**TENCENT**

Bloomberg: 700HK
Market Cap: US$406bn (30th June 2023)
Revenue: CNY555bn (y/e 31st Dec 2022)

Tencent Holdings Ltd. is the largest listed Chinese ICT company by market capitalisation. The company is known chiefly for its communication and social services (e.g., QQ, Weibo, WeChat), video games, and other digital content.

Tencent also offers cloud computing, advertising, FinTech, and other enterprise services.

**CLIMATE PLEDGE OVERVIEW**

GHG emissions: 5.7MtCO₂e (Scope 1+2+3) – comparable to Boston’s annual emissions
Carbon intensity: 10.4tCO₂e/CNYmn revenue (72TCO₂e/US$mn revenue) – the lowest in BAT
Climate pledge: Achieve carbon neutrality across own operations and supply chain by 2030
Clean energy target: Using green power for 100% of all electricity consumed by 2030
Temperature rise alignment: 1.5°C (Validated by Science Based Targets initiative)

Power usage effectiveness (PUE): 1.3 (annual average), 1.06 (best-performing data centre unit)

- Tencent is the only Chinese ICT company that has pledged to achieve net zero emissions in Scope 1, 2, and 3 by 2030. Since the commitment, the company has significantly improved carbon disclosure and refined its climate target.
- Tencent’s 1.5°C-aligned climate target, validated by the Science Based Targets initiative (SBTi), indicates a 70% and 30% reduction in its Scope 1+2 emissions and Scope 3 emissions by 2030, respectively. In 2022, its Scope 1+2+3 decreased by 2% year-on-year, mainly driven by a sharp decline in Scope 3 emissions.
- Tencent continues to enrich its net zero commitment and has significantly improved carbon disclosure since 2021. Additional improvements could be made by increasing the ambition of the average PUE of self-built data centres, clarifying whether the 100% renewable electricity target applies to suppliers, and splitting out domestic and overseas emissions.

**FINANCIAL OVERVIEW**

**Revenue and profit**

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (CNYbn)</th>
<th>Net income (CNYbn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>400</td>
<td>100</td>
</tr>
<tr>
<td>2020</td>
<td>390</td>
<td>90</td>
</tr>
<tr>
<td>2021</td>
<td>380</td>
<td>80</td>
</tr>
<tr>
<td>2022</td>
<td>370</td>
<td>70</td>
</tr>
</tbody>
</table>

**Revenue by segment**

- Online advertising, 15%
- Value-added services, 52%
- Fin-tech & corporate services, 32%
- Others, 1%

**Assets**

- Financial assets, 25%
- Investments, 16%
- Receivables, 2%
- Prop & equipment, 4%
- Other non-current assets, 1%
- Intangibles, 10%
- Cash & equiv, 10%
- Other current assets, 10%
- Assets for distribution, 9%
- ST investments, 7%
- Notes payable, 19%
- Dividends payable, 19%
- Deferred revenue, 10%
- Other ST liabilities, 5%
- Long-term loans, 21%
- Other LT liabilities, 19%
- Accrued expenses, accounts payable and other, 19%

**Shareholders by location**

- South Africa, 44%
- US, 16%
- UK, 3%
- China, 4%
- Luxembourg, 6%
- Unknown, 13%
- Other, 61%
- Norway, 2%
- Cayman Islands, 2%
- Hong Kong, 2%
- Luxembourg, 6%
- Note: Financial data reflects the 2022 fiscal year (FY2022), which ends on December 31, 2022, and so does energy, emission and investment data. 30 June was used as the cut-off for all new information related to the companies.

Source: CWR, Company disclosure, Bloomberg and Climate Watch.

This factsheet is a part of CWR’s Report “China ICT transition - The good, bad & ugly of 5 HKEX ICT listco’s net zero pledges & climate action” 2023 and should be read in conjunction with this report.

