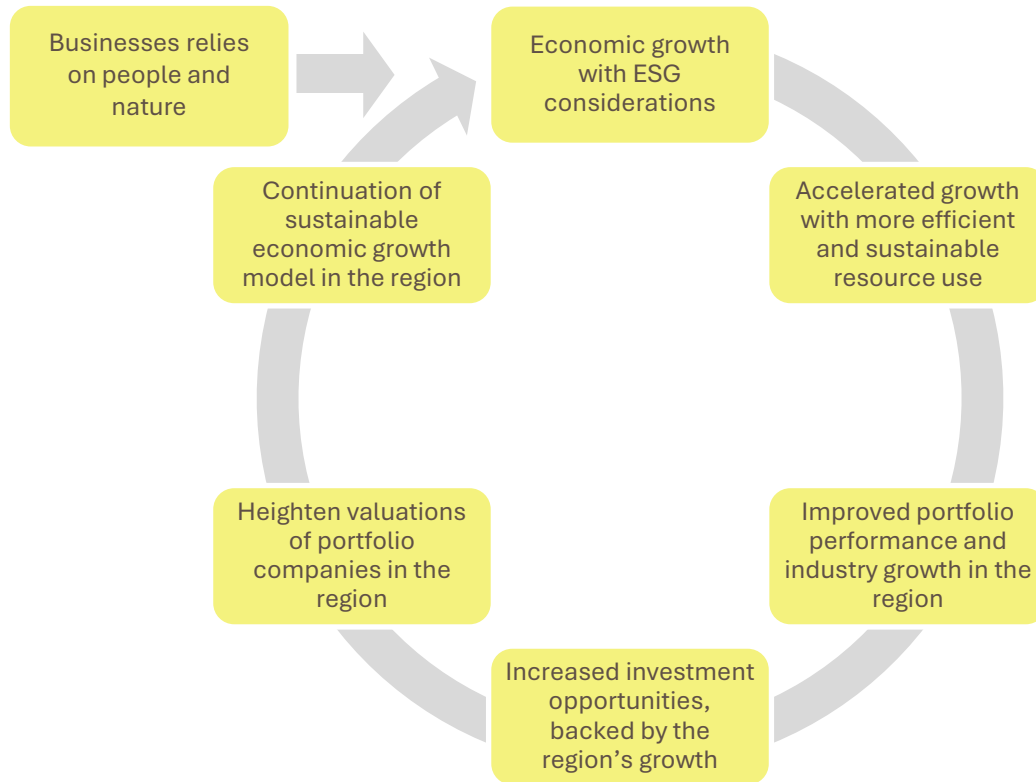
5 ESG integration

- Committed to sustainable growth in the region with practical approach



Why ESG matters at ACP

Value cycle of ESG integration



At ACP, our ESG strategy begins with one question:

How do we invest in profitable opportunities that drive growth and economic development for companies and people today, while enhancing their ability to sustain such growth?

Answering this question is important to us because we believe our success as an asset manager anchored in Southeast Asia is tied to the long-term growth and economic development of the region.

Growing income level creates more investment opportunities for us. Faster growth attracts more investments in the market that can raise the valuation of our investments. Addressing the question of sustainable growth and development is therefore an essential part of our business. It is also core to our values as a responsible investor.

How ACP integrates ESG

ESG Management System

Our Vision

Investing in growth and transition of Southeast Asia, informed by economic, social, and environmental needs

Our Values

Authentic

Pragmatic

Data-driven

Forward-looking



Governance

- Oversight by the CEO and board
- Investment Committee review
- Dedicated ESG Officer reporting to the CEO
- Quarterly management update
- Guided by our [ESG Policy](#)



Investment process

- Investment opportunities review including ESG themes
- Investment screening & due diligence
- Company engagement & monitoring
- Responsible transition of ESG strategy during exit



Capacity building

- Staff training
- Engagement with industry players and regulators



What we do



Seek opportunities aligned with our principles and view of the region

- Our investment decisions are guided by our ESG Management System including our ESG Policy and Exclusion List.
- We identify attractive growth opportunities by deepening our understanding of the world including the changes brought upon by a transition towards sustainable growth.



