Task Force on Climate-related Financial Disclosures (TCFD) report

2023

Improving everyday life for billions of people through technology

TCFD Report FY23

Introduction

Prosus is a global consumer internet group and a long-term technology investor. We are investing in and building a diverse portfolio of asset-light, low-carbon digital technology-based business models. As the investing entity our own carbon footprint is insignificant. We recognise the urgency of climate action, and we are committed to contribute to limiting global warming to 1.5 degrees Celsius.

Research shows that to stop global warming the reduction of carbon emissions has to come for 55% from our energy use and for 45% from how we make and consume food, materials and goods. In other words, climate action has to be seen in tandem with a wider approach to environmental management. For a business to successfully reduce carbon emissions it has to review all aspects of its operations, from choices in types of fuels and electricity, to deciding which products and materials to buy, to engaging its customers and suppliers. Because of this interconnectedness, we detailed our approach to managing our impact on the environment, including climate, in our environmental sustainability programme (environment programme). The programme describes our strategy, approach and targets for reducing the material environmental impact across our group and includes our Climate Transition Plan which outlines our climate commitments, our climate-related risk and opportunity assessment and our governance model.

For this year's TCFD report, we matched the recommendations of the Task Force on Climate-related Financial Disclosure's (TCFD) framework to the relevant parts in our environment programme, thereby ensuring stakeholders engage with our efforts to combat climate chance in the light of our wider approach to managing environmental impact.

1. Governance

	Description	Reference
Board oversight	The board retains oversight for the sustainability agenda for the group, including our climate action strategy and plan. The review and approval of business and financial plans, including sustainability targets and resource allocations are steered by relevant board committees.	Sustainability policy Environment programme section 2.1 on page 7
Management responsibilities – KPIs and targets	The CEO and CFO's FY23 short-term KPIs include targets on climate action, which tie in with their performance incentive and remuneration. The direct reports of the CEO, the subsidiary CEOs, have all equally received a climate target ensuring that climate action is on the agendas of the executive management of all our subsidiaries and forms a prominent deliverable for the segments.	Environment programme section 2.2 on page 8
Portfolio engagement approach	We actively engage in the environmental, social and governance (ESG) performance of our portfolio companies. Acquiring a controlling interest in a company implies a higher level of accountability and influence with a consequent cascading of our business values and ESG principles. Our influence over majority-owned and minority-owned businesses varies with each investment, but the principles which guide us are consistent.	Environment programme section 2.3 on page 8

2. Strategy

	Description	Reference
Our strategy	We believe we can harness the power of technology to drive sustainable transition, which is why being a force for good underpins our sustainability purpose. Our capital allocation strategy reflects this opportunity as we continue to increase our exposure to revenues from a well-diversified portfolio of asset-light and low-carbon digital services.	Our approach: Annual report 2023 on page 72 Climate strategy: Environment programme section 3.1 on page 11
Climate-related physical and transition risk assessment	We recognise we not only contribute to climate change through our emissions but are also impacted by its effects. The ultimate objective of our approach to climate-related risks is to empower our colleagues and our portfolio companies to enhance the resilience of our investment portfolio companies and consequently the group. Included in this TCFD report is a detailed overview of our assessment of climate-related risks, see table 1 and 2. The approach to managing the risks can be read in our environment programme.	TCFD table 1 (physical risks) and table 2 (transition risks) Environment programme section 4.2 on page 16
Climate-related opportunities assessment	We recognise opportunities from the global transition to a low-carbon economy on four levels: 1. Building a circular economy that is sustainable and more resilient (resource efficiency). 2. Core business models contributing to the transition to a low-carbon economy (market opportunity). 3. Building a circular economy that is sustainable and more resilient. 4. Investing in new low-carbon ventures and growth markets (market opportunity). 5. Greening transport and delivery (energy source). 6. Increasing the benefits of decarbonisation strategies (operational efficiency). Included in this report is a detailed overview of our assessment of climate-related opportunities, see table 3. The approach to seizing these opportunities can be read in our environment programme.	TCFD table 3 (opportunities assessment) Environment programme section 4.7 on page 21
Scenario analysis	In dealing with the uncertainty around exactly how and when our climate will change, scenario analysis is a useful tool to map possible impacts, in particular when value is at risk. We use comprehensive climate-risk analysis to assess climate-related risks across the entire group and their potential financial consequences.	Environment programme section 4 on page 15
Risk impact quantification	We distinguish between three categories of potential financial and strategic impacts from climate-related risks: operational costs, company valuations and access to capital.	Environment programme section 4.5 on page 19
Climate transition plan	For our group, taking climate action means two things. Firstly, to shape our pathway to net-zero emissions from our corporate operations and our investment portfolio. Secondly, to gain insights on climate-related risks and opportunities which we use in our decisions, both in day-to-day operations and in new investments. Our climate transition plan describes the first, while the second is described in our risk and opportunity assessment methodology.	Environment programme section 3.1 to 3.4 on page 11

