



Policy

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Climate Change and Energy

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A. Objective

- To be a world class real estate investor and manager serving and improving the lives of those around us, Link Asset Management Limited (“**Link**”) is committed to driving energy efficiency, decarbonisation, and climate change adaptation and resilience with an integrated approach to cope with climate-related risks and opportunities.
- Climate and Energy Policy (“**This Policy**”) describes Link’s stance and approaches on energy and carbon management and essentially climate change adaptation. It describes our approach to identifying, assessing potential impact, and monitoring and managing climate-related risks on an ongoing basis, including physical and transition risks, which may have implications on credit, market, and liquidity risks as well.
- The objective of this Policy is to improve energy efficiency and climate change resilience, providing general guidance on energy management and climate-related risks.

B. Policy Scope

- This Policy applies to individual Business Units (“**BU**s”) of Link and sets out overarching framework for implementation in assets across geographies where Link has operational control.
- In areas of influence with minimal control, Link leads by example and provides support to its tenants, suppliers and business partners where feasible.
- In addition, Link as licensed by the Securities and Futures Commission (“**SFC**”), is required to comply with climate-related risks disclosure and management under the Fund Manager Code of Conduct (“**FMCC**”) for funds under which Link is responsible for their overall operation.

C. Policy Content

1. Principles and Approach

- Link recognises that climate change brings unprecedented and inevitable impacts to the resilience of our business and the broader communities. We have the capacity and responsibility in taking ambitious actions to tackle the existential climate threats and leverage the underlying opportunities. Our areas of focus to achieve climate resilience include:
 - Transitional – Energy efficiency and decarbonisation; and
 - Physical – Climate change adaptation and resilience.
- At Link, we are dedicated to [achieving Net Zero carbon emissions by 2035](#) in absolute terms from 2018/2019 levels. Our accelerated effort to transition a full 15 years earlier than Hong Kong’s carbon neutrality target is deliberately designed to cultivate and foster a culture of climate change ownership and accountability across BUs’ efforts and transform decision making.
- Our Net Zero strategy depicts a mitigation hierarchy that prioritises energy efficiency, generation, procurement and investment of renewable energy, followed by carbon offsetting and removal.
- Compared to 2018/2019 baseline, we target to achieve 30% reduction in electricity intensity and 100% renewable energy adoption across portfolio by 2035.

- To chart our progress towards achieving this long-term goal, we have further defined a set of 2025 interim targets (with the same baseline year) at portfolio level:
 - 5% reduction in electricity intensity; and
 - 25% reduction in carbon intensity (scope 1 and 2 emissions).
- As a listed Task Force on Climate-Related Financial Disclosures (“TCFD”) supporter, Link seeks continuous improvement in its climate-related disclosures according to the TCFD’s recommendations. Link is also keen to comply with the emerging industry-aligned standard, i.e. International Sustainability Standard Board (“ISSB”) when practical.
- We strive to deliver climate resilience with our stakeholders through initiatives relating to energy efficiency, decarbonisation, climate change adaptation and resilience, as well as awareness at different stages of asset life cycle:
 - Acquisition;
 - Planning, design and construction;
 - Operation and maintenance; and
 - Fit-out and renovation.
- For any assets that are co-owned and/or managed by other business partners, Link engages with them to ensure their implementation approaches for climate resilience are aligned with the requirements outlined in this Policy.

2. Implementation

- We achieve energy efficiency and decarbonisation by:
 - Procuring appliances registered under Hong Kong Mandatory Energy Efficiency Labelling Scheme (“MEELS”) or relevant standards across geographies that demonstrate energy efficiency;
 - Upgrading to high-efficiency and low-carbon appliances and materials during operational maintenance and renovation works where practical;
 - Adopting energy efficient technologies, processes and systems to optimise energy usage and reduce carbon footprint across portfolio;
 - Monitoring consumption of different energy usages via Energy Management System (“EMS”), Building management System (“BMS”) and metering systems. Where sub-meters are available, our tenants are charged on a user-pays basis;
 - Achieving energy efficiency level that are in line with industry leading practices, e.g. Hong Kong Electrical and Mechanical Services Department (“EMSD”) Online Energy Benchmarking Tool, Hong Kong Green Building Council (“HKGBC”) Benchmarking and Energy Saving Tool, National Australian Built Environment Rating System (“NABERS”) Energy Rating, the United Kingdom Energy Performance Certificate (“EPC”) Rating, or at a minimum, in compliance with statutory and regulatory requirements;
 - Enhancing the use of renewable energy across portfolio through on-site generation and off-site procurement including but not limited to green power purchase and Renewable Energy Certificates (“RECs”);
 - Promoting electrification of assets like electric vehicle (“EV”) charging facilities and avoiding fossil fuel combustion in our properties;

