



# Task Force on Climate-Related Financial Disclosures Report

2022



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## About the Report

Being a private equity firm, we have chosen TCFD to accentuate our efforts and signify our responsibility towards climate action through regular disclosures on our climate related initiatives in own and partner companies' operations and to help them to build climate resilience and responsiveness.

This report focuses on the actual and potential impact of climate-related risks and opportunities on governance, business strategy and financial planning, metrics & targets, operations, and risk management of True North and its partner companies.



# About True North

True North, is one of the leading private equity firms in India. Since inception, our business model has focused on transforming mid-size, India-focused businesses into socially responsible enterprises. Our sectors of interest are Healthcare, Financial Services, Consumer and Technology Products and Services.

Our Climate Policy is aligned to the Paris Agreement and India's Nationally Determined Contributions (NDCs). It incorporates the framework of United Nations Principle for Responsible Investment (UNPRI) and adopts the TCFD recommendations. As part of our climate journey, we build awareness and enable capacity building within True North and among our partner companies.

In 2021, we developed a Climate Risk Assessment Tool to identify physical and transition risks which has also enabled understanding of policy risk on the portfolio arising due to climate change.

## Achieved Carbon Neutrality

**10,748 tCO<sub>2</sub>e**

Estimated historical emissions since inception and achieved carbon neutrality through high quality carbon offsets

## Supported partner companies to strengthen their climate action

**08**

Partner companies have prepared their GHG inventories

## Climate Change integrated in ESG Governance process

**05**

Partner companies have instituted ESG & CC Committees

## Climate Risk Assessment carried out in partner companies

**12**

Climate Risk Assessment carried out in discussion with senior leadership of the respective partner companies



# Message from Managing Partner

“Transition to a low-carbon economy presents material risks and opportunities for businesses. We believe that one of the factors that would impact long-term value of a company is its preparedness to navigate the global energy transition in the years to come. As a responsible investor, it is our fiduciary duty to help our partner companies understand the risks and opportunities that Climate Change presents, so that they can undertake effective climate action while consistently creating industry leading value for all stakeholders.

We look at our investments much beyond our ownership period and have developed our Climate Policy which is in line with the Paris Agreement and India’s Nationally Determined Contributions (NDCs). The Policy implementation plan also incorporates UNPRI framework and TCFD recommendations and has drawn out a vision for partner companies to take climate action in a science based and phase wise manner.

We understand that while majority of our partner companies may not have a significant carbon footprint, their operations, supply chains and businesses are vulnerable to physical climate risks. As we work towards decarbonizing our portfolio, our focus is on empowering each partner company by building capacity, creating climate consciousness, and providing them with tools so that they can embark on this journey in a meaningful manner. Ultimately, our goal is to support our partner companies in building enduring businesses, which are admired by all stakeholders.

This report is a product of the collective efforts of True North and its partner companies to share with you the progress made on climate actions. We will aim to provide you with an annual update on climate efforts aligned with the TCFD recommendations.”

Vishal Nevatia  
*Managing Partner*



# Our Approach

## Climate Responsive to Resilience

Our ESG integration approach is applied throughout a deal's lifecycle. The ESG due diligence process also covers various climate aspects including emissions from the business. We have adopted “Kelp”, a user-friendly digital platform tool to help us in the entire investment management and business management processes including meaningful integration of ESG aspects. As a part of Responsible Investment, we have included ESG issues into investment analysis and decision-making process. We help our partner companies to develop ESG and Climate Change policies and action plans for their own operations and conduct periodic climate risk assessment for them to make them understand their risk exposure.

Deal Sourcing and  
Screening

Two Step ESG Due  
Diligence

Go/No Go  
Decision

Active Ownership  
and Stewardship

Exit



“While businesses impact environment and climate differently, , mostly insignificant in case of our partner companies, the climate does not differentiate while impacting people and businesses. Therefore, we carried out climate risk assessment of our portfolio in line with the four pillars of TCFD. This exercise helped us identify physical risks considering climate hazards for partner companies’ businesses and their operating locations and transition risks resulting from commitments towards decarbonization and policy changes. This assessment helped us develop a sectoral strategy for actions that need to be taken in the short, medium and long term. We hope to enable our partner companies to think more strategically about risks and impact from climate change and setting their decarbonisation strategies and targets.”

