

## Prajña Khanna, Global Head – Sustainability, Naspers-Prosus in conversation with

Seema Arora, Deputy Director General, CII

**Seema:** What is Prosus-Nasper's vision for sustainable development? Can you share about your sustainability goal and how are you actually taking this journey.

**Prajña:** What is really meaningful about our company is that we are one of the first that has come from the Global South - from South Africa, and we have transitioned towards having multiple stakes in businesses across the world. The beauty of this is that because we come from the Global South, we believe we are able to understand risk, and therefore take better risks.

We have a good risk appetite for our investments across the world. I'm very proud of the fact that our portfolio has a lot of exposure in India. We have many companies in India and we continue to believe in the growth potential of India as an economy and the opportunity of innovation and technology development and harnessing the power of technology in India. We stand behind our belief on harnessing technology to solve sustainable development problems globally.

**Seema:** It's really great that you brought in the context of Global South, which is important in so many of these global conversations, which are primarily driven by the Global North, especially on climate and sustainability. It's very heartening to see the focus by your organization, by you personally, on Global South. You rightly mentioned the risk context is completely different. Therefore, the appetite is different and we have to look at it differently.

I want to understand from you that what are the organization's long-term and short-term goals for reducing carbon emissions across your portfolio companies? Because it's important as you invest, how do you look at this whole thing? So within our investment thesis, one of the excluded sectors for us is carbon-intense business models. So by default, we are building a portfolio of asset-light, very carbon-light businesses, whether you see, you know, ed-tech platforms or businesses like PayU, which is a fintech platform in India.

**Prajña:** By default, our core thesis of how we allocate money helps us to really build a future that's transitioning to a net-zero reality. So that's one. However, I think it's absolutely imperative for every actor to be focusing on whatever influence they have to limit that impact and to minimize it. Unfortunately, the impacts of climate change are most felt in our jurisdictions in the Global South, even though we may not be responsible for historical emissions.

As a company, and as a group, we have set ourselves targets at two levels. These are science-based targets and they have been verified by the Science-based Target Initiative (SBTI). So, one is on an operational level for the corporate holding company, which would be on our energy use i.e. Scope One and Scope Two. It is our commitment to be at zero for Scope One and Scope Two emissions by 2028. Actually, I can share with you that we already achieved zero last year through transitioning to renewable energy across the energy use. It's a very small footprint, as we're a few offices. It's easy to do as we're not big manufacturing extractive, so I don't want to take big kudos for it. However, the priority going forward is, how to decouple our growth from growth in emissions as well. So that's one, at the holding company level.

Secondly, we're an investor. We have to set targets on financed emissions. Within that, we have committed to 50% of our portfolio across the world to set science-based targets themselves. Here, what is really important to highlight is the notion of target setting for businesses that are not yet listed. These are private entities most of the time that are struggling to even make a profit. However, as they grow, they know that the dot on the horizon for them is to ensure they grow, but that they do not grow in their emissions at the same time.

We encourage and support them in setting science-based targets that are verified. Here, I think there is one element that has to be highlighted by all of us in the Global South towards the target setting frameworks - the standards are mostly coming from the Global North. If you know within national target setting or country level target setting, that is within the Kyoto Protocol - the principle of CBD i.e. Common but Differentiated Responsibilities.

Therefore, you see the discrepancies or differentiation in targets across different countries. Within our own portfolio, Brazil is really important and they have a target of 2050. China is big, and they have a target of 2060. India is big and it's 2070. South Africa is at 2050 as well. So that allows for these variances, basis the development stage of the country.

However, that is not allowed in corporate target setting. Regardless of the fact that I'm a business operating in Germany, Sweden or the US, with a completely different access to infrastructure, capital and the type of policy enablement that has been there for years towards renewables generation, I still have to follow the same pathway whether I'm in South Africa, India, Brazil, as my peers that is the Global North. And I think this differentiation has to be highlighted because you cannot as a company set a target that is completely divorced from your operational reality, the context of your country.

