Our Response to TCFD Recommendations - Our Approach to Combating Climate Change

Chow Tai Fook Jewellery Group recognises the urgency for committing to decarbonisation in order to mitigate the risks of climate change for decades to come. As a responsible global citizen, we support the transition to a low carbon future and have joined hands with the global community to support climate change mitigation and adaptation efforts. To demonstrate our commitment and improve our transparency on our approach to combating climate change, we start align our disclosure with the recommendations published by the Task Force on Climate-related Financial Disclosures ("TCFD") of the Financial Stability Board[1] since 2020.

Governance

- **Board Oversight**: Our Board of Directors has the highest level of responsibility over climate-related issues while it delegates the Sustainability Committee, which includes five executive directors and five senior management, to monitor the formulation and implementation of sustainability strategies, policies and initiatives pertaining to managing climate-related issues. The Executive Committee, which includes ten executive directors, is responsible for approving the Group's sustainability strategies and ensuring alignment with the Group's business plans. The Executive Committee will also report to the Board periodically on ESG matters which include climate-related issues.

- **Sustainability Committee**: Chaired by an executive director who is responsible for our core business, the Sustainability Committee comprises our managing director and three executive directors who are responsible for overseeing corporate functions, core business and strategic investment as members. Other five members of the Committee are senior management professionals with expertise on legal, investor relations, manufacturing, human resources and branding. With their extensive collective expertise, they are able to understand how climate-related issues impact different parts of our business and possess the authority to cascade group level sustainability strategy, policies and initiatives down to their functions/business units.

- **Sustainability Champions**: Appointed by the Sustainability Committee, Sustainability Champions comprise management and general staff representatives from various business units and are divided into six groups. Environmental Stewardship Sustainability Champions, one of the Sustainability Champions groups, are responsible for implementing policies and projects on carbon reduction and environmental management. They will report to the Sustainability Committee on the progress and achievements on carbon reduction regularly.

[1] The Financial Stability Board Task Force on Climate-related Financial Disclosures ("TCFD") is a market-driven initiative, set up to develop a set of recommendations for voluntary and consistent climate-related financial risk disclosures in mainstream filings.

Strategy

Climate-related Risks and Opportunities, and their Financial Impacts

- **Physical risks**: We face both acute and chronic physical risks associated with climate change. For instance, acute extreme weather events such as typhoons may cause damages and disruptions to our points of sale located in coastal areas of some Asian countries where we operate. This may result in possible increase in capital cost for maintenance and decrease in sales due to business disruptions. Also, the chronic rise of mean temperature may cause the increase in cooling demand, incurring higher electricity demand and operating cost.

- **Transitional risks**: We recognise and closely observe climate-related transitional risks such as advancement on lower emission technologies and the latest development of carbon pricing and taxation in geographies we operate in.

- **Opportunities**: Climate change mitigation presents opportunities for us to adopt energy efficient technologies or sustainable practices that help to reduce our operating cost.

Our Climate Change Strategy

- In 2019, we have launched our **10-year Sustainability Strategy** "Our Centennial Commitment" with four new priority areas of (1) Responsible Sourcing ; (2) Craftsmanship, Innovation & Technology; (3) Resource Efficiency & Carbon Reduction,; and (4) People Focused. We aim to achieve targets set for each priority areas by the Group's centenary in 2029.

- Under the priority area "Resource Efficiency & Carbon Reduction", **concrete targets** are set to enhance resource efficiency and reduce our Greenhouse Gas ("GHG") emissions. We are committed to reducing our GHG emissions intensity (per HK$M revenue) by 15% in 2029, compared to our 2019 baseline. We will report on our performance and review our target continuously.

- We have formulated a **10-year work plan** for our targets in "Resource Efficiency & Carbon Reduction". The work plan focuses on enhancing energy efficiency in our production hubs and procuring energy efficient machineries and equipment.

Risk Management

Climate-related Risk Identification and Assessment

- **Risk Management System**: Our Group Risk Management Committee ("GRMC") adopts both top-down and bottom-up approaches to facilitate risk identification, which may include climate-related risks. GRMC reviews the Group's consolidated risk register and assesses our risks by their likelihood and impacts. A risk may pose substantive financial impact when it affects operations across geographies, sustainable growth of business or operations across business units. For details of our risk management mechanisms, please refer to the Risk Management Report in our Annual Report.

- **Materiality Assessment**: Our materiality assessment follows a three-step approach, which include identification of sustainability topics, prioritisation of topics and management validation. First, we engage with both internal and external stakeholders by conducting interviews to obtain their insights on sustainability topics, which include climate-related risks. Stakeholders are also invited to prioritise climate-related risks among other sustainability issues. Then, the results of the materiality assessment are reviewed and endorsed by the Sustainability Committee.

- **At the Asset Level**: We have obtained ISO 14001 Environmental Management System for all of our production hubs as they are a crucial part of our operations. We also conduct risk and opportunity assessment for all our production hubs regularly, which includes the assessment of climate-related risks for the hubs, as stipulated by ISO 14001. ISO 14001 managers will assess and prioritise various risks to form the basis of risk management plans.

Climate-related Risk Management

- According to the results of our annual materiality assessment/review, climate change is a material issue for the Group. Based on the assessment results, the Sustainability Committee will discuss and decide on possible management approaches on managing the possible climate risks and opportunities, which may include mitigation, transferal, acceptance or control of the identified climate-related risks; and capitalisation on opportunities. Sustainability Champions and management teams of the relevant business units will then implement the actions/initiatives suggested by the Sustainability Committee accordingly.

- We keep reviewing the effectiveness of our risk management actions we have taken to tackle climate risks and seize new opportunities by examining the results of our materiality assessment and the impacts of our initiatives on tackling climate change.

Metrics and Targets

- We measure and report on our Scope 1, 2 and 3 GHG emissions annually in accordance with the GHG Protocol.

- We are committed to reducing our GHG emissions intensity (per HK$M revenue) by 15% in 2029, compared to our 2019 baseline. We will continue to report on our performance and review our target regularly.

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