3. Risk management

	Description	Reference
Choosing the right opportunities and balancing risks	The risks we assume, how we respond to those, is discussed regularly at the board. This is done in line with generally accepted frameworks and good practice, including the Dutch corporate governance code.	Annual report FY23 on page 40
Managing exposure to climate-related risks	Our exposure to climate-related risks is mitigated via several initiatives, including the proactive aim of several of our portfolio companies to be sustainability front-runners in their markets. We have described climate-related risks and outlined how we are mitigating and managing them.	TCFD report table 1 (physical risks) and table 2 (transition risks) Environment programme section 4.6 on page 20
Managing climate-related opportunities	We recognise opportunities from the global transition to a low-carbon economy on four levels, as detailed in table 3. The approach to seizing these opportunities can be read in our environment programme.	TCFD report table 3 (opportunities assessment) Environment programme section 4.7 on page 21

3. Risk management

	Description	Reference
Metrics used	Our decarbonisation targets are: (1) Operational emissions: We commit to an absolute reduction in our scope 1 and 2 GHG emissions of 100% by FY28 from a FY20 base year. Upon realising this reduction, we commit to maintaining it for the future. (2) Supply chain emissions: We commit to reduce absolute scope 3 GHG emissions from air business travel 30% by FY30 from a FY20 base year. (3) Portfolio company emissions: We commit to the majority of our eligible private equity and listed equity investments by invested capital-setting science-based targets by FY30. Core KPIs on climate for our portfolio companies are: » Scope and quality of GHG emissions measurement. » Scope and ambition of GHG reduction targets. » Carbon intensity. » Ratio of renewable versus fossil fuel-based energy mix. » Investments in climate solutions (capex and opex). » Share of low-carbon deliveries (Food Delivery and Etail only).	Environment programme section 1.3 on page 4 and 3.2 on page 12
Scope 1, 2 and 3 emissions	Our annual environmental impact report quantifies the impact on material topics climate, packaging, circular economy and biodiversity. It also includes details about our accounting methodology.	Annual environmental impact report, chapter 2
Progress in FY23	**Carbon accounting:** We continue to improve the scope of assurance on our carbon accounting. **Decarbonisation efforts:** » In FY23, we implemented all necessary measures to reduce our scope 1 and 2 emissions at Prosus corporate offices to zero by the end of the financial year. » Emissions from business travel is also a priority for us as we set a target to reduce emissions from flight-based business travel by 30% by FY30. » We also work very closely with our portfolio companies to support their decarbonisation efforts that fit their operating contexts. **Target setting:** At a group level, we developed a decarbonisation pathway by applying the Science-based Targets initiative's (SBTi) guidance for investors. The targets we have developed shape our absolute reduction pathway for corporate emissions (scope 1, 2 and material 3) as well as multiyear engagement with our portfolio companies to put their businesses on a net zero pathway by developing their own science-based targets, a so-called portfolio coverage target. **Training:** We aim to enhance environmental awareness and build expertise across our group. To this end, we conduct regular training of our people (including our board members) to develop their skills and knowledge and help them stay up to date with ESG developments.	Progress is covered in the annual report FY23, page 97 as well as in our environmental impact report, chapter 2 Environment programme section 2.4 and 2.5 on page 9 describe our model of engagement, collaboration and training across our group

Table 1 – Climate-related physical risks

Risks	Physical risk	Physical risk
Risk	**Acute**	**Chronic**
Description	Extreme weather events ranging from drought to flooding, trigger climate disasters on an increasing frequency, impacting our employees to our customers in the communities where our businesses have a physical footprint. Companies in our Etail and Food Delivery segments with logistics and transport operations are exposed to this risk.	Disruption of businesses of our portfolio companies due to chronic, lasting changes to climate and natural surroundings. Delivery of food and ecommerce parcels can be impacted by a changing climate, as it can make the circumstances under which this transportation has to happen more challenging over time. Concentrated supply chains with a large number of critical suppliers and transport links create a higher chance of disruption somewhere along the chain.
Impact	Increased costs and reduced revenues	Increased costs and reduced revenues
Time period	Short/Medium/Long term	Long term
Likelihood	Unlikely	Unlikely
Financial impact	Below 1% risk threshold, not quantified	Below 1% risk threshold, not quantified
Response/ mitigation	Contingency plan to utilise network of decentralised assets and re-route deliveries offers a resilience plan when needed. The training and upskilling of delivery drivers, as well as the provision of insurance products and emergency support, help build a sustainable, reliable delivery service.	Training and upskilling of delivery drivers, as well as providing insurance products and emergency support, build a sustainable, reliable delivery force. Diversification of the supply chain and expansion of the group of business partners, like sellers and restaurants, is key in ensuring low exposure to disruption of the business.

