Tamjai INTERNATIONAL 譚仔國際

Tam Jai International Co. Limited
譚仔國際有限公司

Climate Disclosure Report 2023/24

(Incorporated in Hong Kong with limited liability)
Stock Code : 2217

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Introduction

Tam Jai International Co. Limited ("TJI" or the "Company" and together with its subsidiaries, the "Group" or "we") is committed to strengthening its Environmental, Social, and Governance ("ESG") leadership by responding to important climate-related regulations and standards. As a responsible organisation operating in the Food and Beverage ("F&B") industry and the #1 Fast Casual Restaurant in Hong Kong[1], we acknowledge the need to proactively manage climate-related risks and seize opportunities arising from the transition to a low-carbon economy. We are also committed to maintaining compliance with increasingly stringent regulations and fulfilling our disclosure obligations.

This year, we publish our first standalone Climate Risk Disclosure Progress Report (the "Report") for the financial year ended 31 March 2024 ("FY2024"), prepared with reference to the IFRS S2 Climate-related Disclosures standard[2] and Task Force on Climate-related Financial Disclosures ("TCFD") recommendations[3] aiming to enhance transparency and help guide climate-related efforts, through focusing on four core elements, namely Governance, Risk Management, Strategy, and Metrics and Targets.

Currently, we are actively working towards enhancing our climate management readiness. We have made significant progress by designing and establishing a climate management framework specifically for our Hong Kong operations, with the intention of including our overseas operations in the near future. This framework includes an enhanced governance structure that involves staff at all levels, as well as the identification and assessment of climate-related risks and opportunities through scenario analysis. In parallel, we have been organising climate-related trainings, events, and promotional videos for staff at all levels, ensuring that everyone is committed to building a sustainable future together.

Additionally, we are actively considering committing to the Science Based Targets Initiatives ("SBTi")[4] to further our efforts. SBTi promotes emissions reductions and net-zero targets based on the latest climate science, enabling companies worldwide to combat the climate crisis. We are actively aligning ourselves with the global climate action, supporting the Paris Agreement's goal of limiting global temperature rise to 1.5°C above pre-industrial levels, and contributing to the Hong Kong Government's pledge of achieving carbon neutrality before 2050. While we acknowledge the challenges associated with ambitious targets, such as technical constraints and resource allocation limitations, we are actively seeking innovative solutions to overcome these challenges.

Looking forward, we will further strengthen our climate management actions by enhancing our Greenhouse Gas ("GHG") emissions inventory, following the guidelines of the Greenhouse Gas Protocol[5], and seeking external assurance to audit our GHG emissions. This will serve as the initial step towards setting more ambitious targets, including SBTi targets, and launching initiatives aimed at improving our ESG ratings. These efforts will accelerate our performance and establish us as a pioneer in the industry.

1 According to Euromonitor Consulting's study as of October 2023 for the period in 2022.

2 IFRS S2 Climate-related Disclosures is issued by the International Sustainability Standards Board ("ISSB").

3 TCFD was created by the Financial Stability Board ("FSB") in 2015.

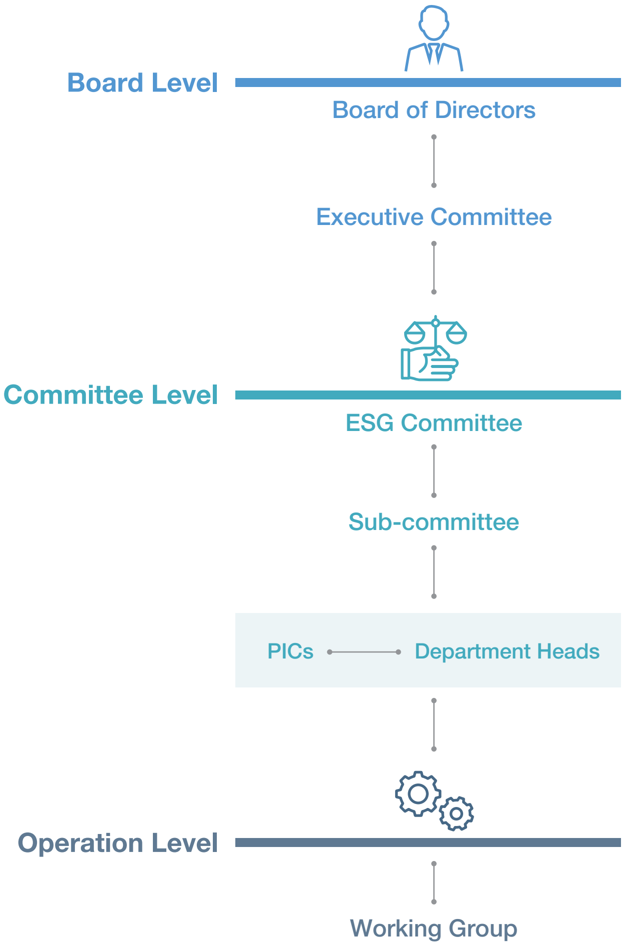
4 The SBTi is a collaboration among the CDP, the United Nations Global Compact, World Resources Institute, and the World Wide Fund for Nature that enables companies worldwide to contribute to the combat of climate crisis.

5 Greenhouse Gas Protocol refers to "The GHG Protocol Corporate Accounting and Reporting Standard" and "The Corporate Value Chain (Scope 3) Accounting and Reporting Standard".