Prioritise ESG factors that have significant impact on our business

- **Timuraya** achieves a zero-waste manufacturing by re-using or selling 100% of chemical byproducts.
- **2GO** continues to re-fleet with newer and larger vessels, achieving product, energy, and cost efficiency of its operations.
- **Radana** conducts credit exposure review in high-risk sectors.
- **Coolblog** continues to embrace diversity, reduce plastic footprint and introduces low-sugar options.



Align with international standards

- Our ESGMS is aligned with international standards and frameworks including Sustainability Accounting Standards Board (SASB), and Taskforce on Climate-Related Finance Disclosure (TCFD).
- ACP is a member of ESG Data Convergence Initiative (EDCI).



Our approach to climate change

Our commitment

The Southeast Asian region we invest in faces a unique challenge.

On one hand, there is a strong need to fuel growth to reduce poverty and improve living standards. On the other, there is an urgent need to decouple the growth from methods and technology that adversely impact the climate.

With this challenge in mind, we commit to integrating climate risks and opportunities into our investment decision-making and continuously improving our capabilities and methodology as knowledge develops.



▶ Climate workshop for ACP team

How we manage climate change

Our ESG Management System outlines our approach to managing ESG risks and opportunities, including climate change, in line with Monetary Authority of Singapore's Environmental Risk Management Guidelines and TCFD recommendations.

Governance

ACP's board and CEO oversee ESG matters including climate change through our quarterly ESG update, supported by a dedicated ESG Officer. Investment Committee considers ESG matters in investment decisions.

Strategy

In line with our ESG Policy, ACP considers climate risks and opportunities across its investment process from deal origination to investment screening, portfolio management and exit. To build team capabilities, ACP conducts regular training for the management and Investment Team.

Risk Management

ACP assesses transition and physical risks for its high-risk portfolios through close monitoring of market/regulatory developments, carbon pricing analysis, and physical risk scenario analysis. ACP engages with its portfolio companies to ensure necessary measures are in place or planned.

Metrics & Targets

ACP monitors GHG emissions of its portfolios, as well as metrics critical to its portfolio operations (e.g., water stress). Where appropriate, ACP supports portfolio companies to set carbon/energy efficiency targets.

Our approach to human capital

Our commitment

We believe in performance, and we are committed to providing a workplace where our people are respected for their differences and can grow and thrive based on merits and nothing else.

We see diversity as one of the levers that help us achieve this goal. We regularly review our workplace diversity to ensure there is no conscious or unconscious bias.

We actively promote diversity of perspectives and experiences in our recruitment and promotion process.

We are committed to maintaining a workplace free from discrimination and sexual harassment and will take all necessary actions to ensure a professional work environment in our own operation and at our portfolio companies.

We ensure such practice by establishing a grievance mechanism at our firm and portfolio companies.

