The Task Force on Climate-related Financial Disclosures (TCFD) Report 2022

Introduction

Governance

Strategy

Risk management

Metrics and targets

The Task Force on Climate-related Financial Disclosures (TCFD) Report 2022 continued

Introduction to our TCFD report

Naspers is a global consumer internet group and a long-term technology investor. We are building a portfolio of asset-light, low-carbon digital technology-based business models and as the investing entity, our own carbon footprint is insignificant. However, we recognise the urgency of climate change and despite being a low emitter we want to contribute to limiting global warming to 1.5 degrees Celsius. Our portfolio of software-led businesses such as Payments and Fintech, and Edtech enable the delivery of virtual essential services with an improved environmental footprint and lower emissions than traditional bricks-and-mortar businesses. Our Classifieds businesses enable a wider systemic transition to the circular economy.

We are aligning our business activities with a net-zero economy. We start with the application of leading standards and frameworks, such as the GHG Protocol and Science Based Targets initiative. As a deeply engaged and committed investor, we encourage our portfolio companies to also adopt a net-zero pathway. We have set absolute reduction targets on the scope of our operational emissions where we exert direct control. This is complemented by a decentralised approach that we take with our portfolio companies to accommodate for the vast variances in the business models and operating contexts.

Technological advances make it possible to deliver digital products and services that contribute meaningfully to the economic and social development of local communities. Sustainable development is contingent on economic growth, but we recognise that growth and profit are not enough. By integrating environmental, social and governance (ESG) criteria into our decision-making, our commitment to creating sustainable value extends across our portfolio, from our own operations to our investees.

Operating in high-growth markets that are more vulnerable to climate-related risks, we recognise we are both impacted by and we have an impact on climate change. This TCFD report outlines how we manage risks and seize opportunities coming from the global warming of our planet.

The Task Force on Climate-related Financial Disclosures (TCFD) Report 2022 continued

Governance

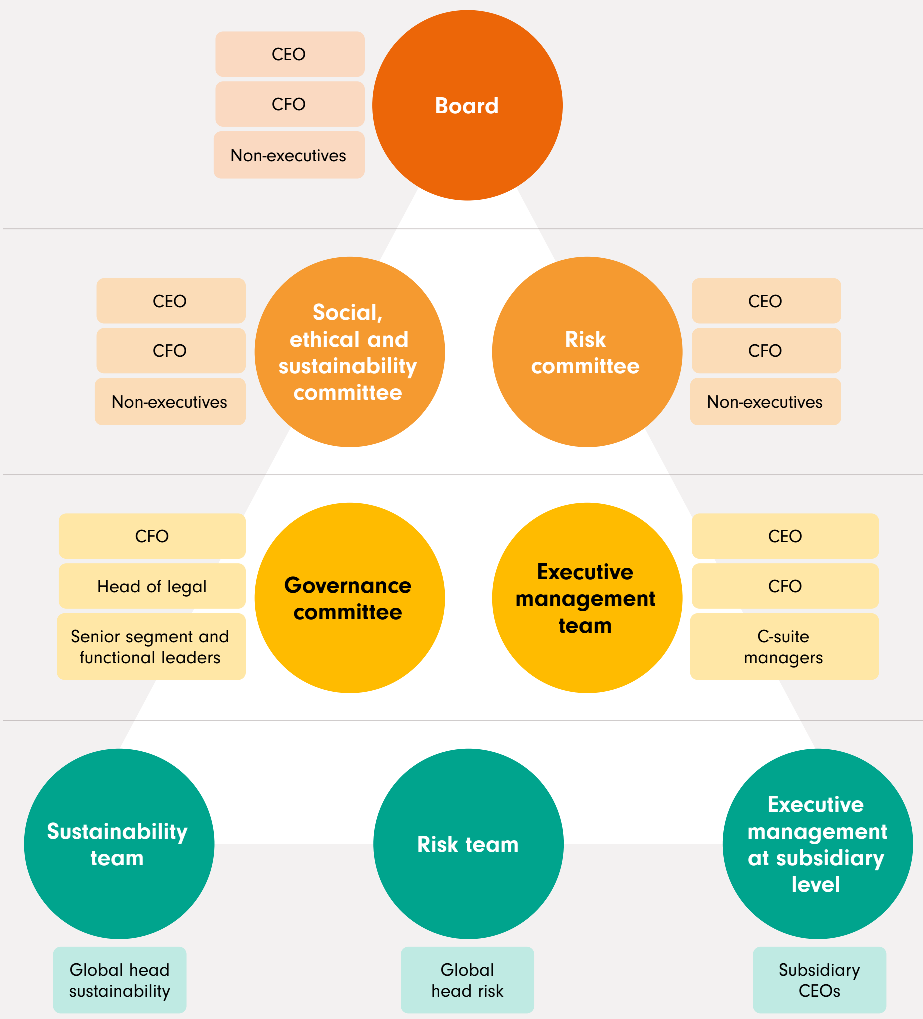
Board oversight of climate-related risks and opportunities

The board retains oversight of 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.

