Task Force on Climate-Related Financial Disclosures

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

Governance

Board oversight of climate-related risks and opportunities

DFI's climate risk governance framework is integrated into our ESG governance. For details of how the Board oversees climate-related risks and opportunities, please refer to ESG Governance section of the ESG Disclosure.

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

For details of the management's role in assessing and managing climate-related risks and opportunities, please refer to ESG Governance section of the ESG Disclosure.

Strategy

Our climate strategy centres on our commitment to putting customers first. We understand that our customers expect affordable products delivered in the best possible way to support our planet. To meet these expectations, we will persistently invest in sustainability projects, strive to balance environmental responsibility with affordability, and ensure business resilience against the effects of climate change. More details of our transition plan can be found on pages 80-81.

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

Understanding and assessing our climate risk involves examining two key dimensions: physical risks and transition risks. Physical risks pertain to the direct impacts of climate change on our operations, such as extreme weather events, rising sea levels, and temperature fluctuations, which can affect our assets, supply chains, and overall business continuity. On the other hand, transition risks relate to the financial and operational challenges associated with shifting towards a low-carbon economy. This includes policy changes, technological advancements, market shifts, and evolving consumer preferences that could impact our business model and financial performance.

We consider climate risks based on international standards such as the TCFD, applying those relevant to DFI's context. DFI uses a systematic approach to assess climate risks, employing the same criteria and thresholds as other risks in its risk register. This methodology evaluates the likelihood and scale of climate risks to ensure consistency and comprehensiveness in risk management. Scenario analyses are conducted to assess both physical and transition risks. To quantify these risks, DFI relies on input parameters from credible sources. For example, when evaluating risks related to carbon pricing mechanisms, we use price information from reputable organisations like the World Bank and the Network for Greening the Financial System (NFGS). The identified climate risks are integrated into the Group's risk register, prioritised relative to other risks, and continuously monitored.

We have adopted the following time horizon when evaluating climate specific risks, which is consistent with the time horizon used in our ESG double materiality assessment:

Time period	Years	Reason
Short	Now – 2027	Aligning with DFI 3-year planning cycle
Medium	2027-2030	Addressing more complex challenges and aligning with DFI climate target
Long	2030-2050	Targeting long-term risks and aligning with Paris Agreement in which emission must reach net zero by 2050

A summary of identified physical and transition risks that could have a significant impact on our business, along with management responses, affected value chains, and time horizons impacted, are outlined in the following table:

Physical risk

Typhoon and rainfall flooding – acute risk

Description	The severity of typhoon is increasing, with more frequent and destructive typhoons expected. The rainfall flooding severity and frequency are also expected to increase across Asia, with implications for low-lying and flood vulnerable locations.
Risks	• Reduced revenue due to disruption of services and business operations such as retail outlets caused by the severe weather conditions; • Increased expenses resulting from damage to equipment, facilities, and properties caused by floodwater; • Decreased revenue due to lower business demand as customers in flood-affected areas are affected; • Increased operating cost due to supply chain disruptions such as crop failure, where resources are needed to search for alternatives. • Commodity supply interrupted due to extreme weather events, which impact our product offering to customers.
Management response	• Developed business continuity plans for all locations to ensure operational resilience; • 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, such as educating rice farmers in Thailand to consume less resources when farming.
Value chain impacted	Upstream and own operation.
Time horizon	Short-, medium-, and long-term.

Temperature rise and extreme heat – chronic and acute risk

Description	Temperature rise, measured by the combined impact of temperature and humidity on the human body is forecasted to increase across Asia. Furthermore, periods of extreme heat will also increase.
Risks	• Increased operating cost from energy costs and consumption for cooling to maintain comfortable temperatures for customers and team members; • Increased expense from faster spoilage of perishable items such as food and pharmaceuticals due to hotter climate; • Reduced revenue from decreased productivity due to adverse effects on team members' health and safety because of heat-related illnesses.
Management response	• Energy and refrigeration efficiency initiatives to reduce energy consumption and optimise cooling system; • Invested and implemented digital temperature probes across stores and distribution centres to mitigate spoilage risks and costs by real-time tracking and automated alerts; • Maintaining and enforcing safety-at-work procedures for heat related illness; • Implementing security of supply initiatives and resilient sourcing practices to minimise disruptions to the availability of products and raw materials.
Value chain impacted	Upstream and own operation.
Time horizon	Short-, medium-, and long-term.

