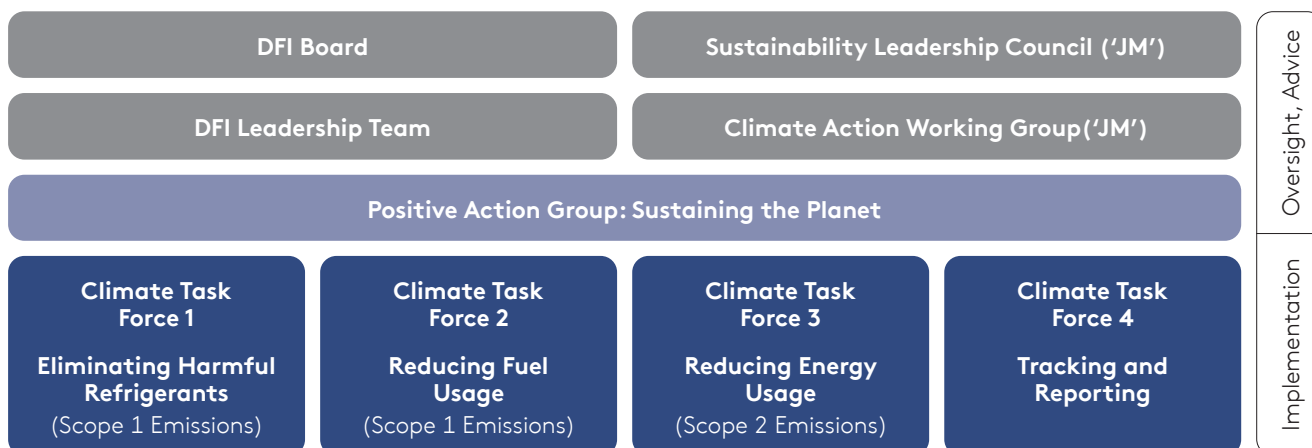


# TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ('TCFD')

To manage physical and transition climate risks proactively, DFI Retail Group has completed a climate risk analysis as per the recommendations of the Task Force on Climate-Related Financial Disclosures ('TCFD'). This report represents our climate related financial disclosures consistent with the TCFD recommendations. Further work is underway to enhance the assessment and the mapping of climate risks over the short, medium, and long term.

## Governance



DFI has implemented a governance framework as illustrated above.

### The Board's oversight of climate-related risks and opportunities

DFI Board is ultimately responsible for ensuring the Group is managing its climate risks, Greenhouse Gas ('GHG') emissions, and sustainability objectives. The Board manages this through considering and approving key initiatives. For example, in 2022 they have approved the Company's carbon footprint baseline, and Net Zero plans including the necessary capital expenditure for 2022 and 2023. Furthermore, they receive updates on climate and sustainability risks and mitigation measures.

The Sustainability Leadership Council ('SLC') comprises of the Chief Executives of all Jardine Matheson ('JM') Business Units, which includes DFI. Meeting twice a year, the SLC serves as a collaboration platform for the senior management from across the JM Group to exchange insights and perspectives on sustainability strategy, planning, and direction for the JM Group including DFI.

The SLC receives updates on global and regional climate and sustainability trends, policies, initiatives, and activities undertaken by JM Group businesses including DFI. Progress on climate risk assessments, and identified climate risks and opportunities are also provided to the SLC to inform their discussion of sustainability strategy and priorities. Sustainability-related policies, including JM Group's Climate Change Policy, were reviewed by the SLC and published in 2022. All sustainability-related policies are periodically reviewed by executive management and updated as required.

### **Management's role in assessing and managing climate-related risks and opportunities**

DFI's Leadership Team will review progress against DFI's Net Zero targets at least twice a year starting in 2023. Actual results will be reviewed and plans to deliver the short, medium, and long-term targets will be discussed. The time horizons to analyse climate-related risks and opportunities are defined as short term (between now and 2025), medium term (2025-2030), and long term (2030-2050 and onwards).

The Positive Action Group ('PAG') for Sustaining the Planet is chaired by the Group Chief Executive and meets every 6 weeks to discuss progress, provide clarity on priorities, remove obstacles that might prevent progress, and make decisions if needed. This makes sure that we stay on track to deliver our short, medium, and long term objectives.