Governance

We recognised that a systematic and comprehensive management structure is the cornerstone of integrating climate management into the Group's operations. The Group has established a governance structure that involves all levels of staff to foster active engagement and accountability throughout the Group.

Governance Structure



The Board of Directors supervises the Group's management of climate-related risks and opportunities, engaging with the Executive Committee to endorse commitments and integrate climate-related considerations into strategic planning. The Executive Committee assists the Board of Directors in overseeing, evaluating, and approving climate-related initiatives and provides annual reports to the Board of Directors. To ensure comprehensive consideration, the Board of Directors considers climate-related matters at least on an annual basis.

To ensure dedicated efforts towards climate-related initiatives, we have established a standalone ESG Committee leading by our senior management and cross-functional members, who have sufficient knowledge about climate-related matters. The ESG Committee is responsible for assessing and monitoring the progress of relevant climate-related goals and targets, reporting to the Executive Committee at least on a quarterly basis.

Governance

Under the ESG Committee, the sub-committee includes Persons in Charge ("PICs") for strategic initiatives and department heads for business-as-usual activities, actively communicating with the Working Group to facilitate, track, and ensure successful implementation of climate-related initiatives, reporting to the ESG Committee on a regular basis.

Oversight from Board Level

Board of Directors:

- Supervising the overall Enterprise Risk Management framework and climate-related issues
- Engaging with the management team to assess the Group's risk exposure and the effectiveness of mitigation measures in relation to business strategy, operations, and values
- Consisting of three Executive Directors, three Non-executive Directors, and three Independent Non-executive Directors
- Ensuring that climate-related matters are considered at least once a year in alignment with the strategic plan

Executive Committee:

- Assisting the Board of Directors in overseeing the Group's climate-related initiatives
- Providing approval on significant climate-related actions and any investments required
- Reviewing, evaluating, and advising the ESG Committee on the Group's climate-related practices, policies, procedures, strategies, and initiatives
- Communicating with stakeholders on potential climate-related trends, issues, and concerns that may have impacts on the Group
- Consisting of three Executive Directors from the Board of Directors and senior management to enhance transparency
- Providing reports to the Board of Directors at least annually and engaging with the ESG Committee at least on a quarterly basis

Leadership from Committee Level

ESG Committee:

- Defining and communicating long-term targets
- Evaluating past performance and setting annual strategic initiatives
- Identifying suitable resources to deliver annual strategic initiatives
- Including members from the Executive Committee and selected cross-functional members to ensure transparency and efficiency
- Providing reports to the Executive Committee at least quarterly
- Holding meetings with the sub-committee at least quarterly to monitor the progress of climate-related strategic initiatives and business-as-usual activities

Sub-committee:

PICs

- Supporting the ESG Committee in implementing strategic initiatives
- Monitoring climate-related regulations, developing action plans, promoting key initiatives, and ensuring alignment of measurement standards
- Reporting to the ESG Committee at least on a quarterly basis and communicating with the Working Group regularly

Department Heads

- Delivering long-term targets and setting priorities and initiatives for respective departments
- Reporting to the ESG Committee at least on a quarterly basis and communicating with the Working Group regularly to propose and track initiatives, action plans, progress, and KPI measurements

Execution from Operation Level

Working Group:

- Executing projects and initiatives aligned with the Group's climate-related strategy
- Consisting of operational teams and frontline staff
- Reporting to the sub-committee on a regular basis to provide updates on progress and activities related to the execution of climate-related projects and initiatives

Furthermore, we have established effective reporting mechanisms that enable transparent communication and tracking of our performance. For instance, for climate-related business-as-usual activities, each ESG Committee member is in charge of assisting respective department heads to formulate departmental targets and actions, which are then delivered to the Working Group for execution. The department heads are responsible for the subsequent monitoring and reporting of climate-related activities while seeking ESG Committee's guidance when needed. This process runs regularly to set and review departmental targets. As for climate-related strategic initiatives, the ESG Committee would closely engage with PICs to ensure successful execution.

Future Improvements

Strengthening Governance

The Company intends to strengthen its governance of climate-related matters. Each member of the ESG Committee will be responsible for assessing, monitoring, and educating their respective departments to enhance the planning and execution of climate-related initiatives. This approach fosters effective communication, promotes climate-related initiatives, and encourages feedback. Embracing the concept of "shared responsibilities", all members collaborate cohesively towards a sustainable future.

The Company will review its governance structure on a regular basis to further clarify the specific responsibilities at each level, thereby ensuring a sound and effective management system is in place. We will also formulate controls and procedures to oversee and monitor the progress of the targets related to climate-related risks and opportunities (see "Metrics and Targets" Chapter).

Enhancing Competence

Our management team places a high priority on climate-related matters, evidenced by our past success in winning numbers of ESG-related awards, demonstrating our commitment to selecting knowledgeable individuals for our governance body. To further advance the Group's climate-related initiatives, and to ensure that the Board of Directors and Executive Committee possess adequate knowledge of climate-related risks and understand the impacts of such risks on our business operations, we will arrange regular training on climate-related issues for them to ensure awareness and competency.

Moreover, we are planning to provide training to support departments in improving their climate-related performance. The training will offer staff a more thorough understanding of our policies, long-term targets, and past performances, while information on industry and peers' best practices will also be informed.