A regular cadence of meetings enables the board, supported by multiple board committees, including the risk committee, the social, ethics and sustainability (SES) committee and the governance committee, to retain oversight on the progress made on the implementation of the sustainability strategy for the group and the management of sustainability risks and opportunities across the portfolio.

The risk committee and the SES committee must meet at least twice every year and every board meeting includes sustainability as a standard agenda item, demonstrating the prominence of the topic and ensures the board is informed on ESG and climate-related risks frequently to steer on actions where needed.

Figure 1: Sustainability governance structure



- Ultimately responsible for sustainability agenda and plans
- Approves financial and business plans, including sustainability targets and budget

- Help the board discharge its responsibility on sustainability
- Monitor progress on sustainability agenda and monitor sustainability-linked risks and opportunities

- Define and implement sustainability strategy, KPIs and plans
- Engages with stakeholders on sustainability-linked topics

- Drive sustainability strategy for corporate or for subsidiary
- Report on risk and opportunities to executive team and committees (sustainability and risk team only)

The Task Force on Climate-related Financial Disclosures (TCFD) Report 2022 continued

Action on climate is a central requirement across our portfolio of companies, irrespective of the business sector or geography, with performance standards set by the board at group level. Implementation and results are monitored by the SES committee whose members include our CEO, CFO and non-executive board directors. The global head of sustainability prepares the agenda of the SES committee together with the chair. Progress on sustainability targets, including climate action of both the group and the subsidiaries are monitored and discussed in every SES committee meeting.

The Naspers CEO and the executive management team develop our group strategy, applying the 'six capitals' framework in the context of the eleven most material issues for our stakeholders see page 20 of our IAR for our materiality analysis. Implementation of our group sustainability plan is delegated to the executive management team, which conducts a biannual review of our progress against our published targets.

Identification of risks and opportunities at group level is led by the global head of sustainability, who is responsible for driving the implementation of the group sustainability plan. The global head of sustainability reports to the group general counsel, a member of the executive management team, who reports to the CEO. See figure 1 below with our governance structure.

The identification of ESG risks and opportunities at portfolio level is the responsibility of the management teams of the portfolio companies. At Naspers level we ensure oversight and drive action along the highest ESG standards through regular exchanges and deep engagement with our portfolio companies. We perform a deep ESG assessment of every portfolio company to identify risks and opportunities, providing the fundamentals for a multiyear action plan.

At our group forum Sustainability Accelerator Network, all ESG experts and sustainability leads across the group of portfolio companies come together to share best practice and learnings on climate action.

For investees, environmental impact is managed under our governance framework and climate action is a mandatory requirement across the portfolio, with performance standards set at the group level. Where we hold a minority stake in a non-controlled company, our board members provide corresponding levels of direction and influence.

Climate transition and responsible investment

There are three levels within our company at which climate action is monitored and driven:
a) operational (eg reduction of corporate GHG emissions)
b) segment level (eg supporting and driving climate action at the level of our investees) and
c) our Ventures arm, where we actively pursue ESG and climate-related investment opportunities across a wide range of verticals, including but not limited to clean energy, sustainable food/agriculture, next-generation materials, and the circular economy.

Our climate transition plan (published in FY23), drives progress on the first two levels, eg our own corporate footprint and the footprint of our investees, while our investment thesis is powering inclusion of climate-related risk and opportunities in our capital allocation activities.

The climate transition plan is board approved and monitors plans with clear performance indicators and targets, on which progress is regularly reported back to the board. Disclosure of progress made, including reporting under the TCFD recommendations, is also signed off by the board.

Further, the implementation and monitoring of our six capitals risk framework, including natural capital, gives our board the necessary oversight over material ESG risks in our operations and investments.

KPIs and targets

The CEO's and CFO's FY23 short-term KPIs include targets on climate action, which tie in with their performance incentive and remuneration (details of targets below).

The direct reports of the CEO, the subsidiary CEO's, have all equally received a climate target to ensure full GHG footprint accounting and reporting, which ensures climate action is on the agendas of the executive management of all our investee companies and a prominent deliverable for the segments.

The Task Force on Climate-related Financial Disclosures (TCFD) Report 2022 continued

Progress in FY22

To ensure our board is informed of and aware of all climate-related reporting and standards, the board received multiple trainings this year on specific environmental programme management, including GHG accounting, setting of science-based targets and climate action.

Climate action targets have been integrated in the group financial planning and included in the CEO's and CFO's KPIs and their short-term incentive plans (accounting for 5% of their performance incentives).

Company level	Objective	Scope	Target FY23	KPI for
Corporate	Set a science based GHG target	All scopes, including engaging our subsidiaries	Submit our target to SBTi	Global head of sustainability
	Reduce our direct emissions	Scope 1	-100%	CEO and CFO
	Reduce our indirect emissions	Scope 2	-100%	CEO and CFO
	Reduce our value chain emissions	Scope 3 category 1 (purchased goods and services)	-1%	Global head of sustainability
		Scope 3, category 6 (air travel)	-6%	Global head of sustainability
Segments	GHG accounting and reporting	Scope 1, 2 and 3	Publicly reported and externally audited	CEOs of our subsidiaries

Taking climate action requires active ownership of the GHG accounting and reporting process by the portfolio companies.

