

**“Second-party Opinion” on
LINK ASSEST MANAGEMENT LIMITED’S
Sustainable Finance Framework**

by Hong Kong Quality Assurance Agency (HKQAA)

Reference No:

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1. Introduction for Use of Proceed Financing Instruments

In September 2020, Chinese President Xi Jinping pledged to peak China’s carbon emissions before 2030 and achieve carbon neutrality before 2060 in his speech to the United Nations General Assembly. In view of the national policy, the Chief Executive has announced in the Policy Address 2021 that HKSAR government is following the national policy and has pledged to reduce carbon intensity by 50% (as compared to the baseline year of 2005) by 2035 and reach carbon neutrality by 2050.

To reach its goal of carbon neutrality, the government has published the “Hong Kong’s Climate Action Plan 2050+” (Environment Bureau, 2021), the “Clean Air Plan for Hong Kong 2035” (Environment Bureau, 2021) and “Waste Blueprint for Hong Kong 2035” (Environment Bureau, 2021) as blueprints for guiding carbon reduction effort in the coming decade. As pointed out in these documents, Hong Kong will need to tackle the problem of Climate Neutrality on three fronts, (1) Energy Saving and Green Buildings, (2) Green Transport, and (3) Waste Reduction. Altogether, these strategies will target 91% of the carbon emission in 2019. Therefore, the acceleration of these green initiatives plays a crucial role in Hong Kong’s transition to a low-carbon economy.

Link Asset Management Limited (“Link” or “the Company”) is the first Real Estate Investment Trust listed in Hong Kong and has developed into a leading retail-focused REIT in the world (0823.HK). Listed in Hong Kong since 2005, Link is principally engaged in the property investment and management business. The Framework defines eligible projects as projects as those recognized in the Green Bond Principles and Green Loan Principles (e.g., Green Building projects, Renewable Energy Projects) as well as the Social Bond Principles and Social Loan Principles (e.g., affordable basic infrastructure such as barrier-free infrastructure). As one of the leading REITs in the region, Link’s direction for sustainable development is in line with the local and national policy.

Link has engaged HKQAA to review the Link Asset Management Limited’s Sustainable Finance Framework, dated January 2022, and provide a second party opinion on the Framework’s environmental and social credentials and its alignment with the Green Bond Principles 2021 (the “GBP”), Green Loan Principles 2021 (the “GLP”), Social Bond Principles 2021 (the “SBP), and Social Loan Principles 2021 (the “SLP”).

2. Overview of Issuer/Borrower

Link Real Estate Investment Trust, managed by Link Asset Management Limited, (“Link” or “the Company”) is the first Real Estate Investment Trust listed in Hong Kong and has developed into a leading retail-focused REIT in the world.

Listed in Hong Kong since 2005, Link is principally engaged in the property investment and management business. Throughout the years, Link’s portfolio has diversified to include a wide variety of properties such as retail facilities, car parks and offices, across regions including Hong Kong, Beijing, Shanghai, Guangzhou, Shenzhen, London, and Sydney. Link has demonstrated its steady commitment to generating sustainable and outstanding returns for shareholders, while also creating positive, visible change for stakeholders and the communities it serves.

3. Framework Overview and Comment

3.1 Use of Proceeds

Link shall use the proceeds of the green, social and sustainability debt instruments to finance and/or refinance, Eligible Project that meets the eligible criteria listed below:

Green building: Acquisition, ownership, development (with approved capital expenditure of more than USD100M) and/or renovation of existing owned and/or managed properties that have or will receive, any one of the following certification systems:

- Hong Kong BEAM Plus – minimum certification of Gold; or
- Hong Kong BEAM Plus EB – minimum Good rating; or
- U.S. Leadership in Energy and Environmental Design (LEED) – minimum certification of Gold; or
- BREEAM – minimum certification level of Excellent; or
- Chinese Green Building Evaluation Label (GBL) – minimum certification level of 2 stars; or
- NABERS – minimum certification level of 4-star; or
- any other green building label that is an equivalent standard of the above in their country of location.
- These green buildings may additionally achieve a certification (any level) of any version of the WELL Building Standard to improve the environmental health of the buildings and the overall well-being of their occupants.

