CLIMATE-RELATED FINANCIAL DISCLOSURES

The Group acknowledges that climate change both poses risks and provides opportunities for our business. To enhance our climate resilience, we apply the Task Force on Climate-Related Financial Disclosures ("TCFD") framework to identify, assess and manage climate-related risks and opportunities, and are monitoring the updates of the climate-related disclosure requirements published by International Sustainability Standards Board ("ISSB"). Below is a summary of our approach to climate-related governance, strategy, risk management, metrics and targets, in line with TCFD's recommendations.

Governance	Disclose board oversight and roles of management teams in assessing and managing climate-related risks and opportunities.
Strategy	Disclose the impact of identified risks and opportunities on the organisation's businesses, strategy and financial planning over the short, medium and long term.
Risk management	Disclose processes for identifying, assessing and managing climate-related risks and opportunities.
Metrics and targets	Disclose the metrics and targets used to assess and manage climate-related risks and opportunities material to the group.

Governance

The Board of Directors oversees sustainability matters for the Group, including climate-related risks and opportunities. It delegates management of climate-related matters to the Board-level Sustainability Committee, which reports to the Board as necessary, at least once a year. We also arrange external professional trainings, expanding the capability and knowledge of board members to address climate-related matters.

The Sustainability Management Committee comprises Group senior management. It is responsible for assessing, managing and monitoring climate-related risks and opportunities across business functions, and for providing the Board with analysis, recommendations and updates.

Strategy

The Group has identified climate-related risks and opportunities that help us to formulate key actions and measures in the short, medium and long term across different aspects of our business, from raw material sourcing to production to POS operation.

In considering climate-related risks and opportunities, we have defined short, medium and long-term time horizons with regard to our business outlook. We consider the short-term horizon to be less than two years, as aligned with financial and business planning practice; the medium-term horizon to be in the range of two-six years, as aligned with corporate strategic planning in terms of financial and sustainability targets; and the long-term horizon to be over six years, the range for climate change and other critical financial risks to generate more tangible impacts.

Risk Management

The Group has an enterprise risk management process in place to identify, assess and manage climate risks with reference to the recommendations from the TCFD. Further details of our enterprise risk management processes can be found in the Risk Management Report of our Annual Report. To understand the potential financial impacts associated with climate-related risks and opportunities, during the year, we referenced climate-related disclosure requirements from the ISSB and selected applicable climate scenarios that identified climate-related risks and opportunities, as well as their implications for our business.

We have selected the Shared Socioeconomic Pathways (SSP1-2.6, SSP5-8.5) used by the Intergovernmental Panel on Climate Change ("IPCC") on physical risks resulting from climate change that can be acute or chronic in climate patterns. These pathways broadly represent comprehensive climate scenarios related to projected global average temperature increases.

Regarding the global transition to a low-carbon economy, Stated Policies Scenario ("STEPS") and Announced Pledges Scenario ("APS") used by the International Energy Agency ("IEA") we have adopted to test our business resilience in future operating environments.

To gain a deeper understanding of the quantitative financial impacts of the risks and opportunities identified to formulate proactive climate strategies, we are modelling these risks and opportunities and will disclose the results next year.

Metrics & Targets

Under our Centennial Commitment, we have set a goal of 2029 to reduce the GHG intensity and water consumption intensity of the Group by at least 15% compared with FY2019. We have also elevated our targets for reducing GHG emissions, energy consumption, water usage and waste generation intensity of production hubs to a minimum of 50% compared to FY2019, laying a foundation for setting more ambitious targets for the Group in FY2025. We regularly monitor and report on GHG emissions and other climate-related environmental indicators.

Details of our dedicated efforts to achieve this target can be found in the Resource Efficiency and Carbon Reduction section of our Sustainability Report. Our metrics can be found in the ESG Data Summary section in the Sustainability Report.

Below is a list of the key climate-related risks and opportunities we identified through scenario analysis, their implications and our responses.

Risks & opportunities	Implications	Our response
Physical risks		
Flooding/heavy precipitation may lead to temporary business disruption (Short-term)	• POS closure and interruption to logistics, resulting in revenue loss.	• In the event of closure of POS due to flooding, the Group can continue to conduct sales activities using our comprehensive online sales platform, given our omnichannel business model.
	• Damage to equipment that results in temporary halts to production may lead to production losses and inventory shortages.	• The Group has implemented a robust inventory management mechanism to maintain safety stock level to prevent inventory shortage in case of short-term business interruptions.
Rising mean temperatures will increase the number of hot days (Medium-term)	• Increase in electricity charges for cooling purposes in our operating locations may result in a higher operational cost.	• Our production hubs have adopted energy-efficient air-conditioning systems to optimise and control electricity consumption. • We also raise employee awareness of energy conservation through training and various employee engagement activities.
Transition risks		
Introduction of carbon pricing may lead to increased operating expenses (Long-term)	• If a carbon tax is introduced in China, charging on the Group's GHG emissions, the operating expenses may increase.	• We have adopted a series of measures to reduce our carbon footprint in each business segment. Details can be found in the Reducing Ecological Footprint section of the Sustainability Report.
Opportunities		
Increased consumer preference for low-carbon goods and services (Medium-Long-term)	• The provision of environmentally friendly products and services that fulfil consumers' expectations may lead to increased sales volume from POS and therefore revenue.	• We are revisiting the raw materials and production process in our value chain. The Group has been partnering with a gold refining plant to refine recycled gold, which is seen as a relatively low carbon product. Further details can be found in the feature story Gold Recycling to Promote Circularity in the Sustainability Report. • We are formulating our sustainability strategy with a plan to reduce the use of packaging materials and look for alternative packaging materials that have lower carbon emissions. Further details of our environmentally friendly measures can be found in the Reducing Ecological Footprint section in the Sustainability Report.

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