Performance Management

To strengthen our data management and improve our data quality to strive for accuracy and meaningful analysis, more internal verification processes will be required before data submission, including signature from supervisors/department heads after data review as a means of confirmation and accountability.

Meanwhile, to encourage active commitment, engagement, and improvement, we are considering developing incentives, such as incorporating climate-related KPIs into performance appraisal for staff, to make the climate-related performance measurable. In addition to the already set KPIs, we are considering setting climate-related KPIs against the anticipated financial impacts (see "Strategy" chapter). The ESG Committee will be monitoring the progress closely during regular meetings.

Strategy

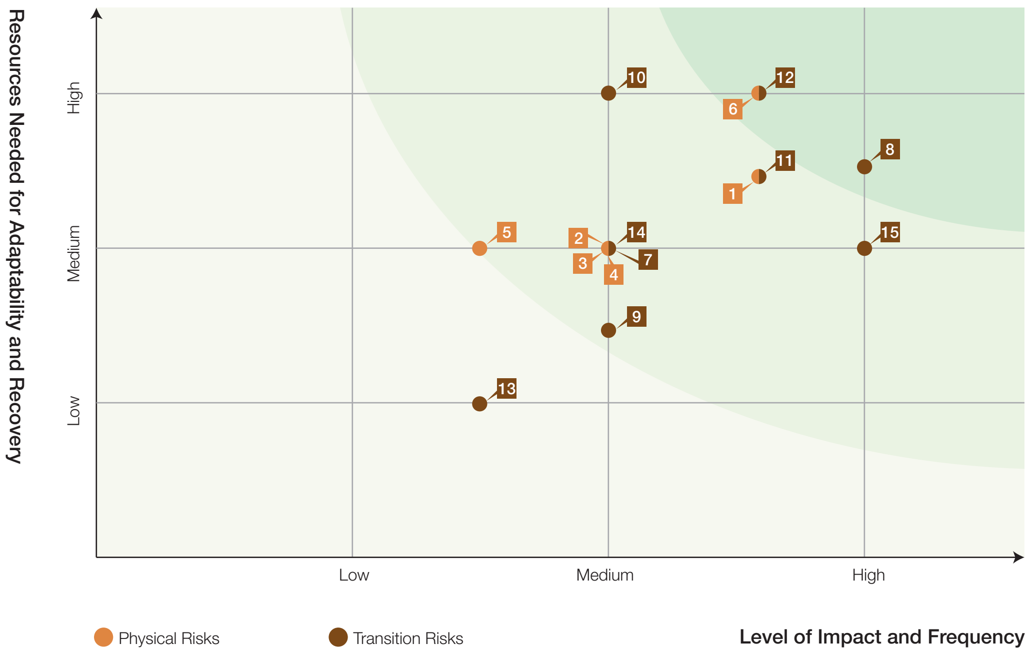
Our Commitment

We are committed to addressing climate change and recognise its importance to our businesses. As a responsible organisation operating in the F&B industry, we acknowledge the need to proactively manage climate-related risks and seize opportunities arising from the transition to a low-carbon economy. We are also committed to maintaining compliance with increasingly stringent regulations and fulfilling our disclosure obligations.

Climate-related Risks

In FY2024, through market research and cross-departmental discussions, we have successfully conducted preliminary identification and analysis of climate-related risks that may have significant impacts on our business operations.

Climate-related Risk Materiality Matrix



Physical Risk		
1. Changes in precipitation patterns	3. Heatwave	5. Rising sea levels
2. Rising mean temperatures	4. Water stress	6. Increased frequency and severity of extreme weather

Transition Risk		
7. Increased carbon pricing	10. Costs of transition to lower emissions technology	13. Unsuccessful investment in new technologies
8. Enhanced emissions reporting obligations	11. Uncertain market signals	14. Shifts in consumer preferences
9. Exposure to litigation	12. Increased cost of raw materials	15. Increased stakeholder concern

As shown in the matrix, risks including "**Increased frequency and severity of extreme weather**", "**Enhanced emissions reporting obligations**", and "**Increased cost of raw materials**" are identified to be relatively more material to our operations. For more information regarding the risk identification process, please refer to the "Risk Management" Chapter.

With reference to financial planning timeframe, we have defined the time horizons that the effects of each climate-related risk could reasonably be expected to occur. We have evaluated the risks over the time horizons, which allow us to develop specific measures to address the risks based on materiality and the scope of the impacts.

	From (Years)	To (Years)
Short-term	0	less than 3
Medium-term	3	less than 10
Long-term	10	30[6]

Physical Risks

Although climate change has already started to cause a wide range of physical effects, scientific research shows that extreme weather events are becoming more frequent and intense, leading to more severe impacts of climate change in future decades.

Risk Driver	Risk Category	Timeframe	Potential Impacts	Mitigation Responses
Increased frequency and severity of extreme weather	Acute	Medium term	• Increased frequency and severity of extreme weather due to climate change can cause disruptions in operations, transportation, and supply chains • These disruptions can affect the stability and availability of raw materials and product delivery • Floods and typhoons pose risks to public safety and may reduce customer traffic, which may lead to a decrease in the Group's revenue	• Climate-related risks are taken into consideration during the store selection process • Store locations are chosen with a focus on sites that have good infrastructure and are relatively less impacted by extreme weather • Preference is given to well-established shopping malls and locations that are less vulnerable to extreme weather, ensuring greater resilience and stability for the stores • A rating platform will be established to identify and prioritise suppliers that provide local materials, which are critical for maintaining a stable food supply

[6] Limited long-term time horizon to 30 years based on peers benchmarking and the need to quantify impacts within a limited timeframe.

