

Climate Policy

True North
2024



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1. True North's Climate Policy

At True North, we recognize that climate change poses a significant and real threat to the global economy which presents both risks and opportunities for investments. As per the Paris Agreement, urgent global action is needed to hold global average temperature increase to “well below 2°C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels”. In alignment with the Paris Agreement and India's Nationally Determined Contributions (NDC), we commit to taking climate action and understand that we are strategically positioned to support the global transition to a low-carbon economy.

Our climate strategy incorporates the frameworks of the United Nations Principles for Responsible Investment (UNPRI) and adopts the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) Framework to identify areas where we can take further action to enhance climate resilience of our investments.

We understand the importance of stewardship and collaboration to pursue collective efforts towards a low carbon future. Our initiative to join Initiative Climat International (iCI) is a step in that direction. We believe that being part of this network shall enable better understanding of climate risks and hence help us manage climate risks effectively. We shall ensure that our learnings from our collaborative efforts as also from implementation benefit us and the community of investors in policy consultations at different levels.

As True North, we have estimated the carbon footprint of our own operations and have achieved carbon neutrality since inception. We are committed to United Nations Sustainable Development Goals (SDGs) and aim to achieve and maintain carbon neutrality by continuing our efforts at reducing carbon emissions and by investing in high quality credits from projects focused on sustainable development and community well-being. We have incorporated climate change aspects in screening and diligence process of all our potential investments. We have also prepared a Climate Risk Assessment Tool based on the TCFD framework to conduct preliminary climate risk screening of our partner companies. The tool assesses physical climate risks under Representative Concentration Pathway (RCP) 4.5 and 8.5 scenarios until 2060. We have successfully carried out climate risk assessment in our partner companies of Fund V & VI*. The Tool's findings enables our partner companies to understand climate risks on their business and operations and help in identifying steps required to mitigate and adapt for better climate resilience.

2. Our Vision

Our vision is to be a climate responsible leader in investments and asset management by supporting our partner companies remain climate responsive and resilient

*Partner companies with influence

3. Our Commitments

Governance

- Define roles and responsibilities at the Board and Management levels to ensure oversight on climate related matters
- Build capacity and skillset through trainings and awareness sessions on climate-related aspects
- Set aside adequate budget at True North to remain carbon neutral, build capacity for climate risk assessment, support climate risk mitigation in partner companies (e.g., tools and templates for GHG inventorization, target setting etc.)

Strategy

- Encourage partner companies to identify, assess and report climate-related risks and opportunities
- Assess impacts of climate-related risk and opportunities on True North's strategy and business planning
- Encourage partner companies to conduct climate-scenario and risk analysis as appropriate
- Recognize and incentivize climate action by partner companies

Risk Management

- Encourage partner companies to assess their climate risk using the Climate Risk Assessment tool on a periodical basis
- Gradually integrate climate related risk management aspects into our core investment strategy including climate risk due diligence for prospective investments

Metrics And Targets

- Remain carbon neutral in our own operations through decarbonization and offsetting of residual emissions
- Encourage partner companies to measure, monitor and report their emissions and work towards emission reduction
- Monitor climate related Key Performance Indicators (KPIs) and progress reported by partner companies

4. Vision for Partner Companies

At True North, we recognize that there is a need to protect our portfolio from climate risks and at the same time expose them to opportunities in the shift to a low-carbon global economy. Our vision and commitment are primarily targeted towards our core and significant investments where we have influence and while we also strive to embed/integrate climate considerations in our minority investments on best efforts basis

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

- Encourage partner companies to devise a climate action policy/plan as appropriate to their business and operations. We will do this by conducting materiality assessments, peer benchmarking, reviewing sector-specific good practices
- Encourage partner companies to define governance structures on climate related aspects and build capacity on climate awareness and its business impacts
- Encourage partner companies to build a GHG emissions inventory by identifying their Scope 1,2 and 3 (where ever possible) emissions and identify possible emission reduction measures
- Encourage companies to identify and assess climate risks and integrate climate risk management into their overall risk management framework

Preparedness For Climate Change (3-6 Years)

- Encourage partner companies to set carbon reduction targets and adopt emission reduction measures
- Encourage partner companies to define a framework and evaluate exposure to climate risks and opportunities
- Encourage partner companies to report in accordance with climate-related disclosures (e.g., CDP, TCFD).

5. Policy Implementation Plan

5.1. True North policy implementation plan

The implementation plan consists of actions to be taken against each TCFD pillar – Governance, Strategy, Risk management and Metrics and Targets. As per TCFD, it is advised that the Governance measures are taken up in Phase I (<1 year), followed by Strategy and Risk management in Phase II (<2 years) and Metrics and Targets in Phase III (<3 years).