**Anil Choudhary**  
*Head, ESG & Climate Change*

To become a climate responsive and resilient business, True North has taken some key initiatives on the four pillars recommended by TCFD in terms of governance, strategy, risk management and targets & metrics.

## Governance



- › Climate Change integrated into our commitments by repurposing the ESG vertical as “ESG & Climate Change”.
- › ESG & CC Governance Committee established with the Managing Partner as Head.
- › Partner companies are encouraged to also have an ESG & CC function and form an ESG & CC Committee at the management level and preferably at the Board level

## Strategy



- › ESG Policy and Implementation Manual revised to align with the UNPRI commitments, and to include climate risk considerations in investing, stewardship processes and into our own operations
- › Sectoral guidance notes developed to identify risks, opportunities and trends related to climate change.

## Targets & Metrics



- › Our aim is to stay Carbon Neutral in own operations through reduction of carbon emission in our operations and offsetting the balance through carbon credits.
- › We track scope 1, scope 2 and scope 3 emissions to identify emission trends annually.
- › We are supporting partner companies to estimate their GHG emissions.

## Risk Management

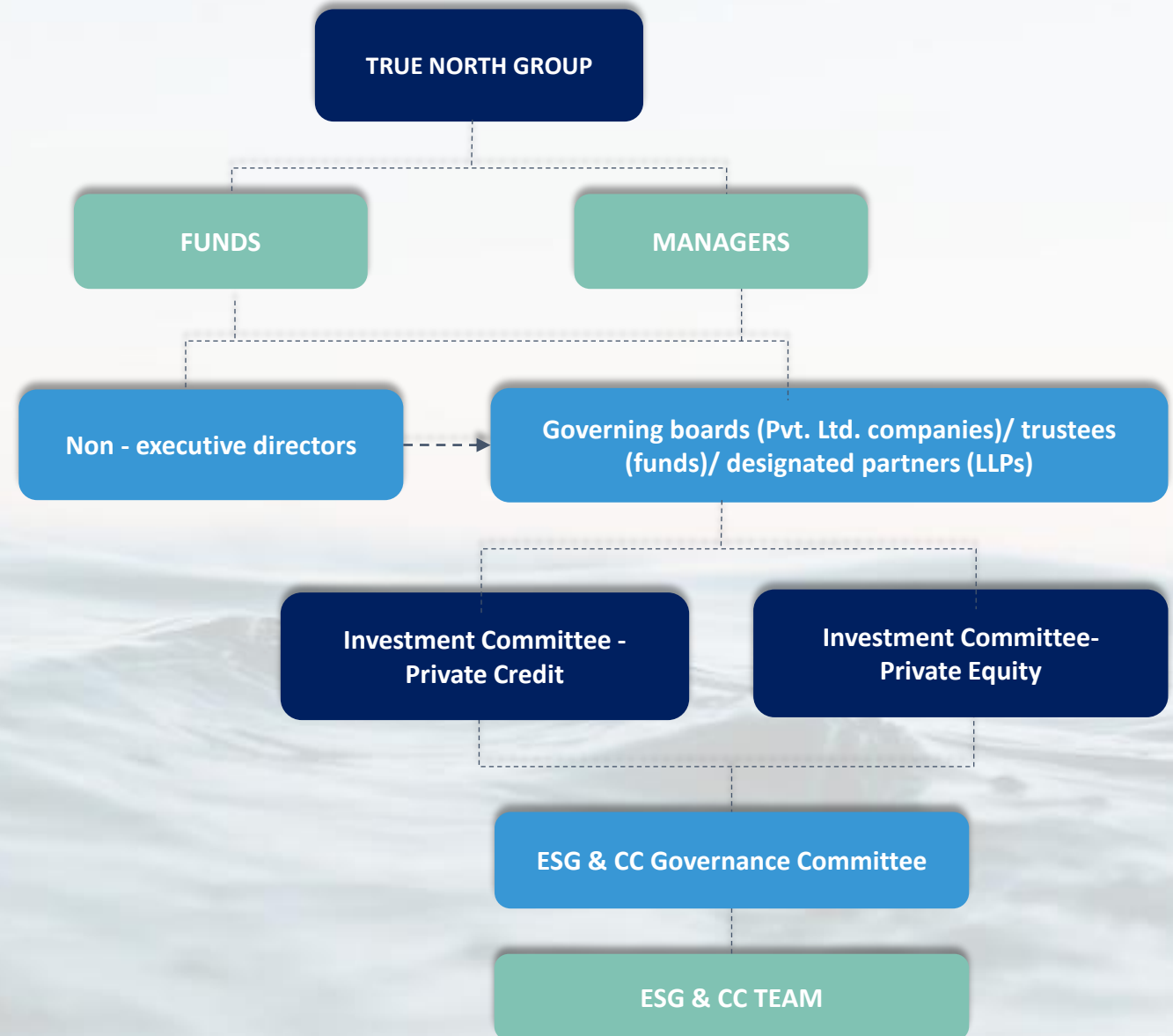


- › Climate Risk Assessment for designing a climate risk mitigation roadmap
- › Our GHG emissions reduction initiatives include increased use of renewable energy and usage of electric vehicles
- › Incorporated Climate-related aspects in investment screening and due diligence process.

# Climate Governance

Our top leadership is responsible for embedding ESG & CC considerations in our own operations and for our investments. Several individuals, functions have been assigned accountability and oversight responsibility for its implementation. Internal training programs and support of external advisors is being used to aid the process.