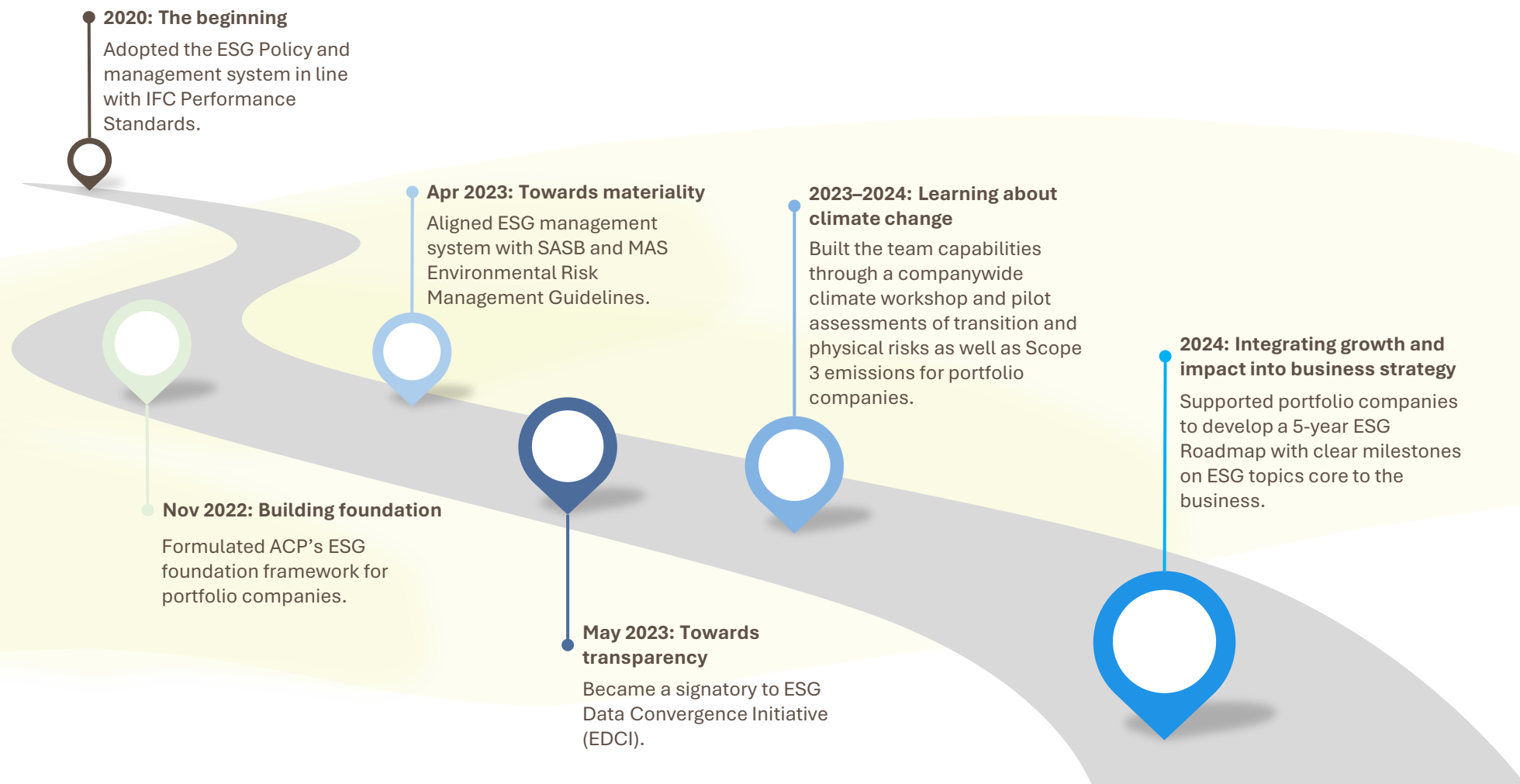
How we manage human capital

Our diversity metrics today provide us confidence that our firm and portfolio companies are capable of attracting talents and perspectives with limited risks of conscious or unconscious bias. To further enhance the competitiveness of the talent pool, we support our portfolio companies to conduct regular employee surveys and engagements to understand the needs of our people and areas we can do better.

Diversity at ACP	Female represented	Number of nationalities represented
Executives / Partners	40%	3
Investment Team	42%	5
Total Employees	47%	6