Table 2 – Climate-related transition risks

Transition risks	Policy	Market	Reputation	Technology	Legal
Risk rating	**Low**	**Low**	**Low**	**Low**	**Low**
Description	(1) A carbon tax could become applicable to (parts of) our business (2) A growing body of disclosure regulations and standards that we are expected to comply with (3) Growing regulation on packaging that is unaligned and lacks uniformity for our Food Delivery and Etail businesses poses a challenge to identify scalable, sustainable solutions	(1) The rising use of IT and the associated energy use, could drive the need to invest in low carbon storage and IT solutions, which could increase cost of IT, or damage the sector's reputation (2) Our Etail and Food Delivery segments have an extended supply chain that includes many business partners. Market risks, like changes in consumer preferences or shifts in supply, could impact the business	(1) Increasing scrutiny and changing expectations from investors, lenders, regulators, and other market participants on environmental, social and governance (2) Operations of our Etail and Food Delivery companies can be perceived as polluting due to its reliance on transport and single-use packaging. This could impact our reputation negatively	There is a growing need to make capital investments in low-carbon technologies, specifically transportation and logistics. A lack of investment poses a risk that the demand for these technologies outpaces supply, resulting in lower availability and/or higher costs	Increasingly, legal action is used by stakeholders like civil institutions or investors to commit companies to take climate action, which could lead to additional costs and time requirement of management
Impact	(1) Increased costs (2) increased costs (3) Uncertainty and additional cost and management time to comply with variety of rules	(1) Increased scrutiny by investors and regulators of technology sector for contribution to climate change (2) Increased costs or loss of revenues due to supply chain disruption or change of consumer preferences	(1) Reduced ability to attract capital and additional disclosure obligations (2) Reduced valuation of business	Reduced ability to decarbonise operations and logistics when technologies are not sufficiently available	Increased cost from preventing and managing potential legal claims
Time period	(1) Medium/Long term (2) Short/Medium/ Long term (3) Medium/Long term	(1) Medium/Long term (2) Medium/Long term	(1) Medium/Long term (2) Short/Medium term	Medium/Long term	Medium/Long term
Likelihood	(1) Very unlikely (2) Very likely (3) Unknown	(1) Unlikely (2) Unknown	(1) Unlikely (2) Unknown	(1) Unlikely	(1) Unlikely

Table 2 – Climate-related transition risks continued

Risks	Physical risk				Physical risk
Risk rating	**Low**	**Low**	**Low**	**Low**	**Low**
Financial impact	Less than 1% of operational costs, not further quantified	Less than 1% of operational costs, not further quantified	Less than 1% of operational costs, not further quantified	Less than 1% of operational costs, not further quantified	Less than 1% of operational costs, not further quantified
Response/ mitigation	(1) All portfolio companies fall below the threshold of a carbon tax, and most have low carbon footprint from their direct operations. Our risk assessment showed that by 2050, under high carbon price scenario, the financial impact would be less than 1% increase in operational costs – but we have seen substantial increase in pricing of (voluntary) carbon credits. Our climate action plan includes the target to drive the reduction of our corporate operational footprint and engagement of our portfolio companies to set their own science-based GHG reduction targets. The focus on reduction measures will mitigate risk of price increases in the carbon market. (2) Our Food Delivery and Etail businesses are committed to addressing packaging waste by applying our 10 golden rules for scaling sustainable packaging	(1) Deepen our understanding by quantifying how digitisation can help the transition to a low-carbon economy. For example, portfolio company Oda performed a comparative assessment that quantified that online grocery shopping can have significant lower carbon emissions than offline shopping. On an operational level, we are steering our segments on the implementation of carbon reduction initiatives, for instance the use of energy-efficient offices and data centres, but also reduce emissions from transportation and business travel. (2) Their supply chains and group of business partners are diversified and not concentrated. Furthermore, the activities are expanded from parcels or food delivery to groceries and other adjacencies, which further builds commercial resilience, by reducing concentration of activities, to mitigate market risks.	(1) Reputation is a key driver for investor confidence in our business and consequently our access to capital. The adoption of ESG criteria and assessment in investment decisions continues, and we recognise there is an increasing scrutiny and changing expectations from investors, lenders, regulators, and other market participants on environmental, social and governance. We continuously monitor for upcoming ESG regulations and our stakeholder engagement, through the work of the public affairs, investor relationships and sustainability teams, ensures an ongoing dialogue with our stakeholders about their expectations. (2) We are actively investing in research to understand how the impact of online shopping can be reduced and pursuing partnerships with third parties to introduce electric vehicles and sustainable packaging across our operations, wherever applicable.	As an asset-light, digital and web-based group, the exposure to this risk is very low. Wherever applicable, our companies are running programmes to encourage and enable drivers to adopt low-carbon vehicles through partnerships with third parties – covering supply and finance. Since most drivers are third parties, limited investment is needed for this strategy, which reduces impact of price hikes. As a groupwide approach, we strive for responsible selection of suppliers for cloud services (who have robust environmental management strategies) and discourage ownership of data centres by group companies. Currently, one of the companies runs its own data centres and each is meeting its cloud services needs through established vendors like Amazon Web Services, Azure and Google, who are achieving climate targets.	Due to our low carbon footprint and our active stance on climate action, we receive limited engagement from organisations that seek legal ways to ensure decarbonisation strategies are implemented.