The governance framework comprises a dedicated ESG & CC Governance Committee headed by the Managing Partner and an ESG & CC Team. The Committee meets on a quarterly basis and reviews ESG & CC performance. Some of the key topics covered in this meeting include ESG performance of the Firm and partner companies, review of external reports and trends and developments in Indian and Global ESG landscape. We have adopted a Climate Policy that also guides the ESG & CC framework.





# Assessing Climate Risks

We conducted climate regulatory risk assessment using a customized Tool\*. The tool is aligned with the TCFD framework and provides a combined risk score across the 4 pillars of TCFD. The physical climate risk scenario analysis was conducted under RCP 4.5 and 8.5 until 2060 for extreme weather events such as increase in temperature, precipitation, flood and drought likelihood. Transition risk were also assessed for each sector based on multiple studies. The assessment was used to develop a composite index to categorize the partner companies under High, Medium and Low.

## CLIMATE RISKS ACROSS OUR KEY SECTORS- FINANCIAL SERVICES, CONSUMER, TECHNOLOGY PRODUCTS & SERVICES, HEALTHCARE

### PHYSICAL RISK

Key risk drivers and impact on our sectors

#### Key risk drivers

Flood, Drought, Change in Precipitation, Change in Minimum Temperature, Change in Maximum Temperature

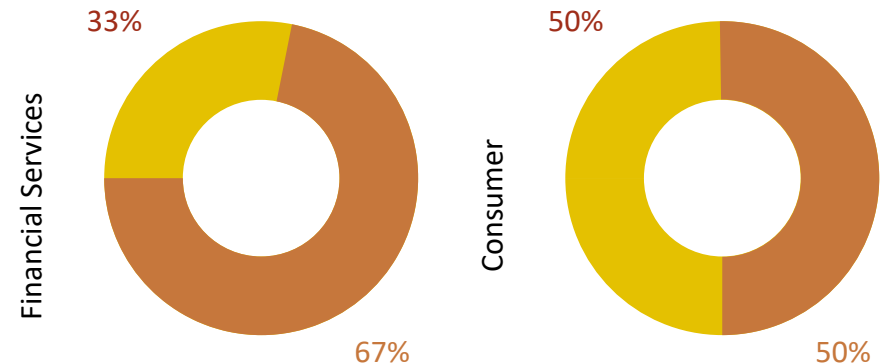
### TRANSITION RISK

Type of Risk and impact on our sectors

#### Regulatory Risk

Climate related laws and regulations are still at a nascent stage in India. SEBI has issued circulars to disclose ESG & CC risks, and our investments may face increased emission reporting obligations.

