

Task Force on Climate-Related Financial Disclosures

This report sets out our climate related financial disclosures which are consistent with the Task Force on Climate-Related Financial Disclosures ('TCFD') recommendations and the 2021 TCFD annex guidance for all sectors.

Governance

Board oversight of climate-related risks and opportunities

The DFI Board is ultimately responsible for ensuring DFI is managing its climate risks, Greenhouse Gas ('GHG') emissions, and sustainability objectives. DFI's Board oversees this through receiving updates on climate and sustainability risks and mitigation measures. Furthermore, DFI's Board considers and approves key initiatives, for example they have endorsed the Scope 1 and 2 GHG emissions net zero plan, and they have been updated on progress against this plan.

The Jardine Matheson ('JM') Sustainability Leadership Council ('SLC') comprises the Chief Executives of all JM Business Units ('BU') which includes DFI. Meeting twice a year, the JM 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 JM 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 JM SLC to inform their discussion of sustainability strategy and priorities. 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 Sustainability Management Committee reviews progress against DFI’s net zero targets twice a year. Actual results were reviewed and plans to deliver the short-, medium-, and long-term targets were 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 JM Climate Action Working Group (‘CAWG’) fosters collaboration between the various BUs of JM and creates a community of expertise. Comprising representatives from each JM BU, the CAWG meets on a quarterly basis to collaborate on the Climate strategy and to drive a shared agenda forward. DFI’s Sustainability Working Group (‘SWG’) for Climate regularly contributes to the CAWG, including sharing initiatives to reduce Scope 1 and 2 emissions, and learning from other BUs that have already taken action.

The SWG for Climate is responsible for the implementation of the plans needed to deliver DFI’s climate targets. It is sponsored by the DFI CFO and chaired by senior leaders: the procurement director leads the Eliminating Harmful Refrigerants initiative within the SWG for Climate, the supply chain director leads the Reducing Fuel Usage initiative, the facilities management director leads the Reducing Energy Usage initiative, and the head of ESG Reporting leads the Tracking and Reporting SWG. The SWGs meet bi-weekly and are supported by our Head of Sustainability, Head of ESG Reporting, and Senior Finance Director.

Strategy

Scenario selection

Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

DFI has chosen two of the Representative Concentration Pathways (‘RCPs’) adopted by the Intergovernmental Panel on Climate Change (‘IPCC’) – RCP 2.6 and RCP 8.5 – for scenario analysis. Whilst in 2022 we conducted scenario analysis across three RCPs, we have targeted two RCPs in 2023 to help simplify communications. The IPCC RCPs provide a widely accepted and standardised framework for assessing and analysing future climate scenarios. Each RCP represents a different GHG concentration trajectory and provides a range of potential future climate scenarios. The objective is for DFI to assess our strategies and operations against a range of possible climate futures, seeking to ensure preparedness and resilience in the face of climate change.

Scenario	Commentary and assumptions	Changes in temperature by 2100 (degree Celsius)*	Risks
RCP 2.6	A pathway with lower GHG emissions, indicating a future where stringent mitigation measures are implemented, and global warming is limited to below 2 degrees Celsius.	1.6 °C	High Transition Risk Low Physical Risk
RCP 8.5	A higher GHG emissions pathway, indicating a future where no substantial mitigation actions are taken, resulting in significant global warming and climate impacts.	4.3 °C	Low Transition Risk High Physical Risk

* Source: The Meteorological Office UK

Qualitative analysis

Conducting qualitative climate scenario analysis based on two different RCPs supports DFI to gain a comprehensive understanding of the potential impacts of physical and transition risks under various climate futures on the business. This analysis helps DFI to prioritise mitigation and adaptation strategies, allocate resources effectively, and make informed decisions that align with our long-term sustainability goals. It helps DFI to proactively manage climate-related risks and capitalise on emerging opportunities, seeking to ensure resilience and competitiveness in an evolving business landscape.

For physical risks, the analysis assesses the potential impacts of each RCP on DFI's operations. RCP 2.6, representing a low-emission scenario, may indicate a lower likelihood of extreme weather events and sea-level rise, resulting in a relatively lower impact on store locations and supply chains. Conversely, RCP 8.5, representing a high-emission scenario, may indicate a higher likelihood of severe weather events and increased flood risks, requiring DFI to prioritise adaptation measures in vulnerable areas.

Transition risks are also evaluated across the different RCPs. Under RCP 2.6, which reflects a more sustainable trajectory, DFI may anticipate regulatory frameworks, including carbon taxes, and market incentives for low-carbon technologies and sustainable products. This may present opportunities for DFI to proactively invest in decarbonising supply chain and operations, adopt environmentally friendly practices, and meet evolving consumer demands.