We have successfully engaged, trained and mobilised a broad network of sustainability champions across all controlled portfolio companies. These champions are responsible for the implementation of the environmental programme, setting boundaries for GHG accounting within their business and collecting and reporting carbon data on our group reporting tool.

An internal audit of our controls on the carbon data reporting process and tool was conducted, findings of which were reviewed at board level. Our GHG data received a readiness review conducted by EY and limited assurance audit by PwC South Africa.

Next steps

The successful board training and workshop will be offered to a broader group of senior management on climate change and climate-related risks and opportunities, and we plan to develop a companywide training on sustainability and climate change.

We further support sustainability champions in our portfolio companies to expand and improve GHG inventorisation and set company specific absolute reduction targets.

We will explore obtaining ISO certification for our GHG data and environmental programme and establish a certified environmental management system.

The Task Force on Climate-related Financial Disclosures (TCFD) Report 2022 continued

NASPERS

Strategy

Our strategy to build a low-carbon digital portfolio

Naspers is a global consumer internet group and a long-term technology investor. We acquire and build companies in segments that enable a systemic transition to the circular economy, to more financial inclusion, and to improved access to livelihoods and education. We are building a portfolio of asset-light, low-carbon business models that enables us to combine our global reach with specialist and local expertise.

We play a leading role in digitisation of traditional business sectors enabling the transition to a low-carbon economy. When compared to analogue, off-line delivery of services, digital solutions are material efficient and reduce the need for physical infrastructure and mobility.

Several of our businesses operate in high-growth markets and regions that typically are vulnerable to climate change. But asset-light business models and digital services are at the heart of our investment thesis, which reduces physical risks to operations, it also builds climate-resilient companies, with lower carbon footprint compared to traditional business sectors. With an increasing difficulty to produce and use materials, land and water and associated impacts on environment, we believe that digital business models offer societies a transition for businesses and consumers to live with reduced footprints.

Systemic change is contingent on collaboration across sectors and value chains. By working through sectoral, industry and other policy forums, Naspers aspires to create enabling conditions for collective global action by business to reduce environmental impact.

ESG central to our investments and portfolio management

We understand how technological advances make it possible to deliver digital products and services that contribute meaningfully to the economic and social development of local communities. Sustainable development is contingent on economic growth, but we recognise that growth and profit are not enough. By integrating environmental, social and governance (ESG) criteria into our decision-making, our commitment to creating sustainable value extends across our portfolio, from our own operations to our investees.

We actively engage on the ESG performance of our portfolio companies, with climate action a key driver of our portfolio engagement, with the objective to highlight climate related risks and opportunities. We continue to explore investment opportunities aligned to our core purpose of improving everyday life for billions of people through technology.

Before investing, we screen prospective investees according to their potential to achieve significant scale, high stakeholder impact and sustainable value at an efficient cost of capital. Across our portfolio, we limit exposures to activities which we define as controversial, including fossil fuel and high carbon intense business models.

Applying ESG principles to drive performance, we aspire to lead by example. We understand that the role of business in society is changing and we welcome increased scrutiny of value beyond financial results.

As an established actor in high-growth markets, we are committed to discovering and scaling digital services and technologies to address global challenges. Our influence on controlled and non-controlled businesses varies with each investment, but the principles which guide us are consistent.

We help our portfolio companies to develop a climate action roadmap premised on 'real world' criteria adapted to their operating contexts. We will be driving engagement with our portfolio companies for them to set their own science-based targets, which is the main pillar of our climate transition plan.

Climate transition plan

As an investor, we are aligning our company to a pathway that will contribute to limiting global warming to 1.5°C. To do this, we need to reduce our corporate emissions while encouraging our portfolio companies to commit to a net-zero pathway. We are now setting groupwide, multiyear GHG reduction targets that will drive these two deliverables, which we will publish in FY23.

The reduction of our corporate emissions is supported by a roadmap of actions that include buying renewable energy, electrification of company cars, engagement of suppliers and a conscious travel programme. Where we are unable to buy renewable energy, we will invest in renewable energy credits and where low-carbon options are not standard, like in air travel, we invest in sustainable aviation fuel credits to help decarbonise the aviation sector and stimulate the market for these fuels.

Climate-related risk assessment

As an investor in digital technology, two characteristics of our business are structurally reducing our climate-related risk profile:

- We only invest in companies that develop digital technology and are asset-light and have low-carbon business models.
- Our investment strategy prevents us from investing in carbon-intense assets and activities, meaning that we are not exposed to climate-related scrutiny or regulation or stakeholder engagement.

While two other characteristics of our activities increase our risk profile:

- We only invest in companies in high growth markets, that are more vulnerable to the impacts of climate change.
- We acquire companies with different maturity, from small companies to well established, but overall, their insight in GHG footprint and focus to manage and reduce GHG emissions is under development.

In FY21, we undertook a comprehensive climate risk analysis to gauge both transition risks and physical risks presented across the entire group, financial consequences of the risk level, and what action these risks prompt (see more in chapter Risk management).