Transition risks

Climate-related regulations – policy and legal risk

Description	International and domestic carbon pricing mechanism could impose obligations that affect our operations (e.g. carbon tax). There could also be heightened scrutiny and enforcement from regulators regarding climate-related issues, including concerns about greenwashing. As global efforts toward climate change grow and consolidate, there could be growing volume and complexity of mandatory climate-related disclosure requirements.
Risks	• Increased operating cost from carbon pricing mechanisms such as direct and indirect carbon tax; • Increased operating cost to comply with evolving regulations related to climate change and sustainability; • Fines due to failure to accurately disclose climate-related information.
Management response	• Implement measures to reduce Scope 1 and 2 GHG emissions through energy efficiency and refrigeration gas improvements and switch to lower-carbon alternatives, ultimately reducing the potential impacts of carbon tax; • Incorporated carbon emission assessments into new store openings and renewals and consider potential carbon pricing impacts in decision-making; • Obtain assurance on emission data disclosed and improve climate-related data quality and accounting control; • Compliance programme to ensure adherence to evolving regulations, including regular monitoring, and updating of policies and procedures.
Value chain impacted	Own operation.
Time horizon	Short-, medium-, and long-term.

Low carbon technologies transition – technology risk

Description	Delaying the adoption or failure in innovation of low-carbon technology in the retail industry could result in worsening energy efficiency and carbon emission.
Risks	• Increased expense due to ineffective implementation of technologies or Research and Development fails to deliver the anticipated energy savings, resulting in higher operational costs and increased carbon emissions; • Increased operating cost and inefficiencies associated with outdated and carbon-intensive technologies.
Opportunities	• Reduced operating cost from successful investment in low carbon technologies which enhance energy efficiency in operations.
Management response	• Allocate US$15 to US$20 million annually to the investment in Scope 1 and 2 projects to ensure sufficient funding in reducing carbon footprints; • Continue to focus on developing low-carbon retail technologies, collaborating with academic institutions to ensure the successful implementation of these technologies through our own Research and Development centre in Hong Kong.
Value chain impacted	Own operation.
Time horizon	Short- and medium-term.

Increased production cost – market risk

Description	Input prices, such as commodity and energy prices, may rise due to resource scarcity (i.e. water and agricultural products) resulting from changing weather patterns that damage crops and the carbon pricing mechanism, respectively.
Risks	• Increased cost of goods sold due to increase in raw material price due to climate event disruption to supply chain and yield of sourcing origin countries; • Increased operating cost from increased energy price due to carbon pricing mechanisms.
Management response	• Planning of supplier diversification programme to diversify supply source from regions with more sustainable farming practice or less prone to climate impact.
Value chain impacted	Upstream.
Time horizon	Medium- and long-term.

Consumer preferences change to low carbon products – emerging market risk

Description	As awareness of climate change increases, individuals seek to make more environmentally conscious choices. Unable to offer sustainable products at a competitive price may cause customers to pivot to competitors that offer such products.
Risks	• Reduced revenue due to the unavailability of eco-conscious products to cater to the changes in consumer preferences towards more sustainable products.
Management response	• Innovate and develop new products or services that align with sustainability trends, such as sustainable packaging; • Expand low-carbon rice offering by launching 200 metric tons of Own Brand low-carbon rice in Hong Kong in 2025; • Develop a structured transition plan for Scope 3, concentrating on four priority categories (rice, dairy, beef, and coffee) for a collaborative decarbonisation effort with suppliers; • Transitioning to lower-emission sourcing regions for selected categories.
Value chain impacted	Upstream.
Time horizon	Medium- and long-term.

Increased investor and consumer concerns – reputation risk

Description	Investors and consumers increasingly expect businesses to address and mitigate climate risks, incorporating sustainable practices and demonstrating a commitment to decarbonisation.
Risks	• Reduced revenue and market capitalisation due to failure to meet investor and consumer expectations on climate risk which led to reputational damage, loss of trust, and diminished brand value.
Management response	• Score 49 (out of 100) in the 2024 S&P Global Corporate Sustainability Assessment, improving from 23 in 2023; • Incorporate shadow carbon pricing into major business decisions such as new stores; • Conduct comprehensive climate scenario analysis to identify vulnerabilities and opportunities, enabling informed decision-making to address the risks.
Value chain impacted	Upstream, own operation.
Time horizon	Medium- and long-term.