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**Tencent**

**KEY ENERGY STATS**

**Emission & energy intensity**

![Graph showing emission and energy intensity]

- Emission intensity: Total GHG emissions per unit of revenue (tCO2e/CNYmn)
- Energy intensity: Total energy consumption per unit of revenue (MWh/CNYmn)

**Electricity mix**

- Operations: 7.2%
- Data centres: Unknown

**Energy efficiency**

- Renewable energy
- Fossil energy

**TRANSITION PATHWAY**

- Tencent’s Scope 1+2+3 emissions may have peaked, following a 2% decline in 2022, which aligns with the indicative emission trajectory of the company’s decarbonisation pathway (right).
- Tencent is estimated to produce 3.11MtCO2e in 2030, nearly halving its baseline emissions (5.87MtCO2e, 2021).
- Around 2025, the company may initiate the use of carbon credits to offset emissions, and the demand will gradually increase to 3.11MtCO2e by 2030, equivalent to the remaining positive emissions.

**Net zero pathway**

- Expected greenhouse gas emissions
- Total emissions expected
- Carbon offset

**GREENHOUSE GAS EMISSIONS**

<table>
<thead>
<tr>
<th>Scope</th>
<th>Emissions (MtCO2e)</th>
<th>YoY Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1</td>
<td>0.17</td>
<td>+750%</td>
</tr>
<tr>
<td>Scope 2</td>
<td>2.65</td>
<td>+7%</td>
</tr>
<tr>
<td>Scope 3</td>
<td>2.92</td>
<td>-14%</td>
</tr>
</tbody>
</table>

* Tencent updated its method for accounting for GHG emissions. The dramatic year-over-year change was partially attributed to the fact that it started counting fugitive emissions in Scope 1 but did not modify Scope 1 emissions in 2021 due to the lack of historical emissions.

**RENEWABLE ENERGY**

- Renewable assets: 20MW (An additional 60GW under construction)
- On-site renewable energy generation: 21,870MWh
- Green Power Purchase Agreement (GPPA): 336,420MWh
- Green electricity certificates (GEC): Not found
- Carbon offsets: Not found

* Huailai East Park, Huailai Rubei, Jiangsu Yizheng and Qingyuan Qingcheng data centres will reach 100% green power by 2023

* CN Grade I/II refers to Chinese national efficiency standards for data centres. Large-scale data centres must meet Grade II level requirement.

**ENERGY EFFICIENCY**

- PUE: 0.9-1.3
- Average: 1.1
- Best performing: 1.3

**SUSTAINABILITY**

- Latest green investments: None found
- Latest sustainability financing products raised: None found

* Due to limited disclosure, the above may not be explicit for all investment activities that occurred in the reporting year.

Note: Financial data reflects the 2022 fiscal year (FY2022), which ends on December 31, 2022, and so does energy, emission and investment data. 30 June was used as the cut-off for all new information related to the companies.

Source: CWR, Company disclosure and Bloomberg.

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## Tencent

### WHAT IS AND ISN’T INCLUDED IN TENCENT’S CARBON NEUTRALITY TARGETS?

<table>
<thead>
<tr>
<th>#1: “To achieve carbon neutrality in own operations and supply chain by 2030”</th>
<th>#2: “By 2030, achieve 100% renewable electricity”</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Set a mid-term absolute emission target (&quot;net zero emissions&quot;) (&quot;by 2030&quot;);</td>
<td>✓ Set an absolute target (&quot;100%&quot;) on carbon-free electricity consumption in the mid-term (&quot;by 2030&quot;);</td>
</tr>
<tr>
<td>✓ Set an absolute emission reduction pathway (a 70% reduction in Scope 1 and 2 emissions and a 30% reduction in Scope 3 emissions from the baseline year 2021);</td>
<td>✓ Provided more clarity on the applicable energy sources as it restated the target from “green power” in 2021 to “renewable electricity” in 2023;</td>
</tr>
<tr>
<td>✓ Specified the scopes (&quot;Scope 1+2+3&quot;) and the percentage of in-scope emissions (&quot;100%&quot;) covered by the target;</td>
<td>✓ Provided two additional energy targets: reducing electricity consumption per capita in office buildings and platforming averaged PUE of self-built data centres;</td>
</tr>
<tr>
<td>✓ Validated the target by the Science Based Targets initiative (SBTi) and confirmed alignment with the Paris Agreement.</td>
<td>✓ Set a series of nine metrics for consistent reporting, including renewable energy from direct purchase and on-site production, the proportion of renewable energy in the energy mix, and installed capacity of self-built renewable energy facilities;</td>
</tr>
<tr>
<td>✓ Affirmed a guiding principle prioritising active emission reduction measures and minimising the use of carbon offset as a supplementary method;</td>
<td>✓ Outlined key measures to achieve the renewable energy target (developing distributed new energy and micro-grids, green electricity market transactions, and investing in centralised new energy projects).</td>
</tr>
</tbody>
</table>