- Neutralising residual carbon emissions via carbon offsetting and removal projects that are verified for their quality and credibility; and
- Developing, tracking and disclosing energy saving and decarbonisation targets to ensure our implementation strategies and practices would help us achieve Net Zero target by 2035.
- We achieve climate change adaptation and resilience by:
 - Identifying, assessing and monitoring portfolio exposure to physical and transition risks and opportunities, as well as any associated social and financial consequences to Link;
 - Reviewing climate risk exposure of potential new assets during pre-acquisition phases. In case of any major issues, remediation actions including in-depth assessment and post-transaction management plan must be executed.
 - Integrating climate-resilient features, e.g. daylighting, ventilation, thermal comfort and flood defence, into the design of new development and asset enhancement projects where feasible;
 - Formulating and strengthening climate adaptation and resilience plans to be adopted in our properties at different time horizons;
 - Implementing emergency preparedness procedures with adequate frontline staff training to minimise operational disruption and secure building users' safety during extreme climate events;
 - Undergoing climate scenario analysis and stress testing on a regular basis to ensure stranded assets with high level of exposure and vulnerability to climate change could be addressed via investment decisions; and
 - Pioneering the development of industry-aligned approaches across jurisdictions that reflect climate-related risks and opportunities into asset valuation and insurance underwriting.
- We promote climate and energy awareness by:
 - Establishing partnerships with policymakers and industry leaders to develop policies and innovations that advocate energy efficiency, decarbonisation and climate change adaptation and resilience; and
 - Communicating Link's climate-related strategies to staff, tenants, contractors, suppliers, customers and communities and encouraging them to consume energy in a responsible manner by means of:
 - Staff training;
 - Green lease;
 - Tenant Academy;
 - Free energy audits to tenants;
 - Green Shop Pledge offered by Hong Kong Green Shop Alliance;
 - Fit-out Handbook; and
 - Posters and other publicity materials in prominent places.

3. Climate-related Risk Assessment for Funds Under Management as required under SFC Fund Manager Code of Conduct

- Climate-related risks and opportunities (including physical and transitional) are identified and monitored by our S&RG Lead.

- We target to conduct climate risk assessments across funds under our management and develop corresponding climate resilience strategies.
- We will describe the processes for identifying, assessing, managing, and monitoring climate-related risks for each investment strategy and fund it manages.

Examples of process include:

- Decision-making to mitigate, transfer, accept or control climate related risks
 - Prioritization climate-related risks
 - How materiality determinations are made
 - Existing and emerging regulatory requirements related to climate change
 - Potential size and scope of identifies climate risks
- If the total funds asset size under management by Link is considered as Large Fund Manager under the FMCC (i.e. total AUM over HK\$8 billion), we will assess the relevance and utility of scenario analysis in evaluating the resilience of investment strategies to climate-related risks under different pathways. If the assessment result is deemed to be relevant and useful, we will develop a plan to implement scenario analysis within a reasonable timeframe. We will also take reasonable steps to identify portfolio carbon footprints of the Scope 1 and Scope 2 greenhouse gas (GHG) emissions associated with the funds' underlying investments.
 - We identify climate-related risks by:
 - Reviewing climate risk exposure of potential new assets during pre-acquisition phases. In case of any major issues, remediation actions including in-depth assessment and post-transaction management plan must be executed; and
 - Undergoing climate scenario analysis and stress testing on a regular basis to ensure stranded assets with high level of exposure and vulnerability to climate change could be addressed via investment decisions.
 - If climate-related risks have been assessed to be relevant but immaterial to all investment strategies or funds under its management, Link is required to disclose (a) its governance arrangement and (b) its investment and risk management processes but only in relation to how it identifies and assesses the risks. If climate-related risks have been assessed to be irrelevant to certain types of investment strategies or funds under its management, Link is required to disclose such exceptions.

4. Governance Arrangement, Climate-related Risk Monitoring, Reporting and Management for Funds Under Management as required under the FMCC

- The Board has oversight of the incorporation of climate-related considerations into investment, risk and asset management processes and oversees progress against goals for addressing climate-related issues.
- We assess climate-related risks and opportunities as part of our investment process as guided by our Responsible Investment Policy. These processes help improve our understanding of climate-related risks and opportunities, as well as provide up-to-date information for decision-making.
- Key climate-related risks are identified by the S&RG teams, which are then reported to the senior management for endorsement and finally reviewed by our Board Sustainability and Audit & Risk Management Committees at least annually. Overall progress, including how we manage material climate issues, is reported back to the Board twice yearly.

- Progress on strategy and initiatives and Key Performance Indicators (“**KPIs**”) are reported by respective departments during the meetings of the Board and its related committees, Sustainability Committee (“**SC**”), and Sustainability Task Groups. In addition, our energy saving, decarbonisation and climate resilience efforts are verified and disclosed in Link’s annual reports and sustainability website.

5. Reporting and Review

- The responsibility to endorse and implement this Policy lies with S&RG, Asset Management, Project & Engineering and Property & Car Park Management.
- This Policy will be regularly reviewed considering legislative and organisational changes and developments in sustainability best practices, or at a minimum, every three years. Endorsement from SC is required for any formalised adjustment of this Policy.
- Any enquiries on this Policy can be submitted via sustainability@linkreit.com.