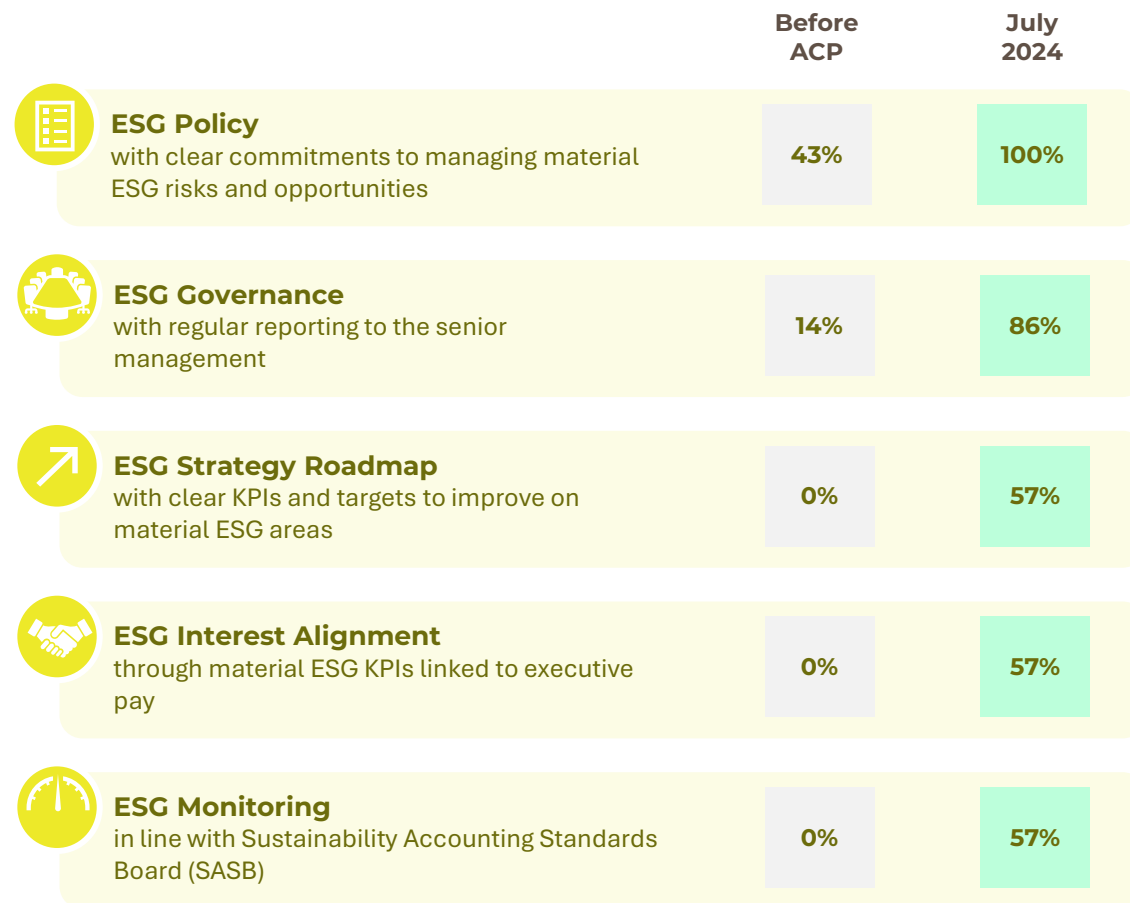
Diversity at ACP's portfolio companies ¹	Female represented
Board	31%
Senior Management (C-Suites)	25%
Middle Management	60%
Total Workforce (employees & agency workers)	49%

Our milestones in ESG



ESG foundation building

Companies that have...¹



When we invest in a company, our ESG journey start with building a robust foundation.

We have developed a set of indicators pivotal to the success of ESG integration. These indicators are purposely built to empower our portfolio companies so they can identify what is material to their businesses, set ambitious but achievable targets, and continuously improve through monitoring.

We are proud of the commitment and progress made by our portfolio companies despite various challenges they face as small- to mid-market players in emerging Southeast Asia.

While we recognize progress, we are aware that there are still more work to do and will continue to support our portfolio companies in their journey.

Timuraya at a glance



TIMURAYA

About Timuraya

Sector Chemicals

Year of ACP Investment September 2018

Company Overview

Timuraya has over 45 years of track record in manufacturing sulfuric acid and its derivatives with versatile use such as industrial chemicals, fertilisers, water treatment, and sugar substitutes. Timuraya is a Top 3 global producer and exporter of sulfamic acid, serving over 300 blue-chip customers globally.

ESG performance in numbers

100% of byproduct chemicals from manufacturing re-used and sold

85% of electricity usage to be powered by steam (byproduct) by 2026

0 fatalities or major injuries since investment

80% of the employment from the local community with no labor issues since investment

ESG focus & achievements

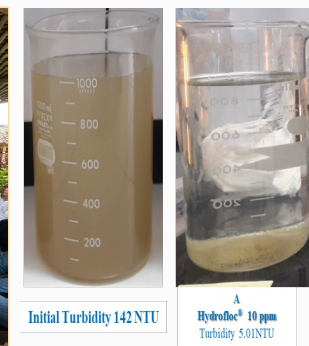
Health & Safety Regular health checkup and safety drills | ISO45001 certified

Environment Zero-waste production model | Transition from coal to gas furnace | Building a 6MW steam generator to utilise byproduct steam as energy source | ISO14001 certified

Stakeholder Engagement Regular engagement with unions | Community education | Relief efforts for community



▶ Educating farmers on fertiliser use for higher crop yield



▶ Enhancing availability of safe drinking water

2GO at a glance



About 2GO

Sector Logistics

Year of ACP Investment June 2021

Company Overview

2GO is a leading integrated transport and logistics provider of sea/land/air freight, express, 3PL, cold chain transport and project logistics services in the Philippines. 2GO's assets include 11 vessels, 3 warehouses, 3 transport hubs, 11,000 container vans, 500 Reefer vans, and access to over 3,000 motorcycle couriers.