- Ambiguity on whether the “100% renewable electricity” target applied to own operations only or also includes the supply chain;
- Ambiguity on whether current energy and electricity consumption data reflect overseas operations and value chain;
- No sub-targets or metrics to track the proportion of renewable energy in the energy consumption of major energy-intensive activities, particularly data centres;
- No electricity consumption reduction target or consumption cap for data centres, in contrast to office buildings;
- The goal of limiting the average PUE of self-built data centres to 1.35 is manifestly unambitious, given that the average PUE in 2022 was already below 1.3 and that its own best-performing data centres achieved 1.06.
- No cost analysis or capital expenditure evaluation of the required transition to reach the target.

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Note: 30 June was used as the cut-off for all new information related to the companies.
Source: CWR, Company disclosure.

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Renewable energy procurement
✓ Disclosed purchased renewable energy and on-site production (MWh);
✓ Provide a detailed breakdown of renewable energy procurement by energy source (wind, solar, and hydro), market mechanisms (e.g., direct power purchasing, GEC, over-the-fence renewable trading), suppliers, location and activity to avoid double-counting;
✓ Provide a breakdown of carbon emissions in mainland China and abroad;
✓ Disclose the Carbon Usage Effectiveness (CUE) of self-built and leased data centres;
✓ Provide a breakdown of GHG emissions by major activities, particularly data centres and office buildings.

Energy consumption
✓ Disclosed total energy consumption and energy intensity: total energy use per unit of revenue (MWh/CNYmn);
✓ Disclosed average Power Usage Effectiveness (PUE) in all self-built data centres;
✓ Disclosed LEED certification: office space (m²) and number of data centres (#);
✓ Disclosed total energy consumption, direct energy consumption (MWh) by source (gasoline, diesel, gas) and total indirect energy consumption (MWh) from purchased electricity and on-site renewable generation;
+ Clarify whether its 100% renewable energy target applied to Scope 3 activities, and if so, disclose electricity consumption in major emitting activities in the supply chain, particularly leased data centres;
+ Provide a breakdown of total energy consumption (MWh) by energy source and supplier (e.g., grid, self-built power stations) from major activities, in particular, offices and data centres, and ideally, list such information for each building and data centre parks;
+ Detail average PUE in self-built and leased data centres by location.

Carbon neutrality pledges
#1: carbon neutrality by 2030
+ Lay out the contribution of major transition measures in reducing carbon footprint in operation and supply chain (MtCO₂);
+ Provide a traffic-light progress tracker in the reporting year, detailing achievement and gaps.

#2: 100% renewable electricity by 2030
✓ Progress: 100% green power to be expected in four data centre parks by 2023;
+ Add a new metric in measuring progress: the percentage of renewable electricity consumed for major activities, particularly office buildings and data centres (%);
+ Offer a one-stop tracker of the progress towards “100% renewable electricity,” as well as annual investment in renewable energy generation and procurement, R&D and energy infrastructures such as storage and microgrid.

Renewable energy investment
✓ Disclosed installed capacity of on-site renewable energy facility (MW) and renewable production (MWh);
+ Provide a detailed breakdown of renewable energy procurement by energy source (wind, solar, and hydro), market mechanisms (e.g., direct power purchasing, GEC, over-the-fence renewable trading), suppliers, location and activity to avoid double-counting;
+ Provide accounting on the renewable energy balance between production, procurement and consumption in the reporting year, and the remaining balance for the next year, if eligible (MWh).

Carbon offset and removal
+ Set targets, strategies and roadmaps for offset, as well as standards for quality offset projects;
+ Disclose considerations for carbon removal, even if no solid actions will be taken by 2030;
+ Provide total offset emissions and net emissions in the reporting year (MtCO₂e);
+ Detail trading records in voluntary carbon markets (e.g., China Certified Emission Reduction) to avoid double-counting;
+ Detail the portfolio of offset and removal by project, country, type, vendor and emissions.