The key insights from our climate risk analysis[1] is presented below and the conclusions are that transition risks are low for all categories, while for reputation we rate the risks as a low to medium.

In terms of physical risks, while we expect only very limited impact on the short term, we have raised internally the profile because of its potential to create higher impact on our businesses, especially in markets like India and Brazil.

1 In our assessment timeframes are: short term: 0-2yrs, medium term: 2-5yrs, long term: 5-10yrs.
The financial impact threshold is 1% of operational cost. If we assess impact to be below this threshold, we have not quantified it.

The Task Force on Climate-related Financial Disclosures (TCFD) Report 2022 continued

Figure 2: Climate-related risks assessment

Risks	Transition risks: Policy	Transition risks: Market	Transition risks: Reputation
Risk rating	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 retail businesses poses a challenge to identify scalable, sustainable solutions.	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.	1) Increasing scrutiny and changing expectations from investors, lenders, regulators, and other market participants on environmental, social and governance. 2) Expansion of the OLX business to include used-car trade on the platform can lead to a perception of a significant increase in the carbon footprint of the business.
Impact	1) Increased costs. 2) Increased costs and management time to comply with requirements. 3) Uncertainty and additional cost to comply with a variety of rules.	Increased cost. Increased scrutiny by investors and regulators of technology sector for contribution to climate change.	1) Reduced ability to attract capital and additional disclosure obligations. 2) Reduced valuation of business.
Time period	1) Medium/Long term. 2) Short/Medium/Long term. 3) Medium/Long term.	Medium/Long term.	1) Short/Medium/Long term. 2) Short/Medium term.
Likelihood	1) Very unlikely. 2) Likely. 3) Unknown.	Unlikely.	1) Unlikely. 2) Unknown.
Financial impact	1) less than 1% of FY20 operational costs. 2) Below risk threshold, not quantified. 3) Below risk threshold, not quantified.	Below risk threshold, not quantified.	1) Below risk threshold, not quantified. 2) Below risk threshold, not quantified.
Response/mitigation	1) All portfolio companies fall below the threshold of a carbon tax, and most have relatively low-carbon footprint from their direct operations (see chapter metrics and targets for details of footprint). Our 2020 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 will involve setting a science-based net-zero target which will drive the reduction of our corporate operational footprint and we will engage our portfolio companies so they will set their own science-based GHG reduction targets. The focus on reduction will also result in a shift from investing in carbon offsets to reduction measures, which will mitigate risk of price increases in the carbon market. 3) Our food delivery businesses are committed to addressing packaging waste through technology solutions to reduce single-use packaging and by actively promoting sustainable packaging to their restaurant partners. We call for a comprehensive, circular global policy response to ensure scalable solutions to prevent plastic waste.	Deepen our understanding by quantifying how digitisation can help the transition to a low-carbon economy. For example, in FY23, we will conduct a comparative assessment (LCA) to quantify the impact of digital payment services compared to offline, analogue, and physical financial services. We are also implementing a project at OLX to further understand and substantiate the opportunity for digital platforms for used-car trade to contribute to reduction of GHG emissions from cars. 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.	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 ESG. 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. (see more on stakeholder engagement here). 2) We are running a project at OLX to understand and substantiate the opportunity for digital platforms for used-car trade to contribute to reduction of GHG emissions from cars.

The Task Force on Climate-related Financial Disclosures (TCFD) Report 2022 continued

Risks	Transition risks: Technology	Transition risks: Legal	Physical risk: Acute	Physical risk: Chronic
Risk rating	Low	Low	Low to medium	Low
Description	The need to make capital investments in low-carbon technologies.	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.	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 operate.	Disruption of businesses of our portfolio companies due to chronic, lasting changes to climate and natural surroundings
Impact	Increased costs from implementing or adapting new technologies.	Increased cost from preventing and managing potential legal claims.	Increased costs and reduced revenues.	Increased costs and reduced revenues
Time period	Short/Medium/Long term.	Medium/Long term.	Short/Medium/Long term.	Long term
Likelihood	Unlikely.	Unlikely.	Unlikely.	Unlikely
Financial impact	Below risk threshold, not quantified.	Below risk threshold, not quantified.	Below risk threshold, not quantified.	Below risk threshold, not quantified.
Response/mitigation	As an asset-light, digital and web-based group, we are not exposed to technology risk. As a group-wide approach, we strive for responsible selection of suppliers for cloud services and discourage ownership of data centres by group companies. We strive to partner with established cloud services vendors who also have robust environmental management strategies, limiting our technology exposure to climate risks. None 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, amongst others who have their own environmental management programmes in place.	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.	Some of our portfolio companies operate in locations that are likely to be impacted by physical climate-related hazards. For instance, floods in South Africa to high temperatures disrupting the work of our delivery partners in Brazil and India. These risks are unlikely to disrupt the operations of our businesses as a whole, which are largely decentralised and web-based.	These risks are unlikely to disrupt the operations of the Naspers businesses as a whole, which are largely decentralised and web-based.