ESG performance in numbers

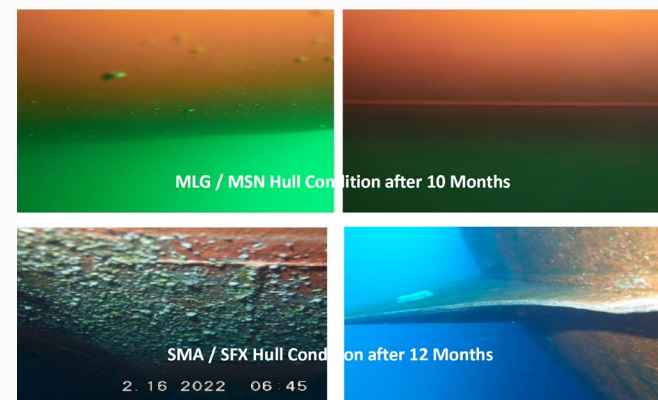
0	fatalities or major injuries since investment
27%	re-fleeted with more efficient vessels since investment
10-21%	fuel efficiency achieved for existing vessels
43%	female employees
1,754	MSMEs supported

ESG focus & achievements

Safe & Inclusive Regular safety drills | Safe driving training | Near-miss reporting culture | Women of 2GO platform launch

Green & Efficient Vessel re-fleeting and efficiency upgrades | Road transport operational efficiency | Renewable & EV feasibility studies

Resilient Capturing logistic opportunities in a low-carbon transition | Physical risk assessment of key assets | Decarbonisation strategy development



▶ Implementation of anti-fouling paint improves vessel performance and durability

Coolblog at a glance



About Coolblog

Sector Food & Beverage

Year of ACP Investment July 2020

Company Overview

Established in 2008, Coolblog is one of the leading halal specialty dessert beverage retail chain in Malaysia. It has one of the most diverse selections of milk tea and smoothie beverages, with hundreds of product variations. Coolblog has over 300 outlets in Malaysia which are mostly located in 2nd and 3rd-tier towns and cities of Malaysia.

ESG performance in numbers

84%

female workforce, empowering the underutilised female labor in 2nd and 3rd tier cities in Malaysia

59%

of franchisees with over 10 years of partnership

18%

reduction in plastic packaging weight per cup sold since 2022

4 years

of R&D efforts to reduce sugar level and increase choices

ESG focus & achievements

Product Quality & Innovation

HALAL compliance | Affordable, quality treats | Lower sugar recipe upgrades | Healthier & lite product category launch

Diversity, Equity & Inclusion

Promotion of an open culture where differences can thrive

Wastage

Plastic packaging reduction | Food waste control



▶ Serving a Halal certified, quality and affordable treats for everyone



▶ Campaign with OrigoEco, a rice straw manufacturer

Three Bears Group at a glance



About Three Bears Group (TBG)

Sector Food & Beverage

Year of ACP Investment December 2019

Company Overview

TBG is a multi-brand food group, operating Domino's Pizza, Zark's Burger, and Coolblog in the Philippines. With over 140 outlets, the food group's vision is to provide multiple brands targeting similar demographics, aiming to realise operating synergies, capture sales with diverse offerings, and achieve scalability.

ESG performance in numbers

0 food safety accidents since investment

0 fatalities or major injuries since investment

39% female workforce

0.6% food wastage as % of sales

37% of plastic packaging recovered and diverted

ESG focus & achievements

Product Quality & Innovation

3rd party food safety audit | Supplier ESG monitoring | Health & Nutrition workshop with partners for menu development

Safe & Rewarding Workplace

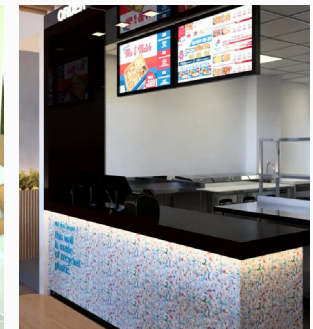
Enhancing safety programmes and monitoring | Employee engagement | Rewards and recognition programmes

Green Operation

Energy optimisation | Food waste control | Plastic waste recovery



▶ Sustainability workshop with Domino's and Zark's team with their key supplier, Arla



▶ Domino's store front counter design integrating recycled plastics

Looking forward



Jovasky Pang

CEO, Archipelago Capital Partners

For businesses, the single biggest challenge to sustainability is often the need for high growth.