Strategy

In 2023, the Hong Kong Observatory ("HKO") issued three No.8 Gale or Storm Signals. Such events can result in damages to facilities, goods, and equipment, causing higher maintenance expenses. Insurance premiums may rise for premises in high-risk areas. The heightened occurrence and severity of extreme weather have far-reaching consequences across all aspects, requiring corresponding measures and financial planning to mitigate the impacts.

In FY2024, we have identified specific indicators and corresponding financial items that will inform our quantitative analysis of the financial impacts stemming from climate-related risks in the near future. Additionally, we plan to utilise the following indicators to track our progress in effectively managing these risks:

Indicator	Financial Item	Quantitative Indicator (Financial Impacts)
• % of restaurants exposed to flooding	• Revenue • Expenses	• Loss of revenue per restaurant per day • Expenses occurred due to loss of inventory, repairment cost, and insurance for restaurants

Transition Risks

Transition risks arise from the uncertainty associated with the global shift towards a greener economy, involving climate-related policy, legal, technological, and market mitigation and adaptation.

Risk Driver	Risk Category	Timeframe	Potential Impacts	Mitigation Responses
Enhanced emissions reporting obligations	Policy and legal	Short term	• Governments are intensifying climate ambitions and implementing policies to decarbonize the economy to meet stakeholder expectations and align with international best practices • Compliance with enhanced emissions reporting obligations may necessitate allocating additional resources for data collection, monitoring, and reporting • Transitioning to greener operations is crucial for maintaining transparency in reporting and preventing reputational damage, and may require additional investments in renewable energy, electric vehicles, and environmentally friendly operational equipment, potentially leading to an increase in the Group's capital expenditure	• Transitioning to a low-carbon model of operation and business offerings • Replacing plastic packaging with sustainable materials • Adopting food waste recycling practices • Increasing sustainable and green food options • Utilising energy and water-saving equipment during operations

While enhanced emissions reporting obligations may initially pose challenges in terms of expenses and regulatory responses, proactive adaptation mitigates these risks and promotes long-term resilience.

In FY2024, we have identified particular indicators and associated financial items that will guide our quantitative analysis of the financial consequences resulting from climate-related risks in the foreseeable future. Furthermore, we intend to utilise the following indicators to evaluate our progress in efficiently managing these risks:

Indicator	Financial Item	Quantitative Indicator (Financial Impacts)
• GHG emissions • Expenditure on renewable energy • Expenditure on green restaurant • Expenditure on capacity building	• Expenses • Assets	• Expenses occurred from green operation, staff training on green matters, and climate monitoring and reporting • Investments on renewable energy and green operation

Risk Driver	Risk Category	Timeframe	Potential Impacts	Mitigation Responses
Increased cost of raw materials	Market and technology	Short term	• In a low carbon economy, changing input prices (e.g. energy or water) and output requirements (e.g. waste treatment) can result in increased production costs and higher raw material expenses • Meeting customer expectations may require incurring additional costs to source green food ingredients like plant-based meat • Increased product costs may reduce profit margins • Adjusting prices may affect customer demand, satisfaction, brand loyalty, and market share	• Planning to establish a rating platform for supplier selection and procurement, focusing on searching for sustainable food ingredients through evaluating suppliers based on their relevant practices • Emphasis will be placed on sourcing food ingredients critical for maintaining both taste consistency and stable inventory supply

Strategy

During FY2024, we have identified specific indicators and corresponding financial items that will inform our quantitative analysis of the financial impacts arising from climate-related risks in the coming years. Additionally, we plan to utilise the following indicators to assess our progress in effectively managing these risks:

Indicator	Financial Item	Quantitative Indicator
• the % procured raw materials exposed to fluctuated price	• Expenses	• $ for sourcing F&B ingredients

Opportunities

The Group also recognises opportunities in addressing climate-related risks. We are committed to reducing emissions within our operations by enhancing resource efficiency, promoting the adoption of low-carbon practices, and encouraging sustainable lifestyles among our customers. By prioritising green operations, sustainable sourcing, and green food menu options, we are not only bolstering our resilience but also enhancing our competitive advantage in the market.

Looking ahead, we are committed to evaluating the viability of renewable energy solutions for our operational sites, driven by ongoing technological advancements. As part of this effort, we will explore the potential of deploying rooftop solar panels on our central kitchen building. By leveraging renewable energy sources, we aim to optimise energy efficiency while contributing to the broader transition towards a low-carbon economy.

To seize climate opportunities, the Group has utilised and is planning to adopt more energy and water saving equipment and working procedures during its operations. For more information regarding our green initiatives, please refer to our annual ESG Report via https://tamjai-intl.com/en/sustainability/.

Scenario Analysis

To assess climate-related risks and enhance climate resilience, we conducted scenario analysis to identify potential implications on our business performance, thereby developing flexible climate strategic plans based on these hypothetical scenarios. We will regularly review and revisit this analysis, especially if there are significant changes to our business model or operating circumstances.

In FY2024, we focused our scenario analysis on our major operations in Hong Kong and part of our supply chain, with the intention of encompassing overseas operations and comprehensive supply chain in the near future. Using publicly available scenarios, we developed the analysis following the principles of high contrast, balanced, and science-based. We considered stringent and business-as-usual pathways to evaluate physical and transition risks within different socio-economic and environmental contexts.