Climate-related opportunities assessment

Our company's objective is to drive value creation by growing businesses that deliver digital products and services that contribute meaningfully to the economic and social development of local communities and enable a wider systemic transition to the circular economy and low-carbon business models. This means that responding to climate-related opportunities is at the core of our capital allocation decision model, which is governed by our Responsible Investment.

Below are the largest opportunities we have identified from looking at the transitions needed and underway in response to climate change.

The Task Force on Climate-related Financial Disclosures (TCFD) Report 2022 continued

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Figure 3: Climate-related opportunities

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 Payments and Fintech, and Edtech segments 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	Lower costs for delivery partners. 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.	All segments and corporate.	Classifieds, Payments and Fintech, 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	Quantification in progress. Relevant consideration is that the delivery fleet of food delivery is not owned, but third-party provided.	Quantification in progress for project on removing old cars, which is only part of the platforms' offering.	Potential reduction of interest margin is in the area of 1-5 bps for debt financing, for sustainability-linked financing that qualifies GHG reduction.	This is at heart the value creation and growth premise of our company.
Response	Electrification of delivery vehicle fleets is 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 continued to pilot the use of electric vehicles for delivery and transportation. For example, iFood is successfully rolling out e-bikes and other electric vehicles, and building adjacent infrastructure, to decarbonise its food delivery. See page 60 of our IAR. Oda is ramping up electric delivery with the aim to establish zero-emissions delivery of its groceries by 2025.	OLX is growing its geographical and market presence – offering more customers to trade more used products – from computers to cars to houses. The completion of car trade platforms under OLX Autos sets the stage for significant growth. Non-financial impact is calculated through its Impact Reports series. eMAG has invested in repair and refurbishment capacity. For all of its products, it offers repair options and refurbishment of phones happens through Flip, who helps to extend the life of the devices, reducing the need for virgin materials and products.	Examples of GHG reduction actions taken, and investments made are: At corporate level, we invest in reduction measures, but also structural decarbonisation through sustainable aviation fuel (SAF) credits. Our Etail platforms invest in proprietary renewable energy capacity to power their warehouses and other sites. Our Classifieds operations have consolidated the network of car inspection centres under their GHG framework and is identifying opportunities to reduce energy consumption and installing renewable energy capacity.	We have grown our Edtech platform with investments in GoodHabitz and Stack Overflow Our Payments and Fintech business is growing organically as well as through acquisitions, like the BillDesk transaction which is pending approval. 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.

The Task Force on Climate-related Financial Disclosures (TCFD) Report 2022 continued

NASPERS

Progress in FY22

This year, we onboarded all subsidiaries on a carbon data management tool.

Ventures continues 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. See page 75 of our IAR.

Acknowledging our corporate footprint includes emissions from air travel, we are committed to structurally decarbonising the aviation sector. We have joined the BoardNow programme and we will purchase sustainable aviation fuel (SAF) credits from the first dedicated SAF production facility, operated in the Netherlands by SkyNRG.

We participate in initiatives and programmes most relevant to the operations of our businesses. Some examples are:

- In Romania, etailer eMAG has formed a partnership with the Foundation Conservation Carpathia to create a new wildlife conservatory and invest in nature based carbon solutions.
- In Brazil, iFood has joined a partnership with XPRIZE, a non-profit organisation that hosts public competitions, to support a challenge in which participants develop biodegradable, bio-based alternatives to food packaging.
- OLX, a leading platform for trade of consumer goods such as phones, tv's and cars has demonstrated a positive environmental impact, through enabling the extension of the lifespan of products and preventing the purchase of new products. OLX's annual Impact Reports calculates this positive impact and its contribution to a circular economy.

Next steps

The next steps are to support the companies in their journey to set and achieve net-zero targets by identifying scalable technology and partnerships to enable low-carbon growth and material efficiency.

We are deepening our understanding and quantifying how digitalisation helps the world transition to a low-carbon society. In FY23, we will conduct a comparative assessment (LCA) to help us quantify the impact of digital payment services compared to offline, analogue and physical financial services.

We are also implementing a project at OLX to further understand and substantiate the opportunity for digital platforms for the used-car trade to contribute to reduction of GHG emissions from cars.

There are three reasons to focus on cars: autos is a substantial growth market for OLX where it sees great potential to disrupt the existing market. Secondly, cars differ from other categories of goods traded on OLX platforms, that it has a substantial environmental impact during both its manufacturing and use phase. Thirdly, because of this environmental footprint, there is a major focus by governments, companies, and industry to transition cars to fit within a net-zero economy.

These projects will contribute to deeper understanding of the environmental benefits of digital platforms, which will feed into the classification of our investment activities as sustainable.

The Task Force on Climate-related Financial Disclosures (TCFD) Report 2022 continued

Risk management

We apply the six capitals transformation model in our approach to illustrate how we create sustainable value for our stakeholders. (financial, human, manufactured, intellectual, social and natural capital). Per the model, we transform the six capitals interactively through the execution of our strategy. Value is created (and, created value is preserved) in a sustainable manner when processes, in transforming the capitals involved, deliver an overall net positive outcome.

Sustainability is embedded in transformation of the six capitals. We aim to achieve net positive capitals transformation both directly, and indirectly, by strengthening our business to secure our future performance (see figure 4 for our risk model).