### SECTOR WISE COMBINED CLIMATE RISK RATING (PHYSICAL & TRANSITION)



\*CRA Tool is developed by us in partnership with PwC India



## PHYSICAL RISK

Key risk drivers and impact on our sectors

**Impacts**

Damage to data centers, office locations, factories, owned real estate.

Increased exposure for microfinance due to sensitivity of client livelihoods (specially women borrowers).

Disruption and delays in transportation of materials and finished products.

Impact on agricultural production and productivity.

No electricity due to extreme weather events.

Sanitization and availability of drinking water may be compromised due to flood/drought.

Rise in cooling and refrigeration needs.

Underwriting risks due to higher-than-expected claims for health insurance as climate change may result in new and emerging diseases and health impact from weather events.

## TRANSITION RISK

Type of Risk and impact on our sectors

**Technology risk**

- Rise in energy consumption and continued use of inefficient appliances will lead to higher power bills in data centers, ATMs, etc.
- Cost of investing in low emission or energy efficient technologies may impact overall margins.

**Market Risk**

- Evolving consumer preference for sustainable products would impact the sector market.
- Investors and clients would require low emission services to reduce their supply chain emissions.

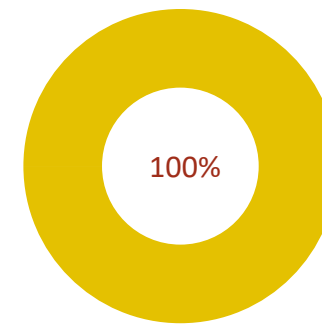
**Reputational risk**

- Climate change impacts on society due to the financial institutions investing in high emission industries can damage reputation.
- Impact on reputation for not disclosing emissions and/or perceived as high emission business

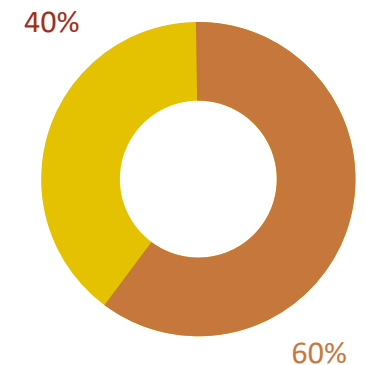
## SECTOR WISE COMBINED CLIMATE RISK RATING (PHYSICAL &amp; TRANSITION)

Low

Medium

Technology Products  
& Services

Healthcare



# Our Strategy

We have set a vision for our partner companies to build climate consciousness among them. Our aim is to guide them in preparing climate policy for their operations, conducting climate risk assessment and preparing GHG emission inventories at their level.

Create climate  
consciousness  
among partner  
companies  
(1-3 years)

- › Prepare a climate action policy/plan as appropriate to business & operations.
- › Define governance structures on climate related aspects and build capacity on climate awareness and its business impacts.
- › Build GHG emissions inventory by identifying Scope 1, 2 and 3 emissions and identify possible emission reduction measures
- › Identify and assess climate risks and integrate climate risk management into overall risk management framework

Preparedness for  
Climate Change  
(3-6 years)

- › Set GHG emission reduction targets and adopt emission reduction measures.
- › Define a framework and evaluate exposure to climate risks and opportunities.
- › Report in accordance with climate-related disclosures (e.g., CDP, TCFD).





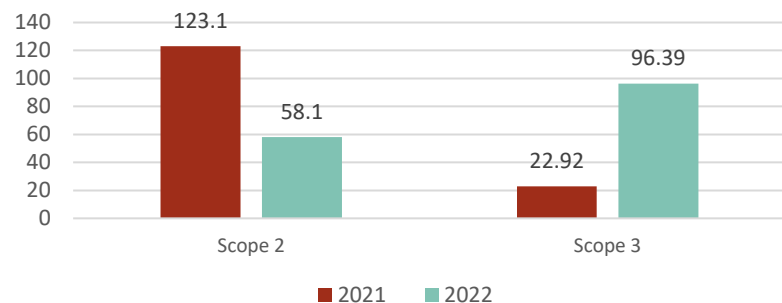
# Our Actions & Targets

## Our performance on climate change metrics and targets

We at True North are measuring all our material emissions under Scope 1, 2 and Scope 3 (own operations). Our Scope 3 emissions, at present, include only two categories: business travel and employee commute. While financed emissions from our investments are material, we are yet to estimate them. We are supporting our partner companies to assess their emissions and we hope to estimate our financed emissions in the coming years.