The Climate Action Working Group ('CAWG') fosters collaboration between the various Business Units ('BU') of JM and creates a community of expertise. Comprising enthusiastic and committed representatives from each BU, the CAWG meets on a quarterly basis to collaborate on the Climate strategy and to drive a shared agenda forward. DFI's Climate Task Force teams regularly contribute to the CAWG, including sharing initiatives to reduce scope 1 and 2 emissions, and learning from other Business Units that have already taken action.

### **The organisation's processes for managing climate-related risks**

The Climate Task Forces ('CTF') are responsible for the implementation of the plans needed to deliver DFI's climate targets. The CTF are sponsored by the group CFO and chaired by senior leaders: the Construction Director leads the Eliminating Harmful Refrigerants CTF, our Supply Chain Directors the Reducing Fuel Usage CTF, our Facilities Management Director the Reducing Energy Usage CTF and our Head of ESG Reporting the Tracking and Reporting CTF. The CTFs meet bi-weekly and are supported by our Sustainability Lead, Head of ESG Reporting, and Senior Finance Director.

## **Risk Management**

### **How processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management**

DFI's existing risk management approach adopts the ISO 31000 and COSO principles. The DFI Risk Management team manage this approach, which consists of a bi-annual exercise, where DFI business units are required to revisit their respective risk registers. This process entails the identification of new risks, the review of existing risks, and risk mitigation strategies. These risk registers then form the basis of our consolidated view of DFI Group's risk profile, and are reported for consolidation at JM Group. Both Physical and Transition Risk have been integrated into this existing DFI risk management approach.

### **The organisation's processes for identifying and assessing climate-related risks**

In 2022 both Physical and Transition Risk workshops were held for the first time with senior business leaders, with the objective of aligning on both DFI's climate strategy and the planned mitigations to each risk. The results of these workshops have been incorporated into the risk management approach, and these workshops will be held on an annual basis.

### **The metrics used by the organization to assess climate-related risks and opportunities are in line with its strategy and risk management process**

In order to help quantify and prioritise climate risks, a risk assessment model has been established across 3 different climate scenarios\*: 1.8 °C, 2.2 °C, and 3.7 °C increase by 2100 (with financial impact of each of these scenarios over the short, medium, and long term). We have chosen these scenarios as we understand them to be science based and in line with the Representative Concentration Pathways used by the Intergovernmental Panel on Climate Change ('IPCC'). All of these scenarios are considered possible depending on the volume of GHG emitted in the years to come.

Transitioning to a net-zero economy will bring about regulatory, technological, legal, market, and reputational changes that we believe will likely impact DFI in the medium to long term. These risks are higher in the 1.8 °C and 2.2 °C increase scenarios. However, physical risks will likely be greater in the 2.2 °C and 3.7 °C increase scenarios due to increased likelihood of extreme weather events.

## **Strategy**

### **The impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning**

We believe that climate risks are emerging in the short term, but are most likely to materialise in the medium and long-term. In response, we have formulated a strategy for responding to climate risk in the short term, and further work is underway to mitigate these risks over the medium and long term. We understand that this is not fully consistent with the additional TCFD guidance for all sectors, but we will continue to improve our disclosure in DFI's 2023 TCFD report.

### **The resilience of the organisation's strategy, taking into consideration different climate-related scenarios**

The risk assessment model considers DFI's store and distribution centre geographical footprint, where the exposure of each location to extreme weather events is calculated by the likelihood of each of these events (increasing in probability as temperatures increase over the short, medium, and long term in each temperature scenario) multiplied by the potential financial impact of each event occurring in any given year. Potential financial impacts include owned asset damage, and business and supply chain disruption.

Based on the outcomes of the assessment we have concluded that the financial impact of physical risks on our asset values is not likely to be significant (<US\$ 250,000 assessed net impact) to our profitability, and therefore this is not separately disclosed. However, the assessment will be updated annually, and if future impacts are re-assessed to be significant they will be included in this annual TCFD report.

In addition to this model, we considered the physical risk of the supply of 5 key commodities (Rice, Wheat, Soy, Sugar Cane, and Coffee), and concluded that in the short and medium term there is no significant financial impact (<US\$250,000). We are still assessing the potential impact in the long term.