Throughout the scenario analysis, DFI considers its level of preparedness across the different RCPs. For example, since DFI has already embarked on the journey of phasing out high carbon equipment and transitioning to a low carbon economy, DFI believes it is aligned and furthermore working on managing the transition risks under RCP 2.6.

Quantitative analysis

To better support a representative quantitative analysis, DFI selects a sample of the most relevant operating locations, considering factors such as property type (store or distribution centre), ownership (owned or leased), area, floor number, asset value, construction cost, and operational revenue. DFI then calculates the exposure of each location to extreme weather events by considering the likelihood of relevant extreme weather events (e.g. drought, sea level rise) in the two climate scenarios considered (RCP 2.6 and RCP 8.5) over the short-, medium-, and long-term. This likelihood is then multiplied by the potential financial impact of each event, including damage to owned assets and disruptions to the business and the supply chain.

Based on the outcomes of this quantitative analysis, DFI has concluded that the residual financial impact of climate risk in each of the scenarios considered is not expected to be significant, with an assessed impact of less than US\$250,000 of profitability per year. As a result, these impacts are not separately disclosed. However, the assessment will be updated annually, and if future impacts are re-evaluated to be significant, they will be included in the annual TCFD report, seeking to ensure transparency and accountability in disclosing climate-related risks.

This quantitative analysis helps DFI to prioritise our risk management efforts, allocate resources effectively, and make informed decisions to protect our assets and ensure business continuity. DFI's commitment to regularly updating the assessment and disclosing significant impacts underscores our dedication to transparent reporting and our proactive stance in managing climate-related risks.

This forward looking scenario analysis made by DFI is founded on our current knowledge and assumptions. DFI does not provide any assurance regarding the accuracy of these assumptions. These forward-looking statements involve inherent risks, uncertainties, and assumptions that could lead to material differences between the actual results, performance, or achievements of DFI. Additionally, scenario analysis has limitations, and it is challenging to predict which scenarios, if any, will occur.

Climate-related risks and opportunities the organisation has identified over the short-, medium-, and long-term

Considering the scenario analysis performed, DFI has undertaken the task of identifying climate risks and opportunities, and their potential to significantly affect the organisation. This approach takes into account various factors, including the geographical impact of climate events, evolving regulatory frameworks, and emerging social trends. By focussing on areas that have the highest impact on our core business activities, DFI seeks to effectively assess and address the associated risks while leveraging opportunities that align with our operational and supply chain objectives. For instance, the occurrence of rainfall flooding twice in Hong Kong in 2023 demonstrated the vulnerability of the region to extreme weather events. While DFI did not experience any uninsured losses as a result, we recognise the increasing frequency and severity of such events.

By acknowledging these risks, DFI seeks to be prepared to manage and mitigate potential consequences, to ensure the resilience of our operations and the protection of our stakeholders. This proactive stance helps DFI to adapt and respond effectively, not only to climate-related challenges but also to capitalise on potential opportunities that arise from sustainable and climate-resilient practices.

Risks type	Risks description	Risk mitigation and opportunities	Time horizon
Physical risk – acute			
<p>Typhoon Severity (measured by wind speed) is increasing, with more frequent and destructive typhoons in expected in North Asia.</p>	<ul style="list-style-type: none"> Disruption of services and business operations caused by the severe weather conditions. Store closures, power outages, and transportation disruptions. Damage to equipment, facilities, and properties due to floodwaters. Decrease in business demand as customers in flood-affected areas are affected. Supply chain disruptions due to damage to transportation networks, delayed deliveries, and disrupted production. 	<ul style="list-style-type: none"> Developing business continuity plans for all locations to ensure operational resilience. Review of overflow and draining systems in areas prone to flooding. Careful assessments of geographical flood plains to avoid vulnerable areas when establishing new locations. Standard operating procedures and evacuation plans to prioritise the safety of team members and protect assets during flood events. Implementing security of supply initiatives and resilient sourcing practices to minimise disruptions to the availability of products and raw materials. 	Short-, medium-, and long-term.
<p>Rainfall flooding Severity (measured by flood depth) is expected to increase across Asia, with implications for low-lying and flood vulnerable locations.</p>			