	Governance
	Strategy and Risk management
	Metrics and Targets

Policy	Required action
i. Responsibilities of the ESG & CC Governance Committee for oversight on climate related matters	a) Provide strategic direction and guidance on climate related action in own operations as well as investments b) Review implementation of the Climate Policy commitments in own operations as well as in the partner companies c) Quarterly review of progress made towards climate goals and targets in own operations as well as in partner companies. d) Review and approve various climate related reports like TCFD Report, Carbon Neutrality Report etc. e) Approve annual budget for climate action in own operations as well as partner companies to support transition to low carbon operations.
ii. Build capacity and skillset through trainings and awareness sessions on climate-related aspects	a) Conduct annual training needs assessment on climate related aspects b) Design and outline climate training programs and calendar basis training needs c) Identify relevant trainings and map them across the organisation to build employee skillset. (e.g, Training for investment teams to build their capacity to integrate climate aspects in their analysis) d) To take steps for capacity building and awareness creation of the leadership teams and Boards of partner companies.
iii. Set aside adequate budget at True North to remain carbon neutral, build capacity for climate risk assessment, support climate risk mitigation in partner companies (e.g., tools and templates for GHG inventorization, target setting etc.)	a) Estimate yearly costs for carbon neutrality - emissions inventorization, carbon credit purchase, assurance b) Support partner companies in estimating Scope 1 and 2 emissions c) Support partner companies in developing framework for estimating Scope 3 emissions d) Support partner companies to build capacity for climate resilience (mitigation measures) e) Support partner companies in creating capacity, skillset and awareness to understand and manage climate risks
i. Identification and assessment of impacts of climate-related risk and opportunities on an on-going basis for strategy and business planning	a) Review the Climate Risk assessment Tool every 5-7 years to revalidate the assumptions/scenarios taken b) Periodically (every 3-5 years) review Climate Risk Assessment through the tool and assess how climate risks and opportunities impact on the existing partner companies c) Conduct climate risk assessment of all new investments (with influence)
ii. Encourage partner companies to assess their climate risk using the Climate Risk Assessment tool on a regular basis	a) Engage with management of high-risk scoring companies to define an action plan b) Conduct in-depth analysis/revise strategy wherever impact is material
iii. Gradually integrate climate related risk management aspects into our core investment strategy including climate risk due diligence for prospective investments	a) Identify sectors/businesses with low risk/high opportunity on climate aspects b) Prepare and integrate climate screening questions in the due diligence processes
i. Remain carbon neutral in our own operations through decarbonization and offsetting of residual emissions	a) Develop and implement a Monitoring, reporting and verification framework every financial year to assess Scope 1,2,3 emissions b) Conduct verification and assurance of emissions inventory c) Identify possible mitigation measures and carbon offsetting projects
ii. Encourage partner companies to measure, monitor and report their	a) Provide tools/templates to partner companies for emission estimation and ensure yearly reporting of emissions b) Track emission reduction in partner companies from mitigation measures

emissions and work towards emission reduction	c) Support companies in identifying mitigation measures and carbon offsetting
iii. Monitor climate related key performance indicators (KPIs) and progress reported by partner companies	a) Define KPIs b) Prepare excel tool/templates to monitor and track progress

5.2. Implementation plan for partner companies

Partner companies are encouraged to build climate consciousness and capacity in the first three years of their onboarding. This means devising climate strategy, setting governance structures, baselining emissions, and implementing steps towards adaptation and mitigation measures basis the findings in the Climate Risk Assessment tool. Following this, companies are better prepared for climate action and are encouraged to take up emission reduction targets, climate scenario analysis (physical and transition) and disclose climate-related risks and opportunities.

	Create climate consciousness among partner companies
	Preparedness for climate change

Policy	Required action
i. To encourage partner companies to devise a climate action strategy/policy as appropriate to their business and operations	a) Conduct Materiality assessment b) Conduct Peer benchmarking c) Conduct Stakeholder consultations d) Review sector-specific good practices
ii. To encourage partner companies to define governance structures on climate related aspects	a) Design the governance structure, flow of information and responsibilities across the Board and Executive management b) Establish ESG&CC Executive Governance Committee if not already present and ensure cross-functional representation c) Decide frequency of meetings of the ESG&CC committee and how often climate related aspects will be discussed in Board meetings d) Work towards establishing process for periodic Board review on Climate Action
iii. To encourage partner companies to inventorize their GHG emissions and plan for emission reduction	a) Build capacity on Scope 1,2,3 emissions, emission factors, data sources b) Establish baseline emissions c) Identify emission reduction measures for meaningful reduction in carbon emissions d) Develop a Monitoring, reporting and verification framework to calculate Scope 1, 2 and (Scope 3 wherever possible) emissions every year
iv. To encourage partner companies to integrate climate risk considerations	a) Complete required information for Climate Risk Assessment (CRA) tool as part of risk management strategy b) Based on risk score, identify gaps, and find improvement areas

into their overall risk management framework

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| <p>i. To encourage partner companies to set carbon reduction targets and adopt emission reduction measures</p> | <ul style="list-style-type: none"> a) Assess emission n reduction requirements and compare measures b) Engage key stakeholders to shortlist feasible options c) Estimate emission reduction potential and define targets wherever possible |
| <p>ii. Encourage partner companies to evaluate exposure to climate risks and opportunities</p> | <ul style="list-style-type: none"> a) Identify measures to reduce exposure to physical climate risks as identified in CRA tool b) Evaluate impact of transition risks on company's business planning, strategy c) Identify potential opportunities in the overall value chain d) Engage with key stakeholders to build climate resilience |
| <p>ii. Encourage partner companies to report in accordance with climate-related disclosures (e.g., CDP, TCFD)</p> | <ul style="list-style-type: none"> a) Identify relevant disclosures and investor requirements b) Determine performance indicators to best express climate change performance results c) Prepare data templates, collect data and report d) Determine need for verification and assurance |