Plans and parameters to create value for our stakeholders are approved and monitored by our board and supporting governance committees (refer to figure 1 for our sustainability governance structure above), including addressing climate-related risk and opportunities. Our structure and processes are designed to drive accountability and to support responsible and sustainable decision-making at the level in the organisation closest to the respective issues.

Management and the board are accountable for the choices and decisions we make, how we execute on these, for delivering value in its broadest definition of the six capitals model, and to maintain the risk profile regarded as acceptable. Risk tolerance levels are set top-down, and management is accountable to deliver results while managing risk within these levels.

The responsibility for managing risk lies with the owner of risk: in most cases operational management, assisted by the finance function and, where considered useful in our businesses, specialised risk management and support functions. Internal audit is housed centrally to provide management and the board with independent assurance over risk management processes and controls.

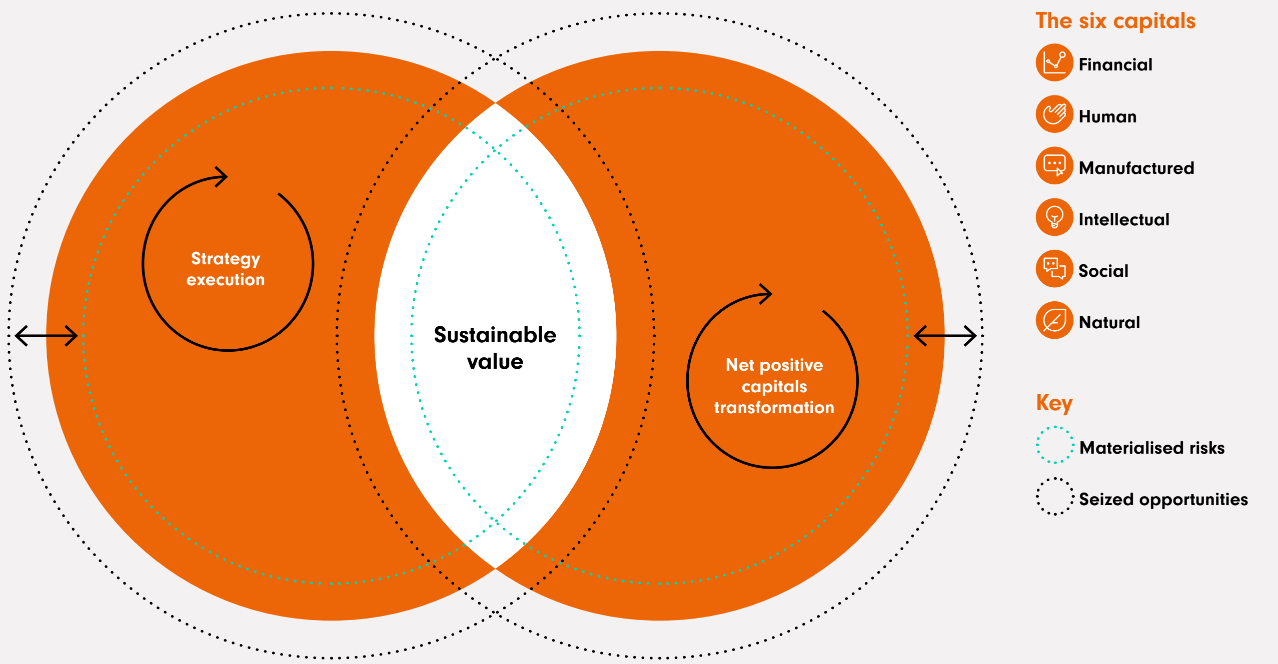
The global head of sustainability is responsible for the identification and assessment of climate-related risks, and reports on progress regularly to both executive management team and the board. The management of climate-related risks happens at the responsible level within the businesses, meaning that each portfolio company is accountable for this management, as they own the risk, and we provide support and oversight at corporate level. For example, at corporate level the decision is made for the entire group to align with a net zero economy, but effectively managing the GHG emissions and identification of pathway to reduce emissions can only happen at the investee level.

Risk management integration in our investment decisions

As an investor, we make capital allocation decisions, and are committed to doing this in a responsible manner. Our responsible investment approach is built on three pillars.

Firstly, prior to any investment, we screen for ESG factors and trigger enhanced due diligence during the investment process, if required. We proactively exclude asset heavy, carbon intense sectors and businesses.

Figure 4: Sustainable value creation



The Task Force on Climate-related Financial Disclosures (TCFD) Report 2022 continued

Secondly, we manage for performance: our investees share our entrepreneurial instincts and are motivated by a commitment to delivery. When a company is acquired and onboarded, the Sustainability policy and our Environmental programme provide a wide framework, aligned with the highest ESG standards, to enhance the ESG performance of the company. Reducing its GHG footprint and ensuring its business model is decoupled from fossil fuels is prominently on the agenda. For instance, introducing electric vehicles for transport by our food delivery companies is a major area of opportunities.