Risks type	Risks description	Risk mitigation and opportunities	Time horizon
Physical risk – chronic			
Extreme heat Measured by the combined impact of temperature and humidity on the human body, and is forecasted to increase across Asia.	<ul style="list-style-type: none"> Higher energy costs and consumption for cooling to maintain comfortable temperatures for customers and team members. Faster spoilage of perishable items such as food and pharmaceuticals due to hotter climate. Adverse effects on team members' health and safety because of heat-related illnesses. Supply chain disruptions impeding the availability of goods. 	<ul style="list-style-type: none"> Energy and refrigeration efficiency initiatives to reduce energy consumption and optimise cooling systems. Maintaining and enforcing safety-at-work procedures for heat related illness. Supply security and resilient initiatives through diversification. 	Short-, medium-, and long-term.
Transition risk – policy and legal			
Regulatory compliance DFI Retail Group may encounter several policies and legal risks due to the nature of our operations.	<ul style="list-style-type: none"> Non-compliance with evolving regulations related to climate change and sustainability. Failure to Accurately disclose climate-related information. Failure to adhere to consumer protection laws regarding environmental impact disclosures. 	<ul style="list-style-type: none"> Compliance programme to ensure adherence to evolving regulations, including regular monitoring, and updating of policies and procedures. 	Short- and medium-term.
Transition risk – technology			
Low carbon technologies Delaying the adoption of low-carbon technology in the retail industry includes missed opportunities for cost savings, reduced competitiveness.	<ul style="list-style-type: none"> Failure to adopt and integrate sustainable practices and technologies within operations. Increased operational costs and inefficiencies associated with outdated and carbon-intensive technologies. 	<ul style="list-style-type: none"> Use of low global warming potential ('GWP') refrigerants in our cooling systems. Adopting the water loop refrigeration systems that significantly reduce the amount of refrigerant gas needed and minimises associated GHG emissions. Investment in energy efficiency equipment across relevant locations. 	Short- and medium-term.

Risks type	Risks description	Risk mitigation and opportunities	Time horizon
Transition risk – market			
<p>Carbon price Direct (e.g. Carbon tax) or indirect costs associated with emissions reduction regulatory or fiscal policies.</p>	<ul style="list-style-type: none"> Higher operational expenses due to carbon pricing and rising energy price. Challenges in managing energy consumption and efficiency. 	<ul style="list-style-type: none"> Implement measures to reduce Scope 1 and 2 GHG emissions through energy efficiency improvements and sustainable commodities initiatives to lower carbon sources. Planning of Scope 3 GHG emission plan to address high carbon emitting commodities. 	Medium- and long-term.
<p>Energy price The rising prices of primary and secondary energy (fossil fuels and electricity).</p>			
<p>Consumer preference change As awareness of climate change increases, individuals seek to make more environmentally conscious choices.</p>	<ul style="list-style-type: none"> Failure to adapt our product offerings to meet climate-conscious customers' demands. 	<ul style="list-style-type: none"> Adjust our product offerings to align with sustainability and climate-friendly demands. 	Long-term.
Transition risk – reputation			
<p>Investor and consumer expectation Investors and consumers increasingly expect businesses to address and mitigate climate risks, incorporating sustainable practices and demonstrating a commitment to environmental stewardship.</p>	<ul style="list-style-type: none"> Being perceived as a laggard in climate change efforts could affect both sales and investment prospects. 	<ul style="list-style-type: none"> Engaging in open and transparent dialogue, and seeking feedback and input from stakeholders to shape our sustainability strategies and initiatives. Actively involving customers in product development through market research. Stakeholder engagement such as responding to investor ESG surveys. 	Short-, medium-, and long-term.

Transition plan

With a long-term target of achieving net zero GHG emissions by 2050 compared with 2021 levels, DFI is taking proactive steps to address climate-related risks and seize opportunities by allocating investment towards climate initiatives. With an annual investment allocation ranging from US\$10-20 million, equivalent to approximately 5-10% of our total capital commitments each year, DFI is actively engaged in initiatives that promote energy efficiency, refrigerant gas management, and the electrification of our fleet.

SHORT-TERM

Accelerate decarbonisation across operations

- Retrofit stores with Water Loop technology fridges, that reduce the requirement for base gas charge
- Behavioural change education to store team members
- Install leak detectors and monitor their output to address refrigerant leakage
- Transition from high to low GWP refrigerant gas
- With the aim of electrifying our fleet of delivery vehicles in the medium-term where commercially viable, we have purchased an electric truck in 2023 as part of a pilot scheme
- Increase waste diversion rate

2025

MEDIUM-TERM

Extend decarbonisation across value chain

- Fully electrify fleet in own operation
- Source low carbon OB products from suppliers, ideally with sustainable certifications
- Increase OB plastic packaging that is recyclable

50%

absolute Scope 1 and 2
emission reduction

25%

Scope 3 emission reduction
across targeted categories

2030

LONG-TERM

Address decarbonisation in remaining gaps

- Purchase REC or carbon offset as a last resort to meet net zero target
- Anticipate technological advancement for net zero solutions