Framework of Analysis

Using the Representative Concentration Pathways ("RCPs")[7] and Shared Socioeconomic Pathways ("SSPs")[8] developed by the Intergovernmental Panel on Climate Change ("IPCC")[9], we defined three distinct climate scenarios characterised by varying degrees of impacts, with qualitative and quantitative data published by international/local organisations, including data from the HKO.

Scenario	RCP 8.5 and SSP 5 (High Emissions Pathways)	RCP 4.5 and SSP 2 (Intermediate Pathways)	RCP 2.6 and SSP 1 (Low Emissions Pathways)
Selection rationale	This scenario was selected to assess the impact of increasing climate change due to limited and insufficient actions and policies to mitigate climate change.	This scenario was selected based on intermediate pathways, making it achievable within foreseeable socio-economic and technological constraints.	This scenario was selected to assess the impact of ambitious climate action on achieving lower-carbon economy.
Scenario narrative	Limited actions will be taken to mitigate climate change, leading to increased emissions and higher GHG concentrations in the atmosphere. Meanwhile, the push for economic and social development is coupled with the exploitation of abundant fossil fuel resources and the adoption of resource and energy intensive lifestyles around the world. Physical impacts from climate change are significantly exacerbated over time.	Global and national institutions work towards achieving sustainable development goals but make slow progress. Emissions increase slightly before starting to decline around 2040. Technological development proceeds apace but without fundamental breakthroughs. Even though fossil fuel dependency decreases slowly, there is no reluctance to use unconventional fossil resources.	Nations actively take actions to reduce carbon emissions and limit global mean temperature increase below 2°C, which requires drastic policy measures and technological advances to facilitate low-carbon transition. The emphasis on economic growth shifts towards a broader emphasis on human well-being, even at the expense of somewhat slower economic growth over the longer term. The world shifts gradually towards a more sustainable path, leading to higher transition risks.

Our scenario analysis conducted in FY2024 was based on the following assumptions:

- Given majority of our operations are based in Hong Kong, the scope of scenario analysis focuses on our Hong Kong operations with the intention of including overseas operations in the near future.
- The analysis was conducted on our business operations profile in FY2024. Climate-related risks in 2060 and 2100 are considered against this profile to assess future risks relative to our current business model.
- The Group's data input included restaurant locations and procurement categories.

[7] RCPs are scenarios that include time series of emissions and concentrations of the full suite of GHGs and aerosols and chemically active gases, as well as land use/land cover.

[8] SSPs serve as a basis for new emissions and socio-economic scenarios that describe alternative futures of socio-economic development without climate policy intervention.

[9] The IPCC is an intergovernmental body of the United Nations. It assesses the science related to climate change.

Strategy

We identified the following parameters for scenario analysis:

Parameter Related to Physical Risks	Parameter Related to Transition Risks
Sea level rise	Carbon price
Global mean temperature increase	Renewable energy price
Precipitation pattern	Electric vehicles price
Water stress	Climate policy
Extreme weather	

Transition risks were assessed under RCP 2.6 and SSP 1 scenarios, while physical risks were assessed under RCP 8.5 and SSP 5 scenarios. For intermediate pathways, we consider both of transition and physical risks. The assumptions and data for scenario analysis were taken from the following sources:

- IPCC Working Group I ("WGI"): Sixth Assessment Report
- World Climate Research Programme ("WCRP") Coupled Model Intercomparison Project
- World Resources Institute
- Guidance on Climate Disclosures from the Hong Kong Exchanges and Clearing Limited ("HKEX")

Overview of Findings

Low Emissions Pathways (1.5–2°C)

- Carbon price in Hong Kong is projected to reach 63 HKD by 2030 and 140 HKD by 2050.
- Renewable energy mix is projected to reach 61% by 2030 and 88% by 2050.
- The proportion of electric vehicles is projected to reach 20% by 2030 and 100% by 2050.
- Stringent climate policies are implemented by governments.
- Slight increase in the frequency of extreme weather; for example, extreme hot events are projected to occur 8.6 times in 50 years.

Intermediate Pathways (2–3°C)

- Fairly balanced progress in traditional fossil and non-fossil technologies.
- Limited progress across a host of advanced technologies, particularly for renewables.
- Moderate increase in frequency of extreme weather; for example, extreme hot events are projected to occur 13.9 times in 50 years.

High Emissions Pathways (>4°C)

- No carbon price or tax has been established.
- Higher mean sea level and global mean temperature cause more flooding.
- Significant increase in frequency of extreme weather; for example, extreme hot events are projected to occur 39.2 times in 50 years.

Resilience of Our Business

Scenario analysis has revealed that the Group faces varying degrees of transition and physical risks across different future projections. By identifying and addressing these risks, the Group is well-prepared to handle them. For physical risks, we have implemented an emergency response plan and adopted protective measures to mitigate the impact of climate events on our operations and financial performance. Our comprehensive supply chain management mechanism also ensures resilience against potential supply-side shocks.

Given the ongoing evolution of climate science, there are significant ongoing debates regarding the various pathways for limiting global temperature rise. Furthermore, considering the nature of our Group's business and our ambitious plans for global business expansion, we recognise the potential challenges and uncertainties associated with committing to low emissions pathways. Consequently, we are actively and diligently reassessing our position and strategic planning to align with a net-zero commitment, opting for a more intermediate pathway that enables us to contribute to climate action in a pragmatic manner.

