CLIMATE-RELATED FINANCIAL DISCLOSURES

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

We recognise the risks and opportunities that climate change presents to our business. The Group enhanced its responses towards climate change during the Reporting Period. Disclosures are made with reference to the Task Force on Climate-Related Financial Disclosures ("TCFD") recommendations under the four core pillars: governance, strategy, risk management, and metrics and targets.

Governance

The Sustainability Steering Committee ("SSC") is chaired by our CEO. Other members are Chief Operating Officer, Chief Financial Officer, Deputy Chief Financial Officer, Chief Business Impact Officer and senior management staff from Business Transformation and Innovation, Hotel and Development. The SSC oversees the Group's development and implementation of sustainability strategies and reviews on an annual basis the performance in achieving reduction targets and other annual commitments. A cross-department Sustainability Task Force executes and monitors the sustainability strategies developed by the SSC and reports the progress to the SSC quarterly. Sustainability Sub-Task Force(s) is formed as required to work on particular tasks or projects in a focused manner, such as the "Green Tenancy Sub-Task Force".

Please refer to Section "Governance" of this Report for our detailed governance structure.

Strategy

Climate change poses physical and transition risks to businesses, and the Group is no exception. The increasing frequency and severity of extreme weather events, such as cyclones and floods and the prolonged temperature increase, may adversely affect our premises, operations, supply chain and employee safety. The Group has formulated contingency arrangements under extreme weather to minimise loss and enhance our adaptability to the physical risks.

Transitional Risks:

- **Technology and Innovation:** New technologies in building construction and property management are projected to address the needs of climate transition, such as using smart technologies to improve energy efficiency.

- **Policies and Regulations:** Currently, climate litigation and its associated legal risks are relatively low; however, it is anticipated that more focus will be placed on this area in the future.
- **Market:** Customer demands for environmentally friendly and energy-saving properties are rising, requiring innovations, strategies, and systems to retain or increase rents and property value.
- **Reputation:** Increasing customer awareness of climate change has been influencing their demand. Effective management of climate change is crucial to prevent potential damage to the Group's brand.

Physical Risks:

- **Acute:** Increased frequency and severity of extreme weather occurrences, such as strong typhoons and rainfalls, may lead to disruption in construction activities and cause damage in construction sites, residential properties and offices under management and retail operations.
- **Chronic:**
  Rising temperatures: Heat stress might disrupt construction activities and decrease workers' productivity.

  Rising average sea levels: Due to rising sea levels, properties in coastal cities like Hong Kong are more vulnerable to climate risks.

Strategy

To prepare for the transition to a low-carbon economy, the Group developed the “Chinachem Group Carbon Reduction Roadmap – CCG 3050+” (CCG 3050+) to ensure that appropriate time and resources would be allocated over the next few years to reduce the effects of climate risks that have been identified.

The Group implemented a wide range of reduction measures, including chiller replacement, retro-commissioning, lift replacement, heat pump installation, improvement of the energy efficiency of mechanical and electrical equipment and operation and maintenance optimisation. Feasibility studies were conducted to leverage state-of-the-art technology for further decarbonisation.

In the short term (0-3 years), the Group will increase the total amount of Renewable Energy Certificates (RECs) purchased, form partnerships with local institutes to improve energy strategy, and install on-site renewable energy facilities. In addition, climate resilience is enhanced for some of our buildings. Two hotels have undertaken feasibility studies on the uses of renewable energy, and relevant measures will be incorporated into the upcoming renovation plan. Capital Good[1] on embodied carbon data is tracked using the CIC Carbon Assessment Tool.

In the medium term (3-8 years), the Group will develop a roadmap aligned with the Science Based Targets initiative (SBTi)’s Corporate Net-Zero Standard to set long-term targets in line with reaching science-based net-zero by 2050 and support R&D on smart technologies such as Internet of Things (IoT) solutions and smart room technology in hotel operations.

In the long term (8-13 years), the Group will apply internal carbon pricing for decarbonisation and construct net-zero buildings.

Risk Management

The Group performed a climate assessment during the Reporting Period. Based on TCFD recommendations, peer review, and industry practices, 11 risks and opportunities are identified and prioritised based mainly on the climate reference scenarios by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS).

Workshops have been conducted to engage representatives from various departments to introduce and prioritise climate risks and opportunities. In addition, a survey was conducted with relevant departments to weigh and rank physical and transition risks. To deal with existing climate effects, divisions and departments should implement appropriate measures to adapt their operations to anticipated changes in climate and enhance their operations’ climate resilience. This includes regularly identifying and responding to climate change risks and opportunities in their risk management process to improve resilience and reduce the impact.

Metrics and Targets

The Group has established carbon reduction targets which were validated by SBTi:

Reduce Scope 1 and 2

operational carbon emissions by

51.8% by 2030 from a 2020 base year.

Reduce Scope 3

carbon emissions from downstream leased assets, capital goods and waste generated in operations by

20% by 2030 from a 2020 base year.

[1] Capital Goods is the Category 2 under Scope 3 emissions, Technical Guidance for Calculating Scope 3 Emissions (version 1.0), Greenhouse Gas Protocol, 2013.