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

Area	Impacts
Strategy	
GHG emissions	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 reducing Greenhouse Gas (GHG) emissions, we seek to proactively manage our carbon footprint, minimise emissions-related risks, and contribute to a more sustainable future.
Business	
Products	Climate change has increased the demand for products made from sustainable materials, as consumers actively seek alternatives to those that contribute to deforestation, habitat destruction, or excessive resource consumption. Many prefer products made from renewable resources, recycled materials, or those that utilise sustainable production practices. Expanding our range of sustainable products involves various initiatives within DFI, including partnering with suppliers and manufacturers that prioritise sustainable sourcing, production processes, and packaging.
Operations	Energy efficiency in our retail stores and distribution centre is crucial for mitigating climate risks by reducing Greenhouse Gas (GHG) emissions and minimising energy consumption. Implementing energy-efficient measures, such as installing LED lighting and water-loop fridges with reduced refrigerant gas charges, helps decrease our carbon footprint.
Supply Chain	Electric Vehicles (EVs) produce zero tailpipe emissions since they run on electricity rather than fossil fuels like diesel or gasoline. We introduced EV trucks for our transportation and delivery operations in Hong Kong and Taiwan in 2023, which lowers our GHG emissions. This shift not only helps mitigate climate risks but also contributes to the overall decarbonisation of the transportation sector. DFI has begun the adoption of EV trucks within our fleet, where commercially viable. DFI launched a pilot project to engage suppliers in reducing emissions through the Low Carbon Rice Pilot Programme in Thailand.
Financial planning	
Capital Expenditure	Since 2022, DFI has invested over US$30 million in climate initiatives to help achieve its targets. To further mitigate climate risk, DFI plans to allocate an annual investment of US$15 million to US$20 million from 2025 to 2027 to support its Scope 1 and 2 reduction goals. Allocating Capital Expenditure (CAPEX) toward energy-efficient technologies and equipment upgrades optimises resource consumption and reduces our operational carbon footprint. In 2024, DFI has included shadow carbon pricing into major capex investment. We evaluate the emissions impact associated with significant real estate transactions, such as new store openings or lease contract renewals, by implementing a shadow carbon tax. This assessment is subsequently reviewed by the Real Estate Committee to inform decisions regarding new store expansions and the continuation of existing locations.
Financing	DFI successfully closed a US$ 489.4 million and a US$ 231.8 million Sustainability-Linked Club Loan in 2023 and 2024 respectively, tying to performance in three key sustainability areas: emissions reductions, waste diversion, and plastic packaging. DFI continues to work towards achieving the sustainability KPIs outlined in the Sustainability-Linked Loan (SLL). In 2024, we integrated these targets into our operational strategies and monitoring our progress closely. We are actively engaged in initiatives that focus on reducing greenhouse gas emissions, enhancing waste diversion, and improving resource efficiency.

Scenario selection

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

When assessing the resilience of our climate strategy, DFI has selected two Representative Concentration Pathways (RCPs) established by the Intergovernmental Panel on Climate Change (IPCC) — RCP 2.6 and RCP 8.5 — for scenario analyses. The IPCC RCPs offer a widely recognised and standardised framework for evaluating future climate scenarios, outlining various potential temperature changes based on different levels of greenhouse gas emissions. These scenarios enable DFI to better understand the severity and frequency of climate-related events.

In previous year, only RCPs were used to evaluate the resilience of our strategy. This year, to enhance the evaluation of climate transition risk, DFI utilised scenarios developed by NGFS, which provide structured frameworks for assessing potential futures related to climate change.