At Archipelago Capital Partners, our philosophy on sustainability is to embark on a healthy debate with our portfolio companies and partners on the traditional assumptions of the means to growth. How do we grow while needing less?

Less energy. Less packaging. Lower waste. Capacity expansion through bigger ships that can go faster. More efficient route planning, whether we are delivering parcels or pizza. Greater adoption of technology to cut travel. Better sourcing of material. Change of product mix and formula.

Southeast Asia is a region with all the drivers of growth. Young and burgeoning population. Increasing urbanisation. Greater consumption by an expanding middle class.

We cannot change the needs of this growth. In fact, we seek to seize the opportunities by meeting the demands of such ravenous appetites. But we can be smarter about the way we do things, by using less and needing less, continuously, structurally.

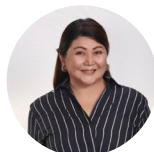
Only then, can we be sustainable.

Special thanks to...

ACP's ESG journey was by no means a product of our own efforts. We owe this to our portfolio companies who have found their own approach to sustainability that fit their businesses through rigorous questions and debate, as well as our investors and partners who have joined to provide support.

Koleen D. Palaganas, Head of SM Group Sustainability Office

Koleen is a multiplier. She grooms leaders in sustainability where we lack talents. She brings clarity where sustainability has created its fair share of confusion. And she builds an ecosystem where her leaders can multiply her work with a clear and genuine vision. Her leadership has not only shaped sustainability at our portfolio companies but also ACP.



Chin Leong Ang, Veleneth Acosta, and Madelene Guardino Management of Three Bears Group and its brands

Leong, Veleneth, and Madelene's approach to ESG was "why not?". This simple approach has opened many doors of possibilities and ideas. They take these ideas, make them into small steps, and act fast. They repeat this, and it has built into many milestones – less electricity use, more efficient delivery planning, enhanced food safety culture, and increasing circularity of plastic wastes.



...and every one of our partners who has made this journey possible

Frederic C. Dybuncio, Sharon Ng, Gener Lim, Terence Yong, Faye Babar, Apollo Santos, Ronald Perena, Ruth Verceluz, Regie Boquecosa, Johan Muñoz, Gene Paul Villaran, Ronald Sarillana, Camille Acero, Kent Tan, Evelyn Wong, Alvin Koo, Mandy Wong, Sharifah Annur, Siti Aminah Nor Binti Ismail, Maslinda Wahid, Siti Fairus, Zark Varona, Jacqueline Diane Buenaventura, Lamberto Rodriguez Jr, Darwin Matienzo, Felix Gantioqui, Siegfred Clamor, John Paul SanJuan, Neil Bernal, Ramon Peros, Josh Paterno, Jogent Tan, Paul Legaspi, Czaremar Apit, Armand Roxas, Rami Chahwan, Sheila Marie Pabalate-Rea, Marla G. Alvarez, Hans Tjahjadi Wirawan, Edi R.H.S. Pasaribu, Danar Pradityo, R. Andriyanto Syah

Mercy G. Dionisio, Head of 2GO Sustainability Office

Mercy took ACP's ESG mandate and went beyond to plant the seed of sustainability by gelling 2GO's organisation across sea and land. In just two years of her leadership, 2GO team is clear about their achievements and has a clear roadmap of where they want to get next.



Sueli Lew, CEO of Coolblog

Sueli translates ESG to tangible opportunities her team can relate to. Together, they upgraded the standards of HALAL compliance to offer better quality products, embraced diverse strengths and perspectives to empower people, and adopted efficient operation to minimise cost and wastage.



Eng Khim Lim, CEO of Timuraya

The way Eng Khim and his team has transformed Timuraya shows that ESG is not a new way of thinking, but simply a good business thinking. We are inspired by the growth Timuraya has achieved with less resources and waste while making people safer and happier.



Our investors & partners

Our investors were instrumental in kickstarting our ESG journey, and we would like to extend special thanks to FMO, DEG, and Sarona for providing knowledge and technical support.

Our journey was further supported by various partners including consultants and companies playing in the value chain looking to scale the efforts. Particularly, we send our gratitude to Grace Sai of Unravel Carbon, Elisa Saw at Arla Foods, and SeauYeen Su at OrigoEco.



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Date of Issue	August 2024
Website	www.arxpelago.com