True North's commitment to become a climate-positive organization was realized in 2021 when we became carbon neutral in our own operations since inception.

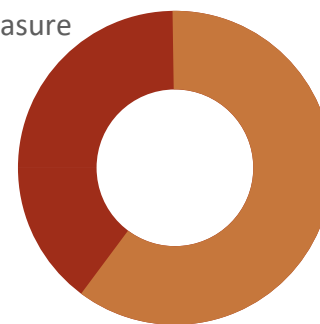
### Emissions at True North



*Our Scope 3 emissions have reduced significantly from our historic high of 582.66 tCO2e*

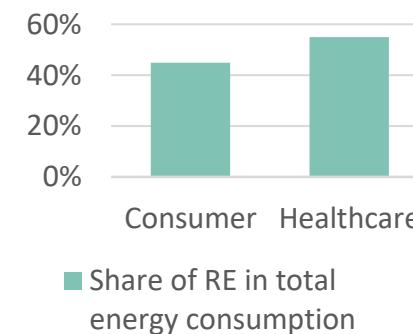
### More than half our portfolio has started measuring their emissions

Yet to Measure  
43%

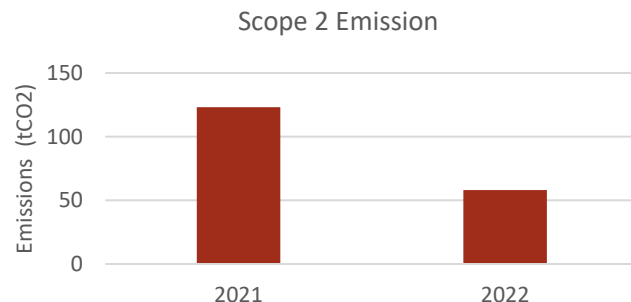


Measured  
57%

### Renewable Energy (RE) usage at our partner companies

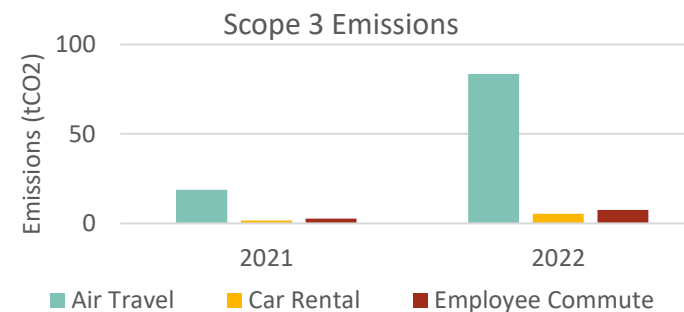


We have reduced emissions considerably from last year

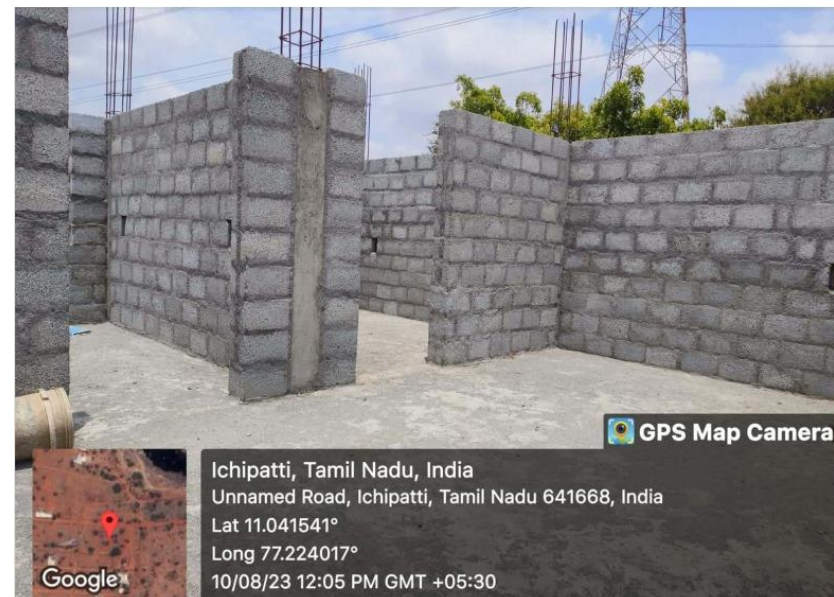


*\*The data is for FY*

Most of our emissions are from Business travel



## BUILDING A PORTFOLIO OF GREEN CERTIFIED INDIVIDUAL AFFORDABLE HOMES BY HOMEFIRST FINANCE COMPANY LIMITED



Homefirst, along with IFC and GRIHA has created a framework of Green measures for self built homes. These measures can be implemented by customers that approach Homefirst for a home construction loan.

Implementing the Green measures as recommended by IFC's EDGE certification shall save 20% of water, energy, and embodied energy in Materials compared to the conventional construction process.

- › **135+** Employees have been trained in green measures
- › Homefirst is targeting to facilitate **100 Green Certified Homes** in FY24 and creation of a green-certified portfolio of **Rs. 1400 Mn** in the coming 3 years







## DECARBONIZING THE CONSTRUCTION SECTOR AT SHREE DIGVIJAY CEMENT COMPANY



The Construction and cement industry is responsible for about 8% of planet-warming GHG emissions across the world. In India, emissions from the cement manufacturing sector reached a high of 149 million metric tons of CO<sub>2</sub> in 2021.

Shree Digvijay is at the forefront of reducing its GHG emissions and decarbonizing this sector. Some of the key measures undertaken are:

- › **12%** Reduction in Scope 1 emissions
- › **7%** Reduction in dust intensity
- › First cement company to install **Waste Heat Recovery** system in its operation
- › **30%** of total electrical energy replaced by solar and wind energy



## BUILDING CLIMATE RESILIENCE IN AGRICULTURE AT SEEDWORKS



SeedWorks is promoting climate smart agriculture (CSA) in India by becoming a member of Global Alliance for Climate Smart Agriculture (GACSA) as the first Indian private company from Asia. Changes in seasonal patterns, increased temperature, changes in rainfall pattern, chronic extreme weather events are impacting the agriculture sector. In parallel, agriculture contributes to 12% of global methane emissions. SeedWorks has been closely working to reduce emissions from their own activities as well building climate resilience.