Physical risks

Scenario	Assumption	Temperature changes (by 2100)	Risk assumption
RCP 2.6	This scenario reflects a pathway with lower GHG emissions, indicating a future where stringent mitigation measures are implemented, and global warming is limited to below 2°C.	1.7 °C	Low physical risk
RCP 8.5	This scenario outlines a higher GHG emissions pathway, indicating a future where no substantial mitigation actions are taken, resulting in significant global warming and climate impacts.	4.8 °C	High physical risk

Transition risks

Scenario	Assumption	Temperature changes (by 2100)	Risk assumption
Orderly	Orderly scenarios assume climate policies are introduced early and become gradually more stringent.	1.4 °C	High transition risk
Hot House World	Hot house world scenarios assume that some climate policies are implemented in some jurisdictions, but global efforts are insufficient to halt significant global warming.	3 °C	Low transition risk

Qualitative scenario analysis

Conducting qualitative climate scenario analysis using two different RCPs and two NGFS scenarios allow DFI to gain a comprehensive understanding of the potential impacts of physical and transition risks under various climate futures on our business. This analysis aids in prioritising mitigation and adaptation strategies, effectively allocating resources, and making informed decisions that align with our long-term sustainability objectives. It enables DFI to proactively manage climate-related risks and seize emerging opportunities, thereby ensuring resilience and competitiveness in an evolving business landscape.

For physical risks, the analysis examines the effects of each RCP on DFI's operations. RCP 2.6, which represents a low-emission scenario, suggests a reduced likelihood of extreme weather events and sea-level rise, resulting in a lower physical impact on business operation and supply chains. In contrast, RCP 8.5, indicative of a high-emission scenario, points to a greater likelihood of severe weather events and increased flood risks, prompting DFI to prioritise adaptation measures in vulnerable areas.

Transition risks are assessed by DFI through scenarios developed by the NGFS, focusing on two key pathways: the Orderly Scenario (Net Zero 2050) and the Hot House World Scenario (Current Policies). The Orderly Scenario envisions achieving net-zero global CO_2 emissions by 2050, necessitating a comprehensive transition across all sectors. Transition risks may arise from higher emissions costs and shifting business and consumer preferences. In contrast, the Hot House World Scenario acknowledges that, despite some countries implementing climate policies, these measures are insufficient to meet commitments.

When conducting physical climate risk quantitative analysis, DFI selects a sample of the most relevant operating locations, taking into account factors such as property type (store or distribution centre), ownership status (owned or leased), area, number of floors, asset value, construction cost, and operational revenue. DFI then assesses each location's exposure to extreme weather events by evaluating the likelihood of relevant events (e.g. drought, sea level rise) in the two climate scenarios considered (RCP 2.6 and RCP 8.5) over short-, medium-, and long-term timeframes. This likelihood is multiplied by the potential financial impact of each event, which includes damage to owned assets and disruptions to business operations and the supply chain.

In addition, DFI conducted a transition risk quantitative assessment in 2024. We have adopted the scenarios from the NGFS, specifically utilising the Orderly Transition and Hot House World scenarios. By leveraging these scenarios, we forecasted and simulated the financial implications of carbon tax on our operations. Our approach involves sourcing carbon price data from reputable sources such as the World Bank and NGFS, which offers comprehensive information on carbon trading prices worldwide. Through this analysis, we are able to estimate the financial repercussions in both scenarios, providing valuable insights into the potential effects of transitioning to a low-carbon economy on our DFI.

This quantitative analysis enables DFI to prioritise risk management efforts, allocate resources effectively, and make informed decisions to safeguard our assets and maintain business continuity. Our commitment to regularly updating the assessment and disclosing significant impacts highlights our dedication to transparent reporting and proactive management of climate-related risks.

The forward-looking scenario analysis conducted by DFI is based on our current knowledge and assumptions. DFI does not guarantee the accuracy of these assumptions. These forward-looking statements involve inherent risks, uncertainties, and assumptions that may result in material differences from actual results, performance, or achievements. Additionally, scenario analysis has its limitations, making it difficult to predict which scenarios, if any, will ultimately materialise.

Transition plan

With an ambition of achieving net-zero Greenhouse Gas (GHG) emissions by 2050, DFI is proactively addressing climate-related risks and seizing opportunities by investing in climate initiatives. We have invested over US$30 million since 2022 into climate initiatives, improving energy efficiency, managing refrigerants, and transitioning to electric vehicles. To continue the support on Scope 1 and 2 reduction, annual investment in the amount of US$15 million to US$20 million has been allocated in 2025-2027 towards the transition plan.