\* These scenarios are in line with the Representative Concentration Pathways, indicating GHG concentrations used by the IPCC. RCP4.5, RCP 6.0, and RCP8.5 correlate with temperature rises of 1.8°C, 2.2°C, 3.7°C by 2100.

### The climate-related risks and opportunities the organisation has identified over the short, medium, and long term

As a result of this risk assessment model, a summary of the physical risks with the greatest potential financial impact on our business, and our response (current and planned mitigation measures), is included in the table below. Also included are transition risks (with potential impact and response) concluded upon in the transition risk workshops conducted with DFI business leaders. A full assessment of opportunities to DFI has also been completed, but as no net benefits have been concluded these are not separately disclosed.

Physical Risks	Potential Impacts	DFI's Response
<p><b>Typhoon</b> Severity as measured by wind speed is increasing in Southeast Asia and is expected to move north, with more frequent and destructive typhoons across DFI markets.</p> <p><b>Rainfall Flooding</b> Severity as measured by flood depth is expected to increase across Asia. This will have implications for our low lying and flood vulnerable locations.</p>	<ul style="list-style-type: none"> <li>• Disruption of services and business operations</li> <li>• Damage to equipment, facilities and properties</li> <li>• Decrease in demand due to business disruption, and customers moving to different areas</li> <li>• Supply Chain disruptions</li> </ul>	<ul style="list-style-type: none"> <li>• Business continuity planning for all locations</li> <li>• Review of overflow and drainage systems for locations susceptible to flooding</li> <li>• Review geographical flood plains before committing to new locations</li> <li>• Maintain standard operating procedures and evacuation plans</li> <li>• Dual sourcing and increasing supplier resilience</li> </ul>
<p><b>Extreme Heat</b> Measured by the combined impact of temperature and humidity on the human body and is forecasted to increase in the period to 2030 across Asia.</p>	<ul style="list-style-type: none"> <li>• Higher energy costs for cooling</li> <li>• Damage to buildings and inventory</li> <li>• Adverse effect on employees' health and safety</li> <li>• Supply Chain disruptions</li> </ul>	<ul style="list-style-type: none"> <li>• Energy and refrigeration efficiency initiatives</li> <li>• Planned preventative maintenance of air-conditioning equipment</li> <li>• Maintain safety at work procedures for employees working in extreme heat conditions</li> <li>• Dual sourcing and increasing supplier resilience</li> </ul>
Transition Risks	Potential Impacts	DFI's Response
<p><b>Carbon Price</b> Direct (e.g. Carbon tax) or indirect costs associated with emissions reduction regulatory or fiscal policies.</p> <p><b>Energy Price</b> The rising prices of primary and secondary energy (fossil fuels and electricity).</p> <p><b>Policies and Regulations</b> Including green building policies and related requirements.</p>	<ul style="list-style-type: none"> <li>• Higher raw material prices</li> <li>• Higher operating costs</li> <li>• High energy efficiency requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Reductions in Scope 1 and 2 GHG emissions (refer detail following this table)</li> <li>• Develop a strategy for a lower-carbon supply chain, including (but not limited to) local sourcing efforts, country of origin assessments, and sustainable commodities initiatives.</li> <li>• Reducing embodied carbon in new stores</li> </ul>

## **Scope 1 and Scope 2 GHG emissions, and the related risks**

To elaborate on DFI's response to reduce Scope 1 and 2 GHG emissions: most of our scope 1 and 2 GHG emissions come from energy consumption and refrigerant leakages. We are investing US\$15-20 million per year (which represents around 15% of our total capital commitments each year) into climate initiatives related to energy efficiency, refrigerant management, and electrifying our fleet. With all these initiatives, we are committed to achieving our reduction targets for scope 1 and 2 emissions.

### **Scope 1 and 2 emissions**

#### **Reducing harmful refrigerants**

DFI is reducing refrigerant gas emissions by installing leak detectors, deploying dedicated leak fix teams, replacing high global warming gasses, and installing new systems which have a lower refrigeration gas charge. In 2022, DFI was the first retailer in Hong Kong to install a Water Loop refrigeration system, which reduces the refrigeration gas charge compared to a traditional centralised system by approximately 90%. Our medium-term target by 2030 is to reduce our leakage rate to global supermarket best practices.