I'll give you an example. We own some of the biggest e-tail businesses in South Africa and within South Africa, the renewable energy mix is 95% grey and 5% green. Now, no matter what the company tries to do, of course, with onsite renewables, but at one point, the ability to decarbonize reaches a ceiling. You're not able to because renewable energy is simply not available in the ecosystem. So, in a context where we tell our portfolio companies that are primarily in the Global South to set science-based targets, they face a far steeper challenge than their peers in the Global North. Our thesis here is that we're not saying we're not going to set targets. We still are full steam ahead in setting targets, but we do want this recognized that our challenge is far steeper. The companies that we are asking to set targets are far steeper. So that's one of the critical elements.

The second one is that as an investor, when we set a portfolio target, you can use two levers for your anchor of the target. So one is revenues. You know, you say, how do you define what's your portfolio? So you can say, I'm going to define basis, the revenues that I have every year from different companies. Let's say if 50% of our revenues should be covered with SBTi, but actually, that would not be meaningful for us because as an investor in a couple of large tech businesses, we came in very early in China and they went very big. Since we have already set science-based targets, we could walk away without actually needing to do any work. So we went for the slightly more considered and more meaningful route, i.e. we set a target, anchoring it in invested capital i.e. where are we investing our capital and where do we have most influence. So that is where we have seen the improvement - last year, two of our companies set targets and we reached 23.4%. This year, we are working with two other companies. We really hope to achieve our 50% ahead of 2028, and we are working with all of our companies towards that.

**Seema:** Thank you, Prajña. I know that's very, very useful to know how as an organization, you're making that effort and ensuring that you stay net zero, and that is a big thing, so kudos for that. Also making sure that you have a target - not many companies have a target. Going net zero and having a target and achieving it is good.

I really think what you highlighted about the differentiation of the standards, even for corporate India, I think is an important element. This is true for, in fact, all kinds of standards that are set globally, whether it's the ISSB or, you know, we saw the CDP requirements or the TCFD, although those are more principle-based, wherever there are standards and requirements, the context of the Global South, and it is basically the operating context, as you said, the infrastructure availability is different, the labor land, every, all issues are different. So these have to be contextualized a lot.

I think this is where organizations like CII also continuously work and during the B20 also we tried to bring it. I want to also expand this conversation a little bit around this topic - how do you actually encourage them to go beyond just looking at carbon? Are you looking at encouraging waste reduction, recycling, circular economy practices? Coupled with that, the energy sector is a major sector. Are you also looking at the sector, because it plays a huge part in decarbonization. So just your ideas around these two topics.

**Prajña:** I'll start with the first, which is on circular economy and waste reduction. If we just look at where we have a material footprint within our portfolio of companies we own, we have a share in multiple global food delivery businesses and what is critical, is their waste generated - in terms of packaging.

We've been focusing on waste linked to packaging for the past 10 years. We've been trying to understand the replacement materials; how can we reduce; how can we recycle and how can we critically enable this knowledge to be shared across multiple platforms because there is no harmonization on guidance on packaging. What is the right type of material; is there a fine, for you as a producer or a user in the value chain; when you benefit commercially, you must take responsibility for the waste that is being generated in your business value chain. So there currently no homogeneity in this across the globe.

What we've been trying to do, working with the Plastics Pact, in South Africa, India, and other parts of the world, is to try and bring this at a common level of understanding so that we create the principles and demystify this, i.e. make it really simple. A person who is buying the packaging, a person who is selling the packaging, as a buyer, it's very difficult for me to know what is sustainable material?

If I eliminate plastics, do I switch to cardboard? Is that going to be the answer? Well, not necessarily, because if the cardboard is left, you know, if it is burnt and this disposed of, it actually can be far more toxic for the environment than well-reused recycled plastic. So, it's a bit of a complex topic. We're working towards simplifying this and bringing a parity in the level of understanding across at least where we can, which is our group of food delivery and retail businesses. We have asked them to start mapping.

Again, interestingly, if you think about it, there's a differences in cuisine and differences in culture; it's super easy to maybe transition to a certain more sustainable packaging for delivery of hamburgers, but not for curries. So there is a lot of work being done across all our businesses or trying to find out what is sustainable, but what also does work. We invested not so long ago in a project in actually for reuse - i.e. taking back reverse logistics. There are, again, cultural mindsets around this. You know, the Indian consumer does not want to eat food or receive food that is in a box that has been used multiple times.