SHORT-TERM

Accelerate decarbonisation across operations

- Continue to retrofit stores with Water Loop technology fridges to reduce the need for base gas charges.
- Ongoing behavioural change education for store team members.
- Continue the transition from high Global Warming Potential (GWP) refrigerants to low-GWP alternatives.
- Continue to implement low-carbon equipment standards for new store expansion.
- Continue to invest in Research and Development Centre to advance low-carbon retail technologies.
- Continue to engage key Scope 3 suppliers to reduce emission, focusing on four priority categories, which are rice, dairy, beef, and coffee.
- Offer sustainable options, including the launch of 200 metric tons of Own Brand low carbon rice in the Hong Kong market.
- Continue to incorporate climate impact assessments for new store expansion to take climate impact into major investment decision.

Now – 2027

MEDIUM-TERM

Extend decarbonisation across value chain

- Continue the electrification of our fleet within our operations where commercially viable.
- Energy producers enhance the energy mix and decrease emissions in accordance with national climate commitments, consequently lowering DFI emissions.
- Change sourcing of key lever products to a lower emission alternative where available and feasible
- Collect supplier-specific data to enhance Scope 3 emission data accuracy.

2027-2030

LONG-TERM

Address decarbonisation in remaining gaps

- Consider purchasing Renewable Energy Certificates (RECs) or carbon offsets to close residual gaps and achieve net-zero targets.
- Anticipate technological advancements and adopt clean technologies to support net-zero solutions.

2030-2050

Resilience of climate strategy

Through quantitative and qualitative scenario analysis with different assumptions, DFI has identified a range of climate risks along with plans and strategies to address these risks.

DFI has determined that the residual financial impact of physical climate risk in each scenario is not expected to be significant, as we are an assets light company compared to, for example, a property developer. With the most recent scenario analysis, the maximum financial impact of climate risk to DFI is insignificant (less than US$250,000). For transition climate risk, given the high uncertainty and degree of assumption used during the assessment, the data is considered by management not to be useful for readers. However, DFI will use the information to inform climate-related strategy and be used as a reference. Should future impacts be reassessed as significant, they will be included in the annual TCFD disclosure to ensure transparency and accountability regarding climate-related risks.

DFI has the financial capacity to adjust and adapt to climate change over time and has begun by allocating Capital Expenditure (CAPEX) and financial resources to facilitate the transition to a low-carbon economy and achieve our climate targets. Identified climate risks will be prioritised and addressed, while opportunities related to climate action will be pursued where feasible.

Given the uncertainty surrounding future policy, climate change impacts, market responses to climate change, and the effectiveness of such responses during the scenario analysis, DFI may need to re-evaluate its decarbonisation strategy and transition plan toward climate ambitions, commitments, and targets. This may involve updating the methodologies used, altering our approach to climate analysis and strategy, and amending, recalculating, and enhancing our climate disclosures and assessments as market practices and data quality, accuracy, and availability evolve rapidly.

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 manages 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. Both physical and transition risk are integrated into this existing DFI risk management approach.

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

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.

When identifying and assessing climate risk, DFI adheres to the guidelines set forth by the TCFD. In addition to following TCFD guidelines, DFI conducts scenario analysis as part of its climate risk assessment process. For physical risks, DFI utilises the IPCC RCP which help model potential future climate conditions based on varying levels of greenhouse gas emissions.

When assessing transition risks — those related to the shift towards a low-carbon economy — DFI adopts scenarios developed by the NGFS. These scenarios provide insights into how regulatory changes, market dynamics, and technological advancements might affect the institution's risk profile in the context of climate transition.

Organisation's processes for managing climate-related risks

After identifying and assessing climate risks, DFI has made investments and implemented specific plans to manage these risks effectively. The details of the management responses to each identified climate risk are outlined in the previous section.

DFI's climate risks and management responses are overseen by the Sustainability Committee, which is responsible for establishing the climate strategy and targets for the Group. The Climate Working Group then implements climate mitigation and adaptation measures to address the identified risks.

Metrics and Targets

DFI is managing climate risk by tracking key climate metrics, including Scope 1, 2, and 3 emissions, as well as energy consumption. We are also exploring additional metrics to monitor specific risks more closely. For performance data and further information about the basis of presentation, as well as our management approach, please refer to the Climate Change and Methodology section in our ESG Disclosure within 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.	Page 42
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	pages 42-43
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.	pages 73-77
	b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	page 77
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	pages 78-82
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.	page 83
	b. Describe the organisation's processes for managing climate-related risks.	page 83
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	page 83
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 its strategy and risk management process.	pages 52-54
	b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and the related risks.	pages 52-54
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	pages 52-54