- › **27** Solar streetlights installed in Hyderabad and Aurangabad offices
- › Adopted **Direct Seeded Rice** method (DSR) to reduce methane emissions from paddy cultivation
- › Developed **drought resilient, pest resilient** and **high heat** tolerant cotton, millet, rice and mustard seeds





# Way Forward

True North recognizes the ongoing need for disclosure and increasing transparency on its climate-related issues and considers it as a key business priority. The disclosures included in this report are being provided to satisfy TCFD reporting obligations and enhance a deeper understanding of climate risks and how we can integrate them into own and portfolio business processes.

We are planning to take few more steps at our firm as well as portfolio level:

- Procuring green electricity for our Mumbai office
- Promoting e-vehicles for business travels
- Helping partner companies to understand their GHG footprint and prepare their inventory
- Supporting GHG emission reduction plans for our partner companies
- Identifying key transition and physical climate risks
- Keep reviewing the significantly changing climate situation, and taking steps to remain aware of the mitigation and adaptation measures

We aim to build more climate resilient and responsive portfolio. We would encourage partner companies to adopt good practices in Climate Change management, including setting targets for performance improvement and building a culture of innovation to create sustainable businesses.

This report is a combination of True North and its partner companies' climate change risk assessment result of which may or may not occur in the future. In addition, even if certain forward-looking statements prove to be correct, those results or developments may not be indicative of results or developments in subsequent periods.

Any forward-looking statements, metrics or initiatives which are mentioned in this report are based upon the current scenario and may be simplified and may depend on events outside True North's control. Changes to any targets discussed in the document may have a material impact on the outcome.



## TCFD 2022

*We would be happy to receive any feedback, comments or questions you may have, kindly address these to [anil@truenorth.co.in](mailto:anil@truenorth.co.in)*