So we're trying to find use cases in India. There are some startups that are doing this, but we invested in a project - we have assets in Ukraine during the war, and there were immediate refugee response centers where there was huge amounts of waste, packaging waste, food waste being generated on a daily basis. So we invested in setting up a reuse facility there.

I think there are some cases where food packaging can be done, for example, at hospitals or in schools or large institutions, office buildings. So there is an ability to transition where possible and then try and find alternative materials in other places. So a lot of time is spent on this from our team.

We also launched a report on this last year and we continue to work on this. However, it is the most difficult one to crack, simply because every packaging material has some sort of a negative impact. So how do you advise for the best packaging material? We are working with the CII team on this as well.

Circularity for us is a business opportunity. So we have investments in second-hand trade platforms. We own OLX, which allow for the trade of goods, whether it's clothes or electronics.

We actually have an annual report within the GHG protocol. However, there is no allowance for, calculation of avoided emissions because there are some business models that are inherently sustainable. They still need to include a guidance on how do you calculate emissions avoided through your business.

There's a lot of greenwashing potential around it and we recognize that. We still launch a report every year on the circularity, the reuse of the hundreds and thousands of electronics, clothes, household goods, other sort of items that are sold on our classified businesses. It's a business for us, so circularity is a core opportunity. I think that's something for us within that, but also within our e-dale businesses to see how we can encourage more reuse.

We have a new business that we've invested in that does refurbishing. In India, recycling, reuse is inherent i.e. if there's residual value in a piece of thread, it will be used. So that's not new for us, but we're trying to build this mentality in the rest of the world as well.

**Seema:** These are very useful insights for our audience to really understand that's how it's embedded in your business, and to understand how you make sure that whatever you do, it resonates with these kinds of principles. I think you rightly said one size doesn't fit, so every geography, every consumer, every material has different challenges. It's a continuous evolution, continuous learning. And that is what we aim to also do through CII. I'm glad you're working with our team at the India Plastic Pact in CII.

It's great to have partners like you to take the work forward. I also want to just understand from you that in your portfolio, in driving sustainability solutions, what is the role of technology? How much of the tech component are you seeing? Are you seeing new frontier technologies, AI?

**Prajña:** When we see all the negative news, on gloom and doom on climate change, I still preserve a bit of hope because of technology. We humans have reached the moon so we can do this too. Within our investment practices as well, first of all, a lot of the core focus segments that we invest in are promoting more responsible way of consumption.

I'll give you an example. One of our largest portfolios is in education technology businesses. Now, making learning accessible online to billions of users without having the physical infrastructure of buildings, having to print books, commuting. It is making learning accessible, when you want it, where you want it, how you want it without the related emissions around it. So that's one of the areas - EdTech.

Same for FinTech businesses. If you remember the old times of doing banking and accessing financial services, you get into your vehicle or a public transport, you get to the bank. There are lots of people at the bank. There's lots of cash being printed. I mean, India is at the forefront of it. You know, we have a few of our portfolio companies. One is Dehaat, for example. They work with 2.6 million farmers providing them services. And you see everywhere in every niche, a street stall vendor, everyone will have a QR code. The net environmental impact of cashless transactions is very significant. We believe that this is just technology that we have adopted seamlessly that already helped us be better consumers, to be able to be part of this transition to a greener economy. So that's one.

Actually there's a lot of impact that technology can play in uncovering new segments. In India, there is a large percentage of population that's vegetarian, but not globally. And we know the emissions linked to meat. So our ventures team has been looking at investments in synthetic biology. So meat replacement, for example. We also use AI within our business models to see how they can be made more efficient.

Another example is AI enabled energy infrastructure supporting software. That's one of the deals we just completed. It's called NEARA, and it's based out in the US. We are constantly on the lookout for sustainability in native business models.

In India one of our most recent investments about a year ago was in a fashion for good company called VIRGIO. They use AI to predict and forecast the kind of volumes that would be needed for customer demand. A large part of fashion industry, especially fast fashion, generates waste because of inventory and lost inventory. So VIRGIO is tackling this problem. It is also reusing the inventory that was wasted. That already goes very far in enabling all of us as consumers to be more sustainable. There is a lot of tech innovation out there, and we're very keen and open to be investing in that.