In light of this, we are reviewing and evaluating our capacity for climate change mitigation and adaptation. As a catering enterprise reliant on an agricultural supply chain, we are exposed to the impacts of climate change, including extreme weather events, water scarcity, and crop failures. We will continue to enhance our preparedness and mitigate risks, safeguarding our operations and supply chains from disruptions. We are trying to actively meet at least the Intermediate Pathways that facilitates a gradual transition and adaptation process, minimising disruption to our core business and ensuring sustainable long-term development, with the aim to eventually achieve Low Emissions Pathways to the extent possible with our innovative solutions.

Limitations

This framework was established in FY2024, taking into account the latest information on international regulations, industry practices, and scientific research related to climate change. It is important to note that scenario analysis cannot cover all potential climate risks and opportunities, so ongoing monitoring and adaptation are necessary to address emerging issues. The effectiveness of the analysis depends on assumptions and accurate data collection, which may have technical limitations or uncertainties. We acknowledge the need for continuous improvement and welcome feedback from stakeholders to enhance the assessment over time.

Future Improvements

As the Group is in the early stages of climate-related disclosure, this report did not provide quantitative information on the financial impacts of climate-related risks and opportunities in the short, medium, and long term. Going forward, we will enhance our analysis to quantify these impacts.

In the near future, we will assess the availability and flexibility of the Group's financial resources to address the impacts identified in climate-related scenario analysis. Based on the results, we will develop a comprehensive transition plan to strengthen our climate resilience.

Risk Management

The Executive Committee assists the Board of Directors in overseeing and assessing the risk management system designed to effectively manage climate-related risks.

Risk Identification and Assessment Process

Our risk management approach addresses a broad range of risks that can directly or indirectly impact the Group in the short, medium, and long term. The risks are determined as substantive based on a variety of quantitative and qualitative factors that our risk management processes use to monitor and assess the complexity of these topics.

During the year, we committed additional resources to focus on climate-related risks by conducting and analysing climate risks through modelling. We also worked with external partners to analyse the potential material impacts on our performance.

Risk Identification

Informed by the results of the scenarios analysis and referring to the common climate-related risks suggested by the TCFD, we conducted a climate-related risk analysis during the year to identify, assess, and map the potential material risks associated with our business operations.

As climate-related risks faced by companies are highly dependent on their industry sector, we first gathered climate-related risks that could potentially affect our operations, then performed an industry-level risk review through reviewing publications of peer companies to identify risks during the year. Please refer to the “Strategy” Chapter for details on the identified climate-related risks and the results of the scenario analysis.

Risk Prioritisation

To facilitate the efficient allocation of resources to the most pressing risks, we have prioritised risks with quantitative scoring method, based on the Level of impact, Likelihood, Adaptability, and Recovery.

We define risk prioritisation criteria with a scoring scale of High (3), Medium (2), and Low (1), and conduct analysis to assess the identified risks by peer review. After rating the impact, likelihood, adaptability, and recovery of the identified risks based on findings of the analysis and the defined rating scale, we prioritise identified risks based on statistical analysis to form a materiality matrix to present the material risks. In order to prioritise resources and efforts towards addressing the most significant risks, we have carefully considered the risks’ potential impacts and our tolerance levels.

Business Mapping

We conducted a preliminary assessment of the impacts of material risks on our business and their relevance to specific business functions. We utilised a simplified value chain framework consisting of five major components: Inbound logistics, Operations, Outbound logistics, Marketing and sales, and Services for the mapping of our major business activities.

Within our value chain analysis, we considered a combination of qualitative and quantitative information encompassing the six capitals framework. These include the financial, manufactured, intellectual, human, social and relationship, and natural capitals.

Upon completion of the evaluation process, we synthesised the results using the climate-related business impact (“CRBI”) scorecard. This enabled us to identify areas where the impacts of climate-related risks are most significant, which are referred to as the CRBI hotspots (see “Strategy” Chapter), serving as critical inputs in informing our subsequent steps and strategic decision-making.

Risks Monitoring

Group-Wide Risk Management System

We have implemented a comprehensive climate-related risk management system that encompasses all aspects of our businesses and operations. This dynamic risk management process incorporates various stages, including risk identification, risk assessment, risk monitoring, risk response, risk supervision and improvement, as well as risk reporting. Through these measures, we aim to identify and evaluate the most urgent or impactful risks we face.

To ensure the effectiveness of the risk management system, the Group has established an independent internal audit function, comprised of knowledgeable professionals with relevant expertise. This internal audit function operates independently from the Group's day-to-day operations and conducts reviews of the risk management system. These reviews involve conducting interviews, walkthroughs, and tests to assess the operating effectiveness of the system. The review of the risk management systems is conducted on a semi-annual basis, and the results are reported to the Board through the Audit Committee.

Integration Into Overall Risk Management System

Our ESG Committee plays a crucial role in assessing and monitoring climate-related risks that have the potential to adversely affect our operations, such as extreme weather events like typhoons, heavy rain-induced flooding, etc. and reports at least quarterly to the Executive Committee.