Energy Efficiency:

- Projects involving facilities such as solar photovoltaic or wind farms, as well as assets or projects that develop processes/ technology to enhance the sequestration and long-term storage of carbon from the atmosphere.
- Projects involving the upgrading of facilities/equipment (e.g., cooling system, lift system, lighting system, fresh air supply system) of existing developments.
- Projects with adoption of smart technologies and/or systems for tracking, monitoring, and managing energy usage in new and existing buildings to ensure achieving certain energy saving targets. Examples of smart technologies including smart HVAC systems.

Renewable Energy:

- Design, construction, installation, and operation of renewable energy systems, including photovoltaic power station and solar (photovoltaic) for rooftop of property sites.
- Projects with adoption of smart technologies and/or systems such as blockchain technology to quantify carbon impact from installed solar PV panels.
- Costs related to the conversion of operations leading to the replacement of fossil energy dependence with renewable energy.

Pollution Prevention and Control:

- Projects involving collection and/or delivery of organic waste to resources recovery centres.
- Projects involving the adoption of plastic-alternative products to reduce the use of single-use plastic.
- Projects related to collection, delivery and/or recycling of general waste.

Climate Change Adaption:

- Construction, repairment and/or operation of flood gates.
- Costs related to improving drainage systems of existing properties.

Clean Transportation:

- Costs associated with installing, operating and/or repairing infrastructure supporting clean energy vehicles, such as charging ports for electric vehicles.

Sustainable Water and Wastewater Management

- Projects related to replacing leakage/obsolete water systems.

Affordable Basic Infrastructure:

- Project involving the creation or enhancement of barrier-free access (BFA) infrastructure in Link's malls or estates.

Socioeconomic advancement and empowerment (Local Employment):

- Projects related to job placement to support local employment

Access to essential services (Placemaking)

- Projects that expand access to health care and/or improve the wellbeing and independence of target populations

3.2 Project Evaluation and Selection Process

Link's internal process in identifying and selecting projects is conducted by the Link's sustainability team and approved by the Sustainability Committee. The Sustainability Committee will evaluate associated environmental and social risks of all potential assets/projects, as well as identify related mitigation measures. Projects will be forfeited if the related risks are deemed too high. The Sustainability Committee will also ensure that Link is not involved in illegal activities, and activities that are in breach of Link's operational principles. 24 months look back period is defined by Link to maximize project's impact.

3.3 Management of Proceeds

Link will earmark an amount equal to the net proceeds of the financial instrument for finance or refinancing, in whole or in part, eligible projects described under section 3.1.

Link will internally track the value of the Sustainable Portfolio and the amount of net proceeds outstanding under this Framework on a portfolio basis, for so long as the finance remains in place.

3.4 Reporting

Link will report on the allocation of net proceeds and associated impact metrics of its Project through its annual integrated report and corporate sustainability website. The report will contain details of i) Allocation Reporting and ii) Impact Reporting. The impact reporting will include relevant qualitative and (if reasonably practicable) quantitative impact indicators for the Project.

3.5 Conclusion

The assessment team of Hong Kong Quality Assurance Agency has determined that the Link Asset Management Limited's Sustainable Finance Framework is well-structured and aligned with the core components of the Green Bond Principles, Green Loan Principles, Social Bond Principles and Social Loan Principles. For detailed information, please refer to Appendix 2: Independent External Review Form

Appendix 1: Documents reviewed or referenced

No.	Author	Title
1	International Capital Market Association	Green Bond Principles, June 2021 https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf
2	Loan Market Association	Green Loan Principles, February 2021 https://www.lsta.org/content/green-loan-principles/
3	International Capital Market Association	Social Bond Principles, June 2021 https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/
4	Loan Market Association	Social Loan Principles, April 2021 https://www.lsta.org/content/social-loan-principles-slp/
5	International Capital Market Association	Sustainability Bond Guidelines, June 2021 Sustainability-Bond-Guidelines-June-2021-140621.pdf (icmagroup.org)
6	Link Asset Management Limited	Sustainable Finance Framework, December 2021
7	Link Asset Management Limited	Official Corporate Sustainability Website https://www.linkreit.com/en/sustainability/
8	Link Asset Management Limited	Annual Report, 2020/2021
9	Link Asset Management Limited	Annual Report, 2019/2020