**Seema:** You gave so many insights of different types of businesses across your portfolio companies and different businesses coming up with different innovations, different ideas and best practices. How do you ensure these are shared across your different portfolio companies? What is your mechanism?

**Prajña:** You are absolutely right. What we realized is that we are sitting on this unique opportunity to be a convener. And initially there was a bit of a fear of, will the companies want to share or are they going to get competitive? We often get so busy, especially when you're a startup that's trying to survive.

You're so busy trying to survive that it's very difficult to lift your head up and think, oh, maybe I'm already doing sustainability things. How do I build it? How can we work towards sustainability by design. As I build my company, how do I already put the processes and policies in place so that as we grow, we do not also grow in emissions? So, we started an internal program and it's about four years old now. It's called Sustainability Accelerators Network. Regardless of our shareholding in a company, whether it's two percent or a hundred percent, everybody is welcome to join. We do these quarterly calls and what came out of it is that there were two niche areas of interest and they keep developing. Electric vehicles and fleet transitions was one.

We have a Working Group on Fleet transitions and the second one on packaging and the third on gig workers. And regardless whether these were companies in America or the Middle East or Asia or India or Africa, they all have exactly the same challenges. Once they were given this opportunity, we had about 40 companies participating. So one of the things that I always say is that the time is of essence in this journey of decarbonization because we are already late.

**Seema:** We don't have the luxury of time and we don't want to reinvent the wheel. So I think what you're doing is making sure that across the network the different companies learn from each other and that's primarily also what one of the strategies that CII tries to do all the time - we share best practices, we highlight the things that work so that all can learn on this journey much faster. Now, I also want to understand how do you partner and collaborate to pursue these goals with industry? What is your pathway there?

**Prajña:** This is actually a wonderful question. This solution came to us about a year and a half ago as we were working with our Sustainability Accelerator Network - the Working Group on Fleet Electrification. We did some data analysis over there and we realized that just five of our companies do 3.8 billion deliveries a year. We thought to ourselves, if we were to move these to zero emissions deliveries, the monumental impact on pollution, not just emissions, but pollution and then health and all the other related development impacts is just phenomenal. This was an opportunity in front of us and as there is no forum for on demand delivery platforms. So did a roadshow, reached out to the top 10 delivery platforms globally, other than our own portfolio, and it didn't matter whether they were competitors to our businesses.

For example, in India, we work with Swiggy, that's one of our businesses, but also with Zomato on this specific piece. We're joining hands with some of the largest delivery platforms globally, along with India, Africa, represented from all over the world to commit to 50% of our deliveries to be zero emissions by 2030. Nobody has put pressure on us. There is no environmental NGO hanging off our buildings and putting banners for this. In fact, policymakers may sometimes be slightly divergent in their opinions on this. We have come together and early next year, we're going to be doing a shared public statement on this.

**Seema:** I think that this is really important that how the power of collaboration can actually bring change at scale. While we all can do it individually, but the moment we collaborate great things happen and I think that's beautifully demonstrated by what you are trying to do. So congratulations on that as well.

**Prajña:** You know, when you were talking about collaboration and co-learning, what we realized is that we all believe we are unique, but actually we are just like each other. So when we're talking about fleet electrification in Germany or fleet electrification in India, there are exactly the same problems. So whether it is the enabling policy, the technology, the financing, all of that. There is an immense opportunity to not reinvent the wheel and I completely agree with you.

**Seema:** It was an absolute delight to have you for our first episode. Would you like to share any concluding thoughts.

**Prajña:** Well, thank you very much for having me. I think this is just getting out of our daily routine and getting our heads up and listening and learning from each other is an absolutely critical part of innovation. You know, we need to be able to disrupt ourselves, disrupt our own thinking, because when we get stuck in the same regular, you know, the daily grind, we often forget the bigger picture. So this is an absolutely wonderful way of getting your head out and thinking of the bigger picture, learning from others. And I look forward to being an audience in the future as well.

**Seema:** Thank you so much Prajña. I'm sure there'll be a lot more that we will do together with you. I'm sure we will be able to bring more and more such useful insights and conversations to a global audience as we want to connect and bring the world together on thinking about issues, which, as you rightly said, a lot of us already know about these, but unless we get out and start looking at the big picture, change will not happen at the pace we want. Thankyou again.