Thirdly, we are committed to increasing our exposure to sustainability-driven business models across the portfolio. We will identify and invest in innovations that drive the systemic transition towards a low-carbon consumption economy, software opportunities where digital services are transforming the environmental footprint and social impact of traditional business sectors, or asset-light digital services that can deliver on our group purpose to improve everyday life for half of the planet's people. For example, this year our Ventures arm invested in several companies such as DeHaat and Aruna, which apply sustainable digital solutions in agtech. See page 75 of our IAR.

Climate-related risk analysis

The immanent management of climate-related risks is through our climate action and GHG reduction targets (see next chapter), reducing our reliability on fossil fuels, enhancing our ESG profile and future-proofing our business.

Equally, we perform a deep ESG assessment of every portfolio company to identify risks and opportunities, including climate-related risks and opportunities, which informs us where there is a gap on performance with the benchmark (for instance on GHG reporting or addressing physical risks) which we need to address.

At group level, in 2020, we undertook a comprehensive climate risk analysis to gauge both the physical risks presented across the entire group and financial consequences of the risk level. This was created with the support of Trucost's carbon pricing analysis to map our risk exposure and potential future financial impact of climate-related risks against a high, moderate and low carbon price scenario from now to 2050. We also analysed the physical risk exposure based on for a high, moderate and low temperature rise scenario, based on IPCC RCP 8.5, 4.5 and 2.6, respectively.

The scope of assessment specifically covered both transition risk and physical risks. The methodology for risk assessment included:

- Desk-based assessment/primary research including company specific data sourced internally, plus data/ analyses from well-known international climate organisations and relevant third parties.
- Management interviews involving 10 leaders from across the business to understand the drivers and materiality of Naspers potential climate-related risks and opportunities.
- Physical and Transition Risk Assessment to quantify and qualify exposure to different transition risk categories (policy, market, reputation, technology) and physical climate hazards for Naspers operating facilities and key ingredients.

The physical risk assessment has incorporated two phases: a) an assessment of physical risk scores for exposure to different climate hazards under different scenarios, and b) an assessment of value at risk. For example, in order to assess exposure to climate-related policy risk, Trucost has assembled a database of publicly available information on current carbon prices across over 100 geographies. The database includes information on prices and sector coverage (the proportion of sector emissions covered by the policy) for emissions trading schemes, carbon taxes and fuel taxes in each geography.

The Trucost Carbon Pricing Scenarios include three future carbon price scenarios based on published research and Trucost analysis:

- High Carbon Price Scenario: This scenario represents the implementation of policies that are considered sufficient to reduce greenhouse gas emissions in line with the goal of limiting climate change to 2°C by 2100. This scenario is based on research by OECD and IEA (2017).
- Medium Carbon Price Scenario: This scenario assumes that policies will be implemented to reduce greenhouse gas emissions and limit climate change to 2°C in the long term, but with action delayed in the short term. This scenario draws on research by OECD and IEA along with assessments of the sufficiency of country Nationally Determined Contributions by Climate Action Tracker by Ecofys, Climate Analytics and New Climate Team. Countries with Nationally Determined Contributions that are not aligned to the 2°C goal in the short term are assumed to increase their climate mitigation efforts in the medium and long term.
- Low Price Scenario: This scenario represents the full implementation of country Nationally Determined Contributions under the Paris Agreement, based on research by OECD and IEA (2017). Prices in this scenario are considered likely to be insufficient to achieve the goals of the Paris Agreement. In terms of carbon pricing risk – or the emergence of increasing taxes on fuel or GHG emissions – Naspers may face increased expenses related to paying these costs, and may choose to pass these on to customers, absorb them, or invest in lowering its emissions.

From the analysis performed by Trucost using carbon pricing risk projections, Naspers carbon pricing risk exposure is low. For the year 2050 it ranges from US$2m to US$6m under low to high carbon price scenarios respectively. Under the High carbon Price 2°C Scenario, Naspers could face a total carbon pricing cost as much as US$2m per annum by 2025, US$3m per annum by 2030 and US$4m per annum by 2050. As a percentage of operating expenditure, this amounts to less than a 1% increase. Following this broader deep dive, we monitor and assess variances in our carbon footprint on a regular basis through the scope 1, 2 and 3 data collation and aggregation process, results of which are reported back to our SES committee on a biannual basis.

Next steps

We will repeat this risk assessment every few years to both check our ongoing processes and renew our understanding of how risks categories have evolved.

Our climate transition plan will include a deep-dive analysis of climate-related risks and opportunities at portfolio level, to ensure we create full alignment with these risks and opportunities and our GHG reporting and our net-zero targets.

The Task Force on Climate-related Financial Disclosures (TCFD) Report 2022 continued

NASPERS

Metrics and targets

Our GHG footprint

Below is the summary of our group GHG emissions, from our corporate operations and our portfolio companies, reported using the GHG Protocol.

For the complete GHG emissions and environmental impact data, go here.