#### **Reducing energy usage**

Most of our electricity is used in DFI's Grocery Retail and Convenience Stores businesses. To help reduce energy consumption, DFI has implemented energy behavioural change campaigns, leading to a 2% energy consumption reduction on a like-for-like basis (locations that have had a full 12 months of electricity consumption in both 2021 and 2022). The Group also completed LED lighting roll-out across our retail networks, covering almost 1,000 stores in Hong Kong, Singapore, and Malaysia. We also began implementing technologies to improve refrigeration equipment efficiency.

Meanwhile, Wellcome installed one of the largest solar panel systems in Hong Kong on the rooftop of its Fresh Food Processing Centre, generating one million kWh of electricity per year, and the IKEA Kaohsiung store in Taiwan now has a solar panel on the roof with 0.9 million kWh annual capacity. By 2026, we are committed to installing solar panels on all retail properties which DFI owns.

#### **Reducing fuel usage**

Our priority is to improve fuel usage efficiency by optimising truck loads and where possible routing. In the Hong Kong market, we are actively seeking opportunities to purchase our first electric truck, with the goal of electrifying the rest of our fleet in the medium to long term.

## **Metrics and Targets\***

### **The targets used by the organisation to manage climate-related risks and opportunities and performance against targets**

DFI has set ambitious climate targets that are aligned with The Paris Agreement to revert the harm of climate change on ecosystems and societies. We are committed to halving our scope 1 and 2 emissions by 2030 and achieving net zero by 2050 (all from a baseline year of 2021).

\* Scope 1, 2, and 3 reporting follows the methodology for the mapped GRI Indicators: 305-1 Direct (scope 1) GHG emissions, 305-2 Energy indirect (scope 2) GHG emissions, 305-3 Other indirect (scope 3) GHG emissions, 305-4 GHG emissions intensity, 305-5 Reduction of GHG emissions.

**Disclose Scope 1, Scope 2, and, if appropriate Scope 3 GHG emissions**

DFI is progressing well towards its 2050 net zero target. From 2021 to 2022, DFI has reduced Scope 1 GHG emissions by 24%. Scope 2 GHG emissions have increased 0.4% from 2021 to 2022, as the 2% like-for-like energy consumption reduction has been offset by new store openings in China, Indonesia, and Cambodia. Several energy efficiency initiatives have been implemented at the end of 2022, which are expected to reduce consumption in 2023 and beyond.

<b>DFI Group Scope 1 and 2 GHG Emissions</b>	<b>2022</b> kt CO <sub>2</sub> e	<b>2021</b> kt CO <sub>2</sub> e	<b>% change</b>
Refrigerants	281	370	-24%
Fuel for Owned Trucks	8	9	-10%
<b>Total Scope 1</b>	<b>289</b>	<b>379</b>	<b>-24%</b>
Electricity	488	486	+0.4%
<b>Total Scope 2</b>	<b>488</b>	<b>486</b>	<b>+0.4%</b>
<b>Total Scope 1 and Scope 2</b>	<b>777</b>	<b>865</b>	<b>-10%</b>
<b>Intensity</b> Per US\$m Net Sales	<b>85 Tonnes</b>	<b>96 Tonnes</b>	<b>-11%</b>

GHG emissions are measured on a per store level, reported and discussed monthly in the PAG. Progress against annual targets is tracked, with annual targets formed from DFI's planned pathway to net zero for GHG emissions.

In 2022, we have managed to quantify the 2021 baseline for Scope 3 GHG emissions. The majority of Scope 3 categories have been calculated by multiplying spend data with Environmentally-Extended Input-Output ('EIO') emission factors ('EF'). Where category specific emissions factors are readily available, these have been used (including but not limited to upstream electricity EF, commuting EF, and waste disposal EF). Rice, dairy, and meat account for a large part of Scope 3 GHG emissions, driven by upstream agricultural activities.

DFI is working on a plan to reduce Scope 3 emissions. Achieving significant emissions reduction in our value chain will require governments' intervention, substantive collaboration with suppliers, and communication with customers. As such, our ability to influence carbon reduction presents both a risk and an opportunity, and success will be decided by our relationships both upstream and downstream in our value chain.

<b>DFI Group Scope 3 GHG Emissions</b>	<b>2021</b>
Scope 3 GHG emissions from the value chain (thousand tonnes)	5,290
Scope 3 as a percentage of total 2021 GHG emissions (Scope 1 + 2 + 3)	86%