To further strengthen our climate risk monitoring, the ESG Committee and the sub-committee actively engage in meetings at least quarterly. These meetings serve as platforms for members to stay informed about the latest developments, engage in discussions on pertinent topics, and collectively assess, prioritise, and manage material issues, including those related to climate change.

Striving to enhance our climate risk management and resilience planning, we leverage partnerships and seek insights from external environmental stakeholders and consultants. By doing so, we aim to ensure that we continuously monitor and integrate the most up-to-date factors, such as scientific advancements, policy developments, geopolitical influences, and emerging trends. We believe that through these collaborative efforts, we can remain at the forefront of knowledge and best practices in addressing climate-related challenges. By staying informed about the latest developments and trends, we can effectively adapt our strategies and plans to mitigate risks and enhance our resilience in the face of evolving environmental conditions.

Risk Management

Future Improvements

Management Process

We recognise that early adoption of robust climate risk management measures can not only enhance our business resilience but also bolster our competitive advantage in the market. Anticipating regulatory enhancements and shifts in customer preferences, we are taking proactive steps to strengthen our climate risk management framework by actively establishing more comprehensive systematic protection and prioritisation mechanisms. We are actively exploring innovative solutions such as the application of renewable energy sources and carbon credits to unlock potential benefits. By embracing these opportunities, we aim to align our operations with the evolving regulatory landscape and changing customer preferences.

Management Plan — Restaurants

The Group has taken extreme weather into consideration during the store selection process by choosing higher floors instead of the ground floor for new restaurants. In the future, we will continue to explore ways to find solutions to make our operations greener, while minimising our flooding risks by evaluating site susceptibility to flooding, considering both current and future projections of sea level rise and changing precipitation patterns, as well as conducting regular inspections on existing sites.

Management Plan — Supply Chain & Logistics

The Group has diversified its suppliers to decrease reliance on a single source, minimising supply disruptions and price fluctuations. We will maintain strong supplier relationships to ensure supply chain stability. Additionally, we will manage inventory strategically to mitigate sudden price increases and minimise the impacts of raw material cost fluctuations.

Management Plan — Data Collection & Accuracy

To bolster our data management practices and elevate the quality of our data for insightful analysis, we are planning to introduce additional internal verification processes during data collection, which entails a comprehensive review of the data by supervisors or department heads who possess the necessary expertise and oversight. Upon completion of the review, supervisors or department heads will provide their confirmation and accountability through their signature, which represents their endorsement on the data's accuracy and adherence to established procedures.

Metrics and Targets

To measure and monitor our climate-related risks and facilitate our assessment of progress in managing or adapting to relevant issues, we have identified appropriate metrics, indicators, and targets related to the CRBI hotspots identified in FY2024.

Metrics and Indicators

Following the principles of i) Decision-useful; ii) Understandable; iii) Verifiable; iv) Objective and v) Comparable, in FY2024, we initially identified GHG emissions as our primary metrics to be accounted for and monitored to assess our performance in emissions management. As our framework continues to develop and mature in the foreseeable future, we will also take into consideration additional cross-industry metrics, as suggested in the IFRS S2 Standard.

- *Accounting Boundary*: We have adopted an operational control approach to consolidate GHG emissions, encompassing our operational activities within restaurants, central kitchens, and offices located in Hong Kong, under the principle of materiality. We are planning to include overseas operations in the near future.

- *Accounting Methodology*: We have adopted the methodology for reporting on GHG emissions in this report based on the "How to Prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the HKEX.

- *Data Types*: Our GHG emissions have been calculated using primary activity data that results in GHG emissions.

- *Emission Factors*: The emission factors and Global Warming Potential adopted were derived from IPCC Fifth Assessment Report and other published statistics as indicated in the "How to Prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the HKEX.

Indicator	Unit	FY2024	FY2023
Direct (Scope 1) GHG Emissions	Tonnes CO_2e	493	531
Energy Indirect (Scope 2) GHG Emissions	Tonnes CO_2e	18,531	17,074
Other Indirect (Scope 3) GHG Emissions[10]	Tonnes CO_2e	515	436

Targets

Since we are still in the early stages of climate-related disclosure, we remain cautious when setting our climate-related targets. We define our GHG emissions targets clearly with a consistent baseline year against which progress will be tracked, and a consistent time horizon within which the targets are intended to be achieved.

Indicator	Target Type	Unit
GHG emissions/HK$ million	Intensity*	Reduction of GHG emissions per HK$ million

* Given our rapidly expanding business, we have chosen intensity indicators for our GHG emissions to better illustrate the relationship between GHG emissions and our business context.

[10] According to the "How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" published by the HKEX, we only accounted for Scope 3 emissions arose from i) paper waste disposed at landfills, ii) electricity used for processing fresh water and sewage by government departments, and iii) business air travel by employees during FY2024.

Metrics and Targets

In FY2024, we continued to align with our previously set targets of "Taking FY2022 as the baseline year, the Group targets to reduce the intensity of GHG emissions by 25% by FY2031" as an orientation to guide our emission reduction efforts.

Aspiring to take a step further to align with the international commitment to transition the world to a green future, we are actively considering the feasibility to commit to SBTi's near-term and net-zero science-based targets. In pursuit of this ambition, we are actively working on the development of a comprehensive GHG emissions inventory to establish a solid baseline, explore potential actions, evaluate feasibility, overcome challenges, and ultimately determine ways to commit to our goals.