Emissions from our corporate operations

Emissions category	FY20 (tCO_2e)	FY21 (tCO_2e)	FY22 (tCO_2e)
Scope 1 – *direct energy consumption*	7	2	5.15
Scope 2 – *indirect energy consumption*	109	21.4	31.38
Scope 3 – *value chain emissions*			
C1 – Purchased goods and services	2 725	1 914	1 768
C2 – Capital goods	151	114	76
C3 – Fuel- and energy-related activities	22	5	8.4
C4 – Upstream transportation & distribution	9	50.4	45.3
C5 – Waste generated in operations	3	0.3	0.2
C6 – Business travel	2112	16	118
C7 – Employee commuting	71	12	22
Total scope 3	5 209	2 135	2 074

Emissions from our portfolio companies

Scope 1 emissions

Portfolio companies (majority-owned)	FY20 (tCO_2e)	FY21 (tCO_2e)	FY22 (tCO_2e)
Media24	1 583	2 161	1 410.08
Takealot	1 470	2 791	11 161.02
Prosus corporate	30.8	14.8	15.46
eMAG	4 867	5 714	12 975.49
iFood	0	1	1.89
Movile	0	0	0
OLX	13	196	389.08
PayU	88	420	331.45
Total	8051.8	11 297.8	26 284.47

Scope 2 emissions

Portfolio companies (majority-owned)	FY20 (tCO_2e)	FY21 (tCO_2e)	FY22 (tCO_2e)
Media24	10 890	6 605	5 788.58
Takealot	3 947	4 875	7 918.02
Prosus corporate	7	31	35.74
eMAG	5 126	3 943	4 417.12
iFood	108	83	78.40
Movile	65	50	49.62
OLX	2 480	1 682	4 077.93
PayU	1 285	1 096	1 189.12
Total	23 908	18 365	23 554.53

	FY20 (tCO_2e)	FY21 (tCO_2e)	FY22 (tCO_2e)
Total scope 1 and 2 emissions of portfolio companies (tCO_2e)	31 959.8	29 662.8	49 839

Becoming a net-zero business

Proactive management of climate-related risk, seizing of upcoming climate-related opportunities and thereby future-proofing our investments and contributing to the transition to a low-carbon society, is at the heart of our climate transition plan, which we will publish in FY23. Our commitment is underpinned by ensuring our entire group takes appropriate climate action and set a science-based target to become net zero.

We are deeply involved with all our subsidiaries to support the sustainability teams and champions to expand and improve their GHG inventorisation with the aim to control and manage GHG emissions and ultimately set absolute reduction targets.

All investees have committed to being carbon-neutral since FY21. We recognise this is an important first step for our group to develop a thorough practice of carbon measurement and accounting that underpins setting of net-zero targets. Below are our climate-related targets for FY23.

The Task Force on Climate-related Financial Disclosures (TCFD) Report 2022 continued

NASPERS

Our FY23 group GHG targets

Company level	Objective	Scope	Target FY23	KPI for
Corporate	Set a science based GHG target	All scopes, including engaging our subsidiaries	Submit our target to SBTi	Global head of sustainability
	Reduce our direct emissions	Scope 1	-100%	CEO and CFO
	Reduce our indirect emissions	Scope 2	-100%	CEO and CFO
	Reduce our value chain emissions	Scope 3 category 1 (purchased goods and services)	-1%	Global head of sustainability
		Scope 3, category 6 (air travel)	-6%	Global head of sustainability
Segments	GHG accounting and reporting	Scope 1, 2 and 3	Publicly reported and externally audited	CEOs of our subsidiaries

The delivery of these targets follows from a multi-faceted strategy and roadmap of actions that include buying renewable energy, electrification of company cars, engagement of suppliers and a conscious travel programme. Where we are unable to buy renewable energy, we will invest in renewable energy credits and where low-carbon options are not standard, like in air travel, we invest in sustainable aviation fuel credits to help decarbonise the aviation sector and stimulate the market for these fuels.

Progress in FY22

GHG inventory and footprinting for all scopes for FY20 was performed for corporate and majority owned investments. This is now the benchmark year for further climate action across the group.

We have established the baseline and GHG accounting and reporting processes that are the foundations for completing our climate action plan and science-based target.

Carbon-neutrality was achieved for both our corporate and our majority owned investments, through the purchase of credits from high quality energy efficiency and renewable energy projects

A material contribution to our corporate footprint comes from emissions from air travel. We are committed to structurally decarbonise the aviation sector, to which extend we have joined the BoardNow programme and will purchase sustainable aviation fuel (SAF) credits from the first dedicated SAF production facility, operated in the Netherlands by SkyNRG, that will help us tackle emissions from our business travel.

Associate Tencent announced its commitment to a net-zero pathway and will publish its science-based targets in the near future.

Next steps

We are committed to support the transition to a net-zero economy, in accordance with the 2015 Paris Climate Agreement to keep global warming to 1.5 degrees Celsius.

Our science-based target will be published in FY23, when also implementation commences. Our ambitions will focus on two aspects, in alignment with the science-based guidance and level of control we exercise over our group:

- Absolute reduction of our corporate footprint (scope 1 and 2 reduced to zero, and selected categories of scope 3 significantly reduced) on a medium term, measured against our base year FY20.
- Engagement of our portfolio companies to ensure they also set their own science-based targets.

From next year onwards, we will disclose progress made against these targets.