Table 3 – Climate-related opportunities assessment

Opportunity	Green transport (energy source)	Circular economy (resource efficiency)	Operational efficiency (energy source)	Digitisation and low carbon business models (markets)
Description	Electrification of transportation and decarbonising mobility is critical in establishing a net-zero economy. For delivery of food and etail products, this is a critical agenda to make the business future-proof.	Efficient use of resources, by more reuse and refurbishment of products and recycling of materials is an important strategy to reduce emissions from the manufacturing and use of products. Creating a circular economy where resources never become waste is a way to realise this opportunity.	Operations become more resilient and independent by reducing its reliance on fossil fuels, making operations more efficient in terms of energy use and re-ordering its supply chain by selecting low carbon suppliers or products.	Digitisation of traditional businesses and sectors by replacing it with asset-light business models and services, enables the transition to a low-carbon economy. For instance, our Fintech and Edtech are digital services, that, compared to the same analogue, off-line services, are material efficient and reduce the need for physical infrastructure and mobility
Impact	Higher resilience of business model as it lowers costs for delivery partners, and it grows the pool of available drivers (as electric bikes do not require a licence). Higher reliability and success of in-time delivery. Reduced scrutiny from investors and regulators of the sector.	Increased revenues. Lower cost of capital.	Lower operational costs. Lower cost of capital. Lower risk of supply chain disruption.	Increased revenues. Lower cost of capital.
Relevant segment	Food Delivery, Etail	Classifieds, Etail	Classifieds, Fintech and Payments, Etail, Food Delivery, Edtech, Ventures and corporate	Classifieds, Fintech and Payments, Etail, Food Delivery, Edtech and Ventures
Time period	Short/Medium/Long term	Short/Medium/Long term	Short/Medium term	Short/Medium/Long term
Likelihood	Very likely	Likely	Likely	Likely
Financial impact	Food Delivery segment's turnover was more than US$4bn in FY23. Greening the fleet is building the overall resilience of the Food Delivery business model.	Classifieds segment's FY23 turnover grew with 23% to US$1.6bn compared to last year. Consumers trust our brands and the service offered, with a growing focus of supporting the end-to-end transaction.	Potential reduction of interest margin is in the area of 1 to 5 bps for debt financing, for sustainability-linked financing that qualifies GHG reduction.	Significant – This is at heart the value creation and growth strategy of our company.

Table 3 – Climate-related opportunities assessment continued

Opportunity	Green transport (energy source)	Circular economy (resource efficiency)	Operational efficiency (energy source)	Digitisation and low carbon business models (markets)
Response	Electrification of delivery vehicle fleets is a key strategy for our Food Delivery and Etail companies to reduce their emissions and future-proof their business model. Our Food Delivery and Etail segments companies have ramped up their programmes and targets to increase the use of electric vehicles.	OLX is growing its geographical and market presence and introducing new products (like payments and delivery of goods) to ensure its platforms offer more customers the ability to trade more used products. OLX's non-financial net impact is calculated and disclosed through its Impact Reports series (https://www.olxgroup.com/impact: In FY23 OLX helped, through the trade of 26 million products, prevent 5.2 million tonnes of GHG emissions, equal to planting 31 million trees.	Examples of GHG reduction actions taken, and investments made include: (i) at corporate level, we invested to remove all fossil fuel-based company cars or replaced them with electric vehicles, (ii) in our supply chain we invested in a new travel agent to reduce travel emissions. (iii) across our portfolio of companies decarbonisation is a key focus area, with, for example, our Etail platforms invest in proprietary renewable energy capacity to power their warehouses and other sites, Food Delivery investing in sustainable packaging.	We have grown our Edtech platform with new investments. Our Payments and Fintech business is growing organically. We continue to explore investment opportunities in climate across a wide range of verticals, including but not limited to clean energy, sustainable food/ag, next-generation materials, and the circular economy.

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