To ensure the targets set are achievable, the targets are confirmed by management and working level employees. Our targets are defined with specific baseline and time horizon, and they are expected to remain consistent over time to ensure their credibility. The targets will be reviewed periodically and adjusted where appropriate, particularly in response to significant changes in our operations.

Future Improvements

Cross-Industry Metrics

We will continue to enhance our methodology and data quality in future years to include the quantitative information of other essential climate-related metrics and indicators as suggested in the IFRS S2 Standard, including:

- Proportion of assets and business activities materially exposed to physical and transition risks:
  - the % of restaurants exposed to flooding
  - the % procured raw materials exposed to fluctuated price
- Amount of expenditure or capital investment deployed towards climate-related risks and opportunities:
  - Capital investment in renewable energy
  - Expenditure on green restaurant investment
  - Expenditure on capacity building
- Remuneration
  - The % of executive management remuneration linked to climate-related considerations

Acknowledging the difficulty of ascertaining an internal carbon price in the absence of a mature carbon market, we may not be able to maintain an internal carbon price at the current stage.

Waste Reduction & Recycle

We are actively working towards our ambition for waste reduction and recycling, thereby aiming to make a significant contribution towards achieving carbon neutrality. We have already undertaken several commendable actions in this regard, implementing waste management programmes and recycling initiatives across our operations. Building on these accomplishments, we remain steadfast in our plan to further expand and enhance the initiatives, including continuing to explore innovative waste reduction strategies, implement advanced recycling solutions, and foster a culture of environmental stewardship throughout the operations.

Comprehensive GHG Inventory — Scope 3

To further strengthen our climate stewardship and comply with the enhanced disclosure obligation, we plan to develop a comprehensive GHG inventory in accordance with the GHG Protocol, which includes a more complete Scope 3 disclosure, and develop relevant KPIs and targets in the coming years.

In FY2024, we have conducted a peer benchmarking exercise and internal discussions to assess our operations in relation to the 15 categories of Scope 3 emissions outlined by the GHG Protocol, aiming to identify the specific categories that are most relevant to our business activities. We have identified the following categories to be most likely associated with our Scope 3 emissions:

- 1: purchased goods and services
- 2: capital goods
- 3: fuel- and energy-related activities
- 4: upstream transportation and distribution
- 5: waste generated in operations
- 6: business travel
- 7: employee commuting
- 8: upstream leased assets
- 14: franchises

Looking ahead, we are committed to further refining our understanding of these categories and quantifying their impacts through determining appropriate calculation methods.

Assurance of Data

We are committed to putting adequate controls in place to ensure data quality. In the coming years, we will arrange internal audit and external assurance for a more accurate assessment of data and assess our progress made against the targets we set.

About this Report

This report is Tam Jai International Co. Limited's first Climate Disclosure Report covering the period from 1 April 2023 to 31 March 2024. This Report is prepared with reference to the TCFD recommendations and IFRS S2 Climate-related Disclosures standard, covering Governance, Strategy, Risk Management, and Metrics and Targets.

Reporting Scope

The reporting scope encompasses the Group's offices, restaurants, and central kitchens situated in Hong Kong, with the intention of including overseas operations in the near future. Certain information may extend to include operations in Mainland China, Singapore, and Japan, if deemed necessary.

Report Access and Feedback

As part of our ongoing commitment to excellence, we value inputs from our stakeholders and welcome their feedback and advice. Readers can share their views with us at cc.dept@tamjai-intl.com or write to us by mail at 8/F, D2 Place ONE, 9 Cheung Yee Street, Lai Chi Kok, Kowloon, Hong Kong with attention to Corporate Communications Department.

Who We Are

Tam Jai International Co. Limited is one of the leading restaurant groups in Hong Kong. We have rapidly expanded our network to over 200 stores across various markets, including Mainland China, Singapore, and Japan, with plans to enter the Australian and the Philippine markets through joint venture and/or franchising arrangements. The Group's portfolio of distinguished brands includes TamJai Yunnan Mixian (譚仔雲南米線), TamJai SamGor Mixian (譚仔三哥米線), and the addition of the Japanese udon brand, Marugame Seimen, through franchise in Hong Kong[11].

Since our inception in 1996, we have been dedicated to offering customers a dining experience that combines quality with affordability, while simultaneously pursuing global expansion. As a pioneer of sustainability within the catering industry, we are fully committed to collaborating with our employees, customers, and business partners, with the aim of creating a responsible enterprise that positively impacts both the planet and local communities.

Our initiatives are guided by our ESG Strategy Framework, which is built upon three fundamental pillars: 1) Nourishing Communities; 2) Uplifting People; and 3) Preserving Nature. Under the third pillar, we primarily focus on climate management, striving to minimise our environmental footprint and preserve the natural surroundings through effective resource management, efficient waste management, climate risk management, and promotion of regenerative practices.

Forward-Looking Statement

This Report contains forward-looking statements with respect to our financial condition, results of operations, business strategies, operating efficiencies, growth opportunities, plans and objectives of management, and other matters. These statements are necessary estimates, reflecting the best judgment of our senior management and involving uncertainties that could cause actual results to differ materially from those suggested by the statements. As a consequence, the forward-looking statements should be considered in light of various important factors, including those set forth in this report.

[11] The stores are currently outside the Group's ownership while the Group continues to provide management services, so relevant data are not included in the boundary of this report.

Tam Jai International Co. Limited
譚仔國際有限公司