Net zero emissions by 2050

Impact of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning

Area	Impacts
Strategy	
GHG emissions	By setting a Science-Based Target (‘SBT’) for GHG emissions reduction, DFI aims to mitigate climate risks by aligning our emissions reduction efforts with the goals of the Paris Agreement and the latest climate science. By establishing a clear and measurable pathway for GHG emissions reduction, DFI seeks to proactively manage our carbon footprint, minimise emissions-related risks, and contribute to a more sustainable future.
Business	
Products	Climate change has led to a growing demand for products made from sustainable materials. Consumers are actively seeking alternatives to products that contribute to deforestation, habitat destruction, or excessive resource consumption. They may prefer products made from renewable resources, recycled materials, or those that incorporate sustainable production practices. Expanding the range of sustainable products involves various initiatives within DFI, including seeking out suppliers and manufacturers that prioritise sustainable sourcing, production processes, and packaging.
Operations	Energy efficiency in retail stores plays an important role in mitigating climate risks by reducing GHG emissions and minimising energy consumption. Energy efficiency measures, such as installing energy-efficient lighting, and fridges with a reduced base charge of refrigerant gas (e.g. water-loop fridges), help our retail stores to reduce their carbon footprint.
Supply Chain	EV trucks produce zero tailpipe emissions, as they run on electricity rather than fossil fuels like diesel or gasoline. By transitioning to EV trucks for transportation and delivery operations, DFI can reduce our GHG emissions. This reduction in emissions helps mitigate climate risks by reducing the industry’s carbon footprint and contributing to the overall decarbonisation of the transportation sector. DFI has begun the trial of adopting EV trucks in our fleets.
Financial planning	
Capital expenditure	Allocating CAPEX towards energy-efficient technologies and equipment upgrades can optimise resource consumption and reduce operational carbon footprint. Investing in sustainable supply chain initiatives, such as responsible sourcing and supplier engagement programmes, helps mitigate risks associated with resource scarcity and disruptions. Furthermore, CAPEX directed towards infrastructure resilience, such as implementing climate-adaptive measures, seeks to ensure business continuity in the face of extreme weather events. DFI is investing US\$10 to US\$20 million annually into climate-related initiatives.
Financing	In 2023, DFI successfully closed a \$2 million Sustainability-linked Loan conversion link to performance in 3 key sustainability areas: emissions reductions, waste diversion, and plastic packaging. DFI believes that Sustainable Finance opportunities will become more prominent in the future. Consequently, the company is actively exploring additional avenues to build upon this achievement and further strengthen our commitment to sustainability.

Risk Management

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 BUs 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 will be integrated into this existing DFI risk management approach.

Organisation's processes for identifying and assessing climate-related risks

In 2023 both transition and physical risk workshops were held with senior business leaders, with the objective of identifying risks, and then also 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. Further work is underway to enhance the assessment and the mapping of climate risks over the short-, medium-, and long-term.

Organisation's processes for managing climate-related risks

After identifying and assessing climate-related risks, DFI has implemented a transition plan to manage these risks. For example carbon pricing, reducing carbon emissions can mitigate potential carbon pricing costs associated with transition risk. Through energy-efficient technologies and operational optimisation, DFI is working towards a lower-carbon business model.

Metrics used by the organisation to assess climate-related risks and opportunities aligning with our strategy and risk management process

In order to help quantify and prioritise climate risks, a risk assessment model has been established across 2 different climate scenarios by 2100 (RCP 2.6 and RCP 8.5), with financial impact of each of these scenarios over the short-, medium-, and long-term calculated and assessed. Each of these scenarios is 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 RCP 2.6 scenario. However, physical risks will likely be greater in the RCP 8.5 scenario due to the increased likelihood of extreme weather events. Refer to previous sections of this TCFD report for further details of the analysis performed.

Metrics and Targets

For DFI's TCFD disclosure on metrics and targets, please refer to the 'Climate Change' section in the ESG Report on page 49 of this Annual Report.

TCFD recommendation	Recommended disclosures	Location
Governance Disclose the organisation's governance around climate-related risks and opportunities.	a. Describe the board's oversight of climate-related risks and opportunities.	TCFD Report, Page 36
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	TCFD Report, Page 37
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	a. Describe the climate-related risks and opportunities the organisation has identified over the short-, medium-, and long-term.	TCFD Report, Page 39
	b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	TCFD Report, Page 44
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	TCFD Report, Page 37
Risk Management Disclose how the organisation identifies, assesses, and manages climate-related risks.	a. Describe the organisation's processes for identifying and assessing climate-related risks.	TCFD Report, Page 45
	b. Describe the organisation's processes for managing climate-related risks.	TCFD Report, Page 45
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	TCFD Report, Page 45
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with our strategy and risk management process.	ESG Report, Page 53-57
	b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and the related risks.	ESG Report, Page 53-57
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	ESG Report, Page 53-57