Appendix 2: Sustainable Finance Framework - Independent External Review Form

Section 1. Basic Information

Borrower name: *Link Asset Management Limited (“Link” or the “Company”)*

Borrower Green Loan Framework Name, if applicable: *Link Asset Management Limited Sustainable Finance Framework (the “Framework”)*

Independent External Review provider’s name: *Hong Kong Quality Assurance Agency*

Completion date of this form: *27 January 2022*

Publication date of review publication: *[where appropriate, specify if it is an update and add reference to earlier relevant review]*

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarize the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP, GLP, SBP and SLP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- | | |
|--|--|
| <input type="checkbox"/> Consultant review | <input type="checkbox"/> Certification |
| <input checked="" type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to the Second-Party Opinion Document for the Company above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

HKQAA assessment team notes that the Company's eligible Green and Social Projects are aligned with those recognized by the Green Bond Principles, Green Loan Principles, Social Bond Principles and Social Loan Principles. The Company has also referenced the Sustainability Bond Guideline when structuring the framework.

24 months look back period is defined in the framework to ensure the most updated green and social projects and maximized the project's impact.

Use of proceeds categories as per GBP/GLP:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input checked="" type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBPs / GLPs categories, or other eligible areas not yet stated in GBPs / GLPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs / GLPs: N/A

Use of proceeds categories as per SBP/SLP:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation / programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises |
| <input type="checkbox"/> Food security and sustainable food systems | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |

- Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs
- Other (*please specify*):

If applicable please specify the social taxonomy, if other than SBP/SLP: N/A

Target populations:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Living below the poverty line | <input type="checkbox"/> Excluded and/or marginalised populations and /or communities |
| <input checked="" type="checkbox"/> People with disabilities | <input type="checkbox"/> Migrants and /or displaced persons |
| <input type="checkbox"/> Undereducated | <input type="checkbox"/> Underserved, owing to a lack of quality access to essential goods and services |
| <input type="checkbox"/> Unemployed | <input type="checkbox"/> Women and/or sexual and gender minorities |
| <input checked="" type="checkbox"/> Aging populations and vulnerable youth | <input type="checkbox"/> Other vulnerable groups, including as a result of natural disasters |
| <input checked="" type="checkbox"/> Other (<i>please specify</i>): physically, mentally, or socially disadvantaged populations who are unable to meet their basic needs and may therefore require special assistance | |

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (*if applicable*):

The Project is identified, selected by the sustainability team, and approved by the Sustainability Committee. The Sustainability Committee involves senior staff from cross-functional departments of the Company and is responsible for evaluating the environmental and social risks associated potential eligible project.

HKQAA considers that the Company has established a standard process for the evaluation and selection of eligible green and social projects, the selection process is appropriate and effective.

Evaluation and selection

- | | |
|--|---|
| <input type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green and Social Bond and Loan proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

HKQAA notes that the Company will earmark the net proceeds of allocation and keep track of the use of proceeds of the Project. HKQAA considers that the Company has defined rules and details for the management of proceeds and would enable a sufficient and documented allocation process.

Tracking of proceeds:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Green and Social Bond/ Loan proceeds segregated or tracked by the issuer/ borrower in an appropriate manner | |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds | |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Additional disclosure:

- | | |
|--|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input checked="" type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |

- Disclosure of portfolio balance of unallocated proceeds
- Other (*please specify*):

4. REPORTING

Overall comment on section (*if applicable*):

HKQAA notes that the Company commits a reporting process covering both the proceeds allocation and the environmental impacts associated with the Project. Link is committed to impact reporting via an annual integrated report and the corporate sustainability website.

HKQAA considers that the Company's overall reporting commitments are aligned with the Green Bond Principles, Green Loan Principles, Social Bond Principles and Social Loan Principles.

Use of proceeds reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)/ loan(s)
- Other (*please specify*):

Information reported:

- Allocated amounts
- Green and Social Bond/Loan financed share of total investment

Other (*please specify*): *Share of financing versus refinancing, the list of eligible project categories and amounts allocated to these categories, balance amount of unallocated bond proceeds and a selection of project examples financed by the net proceeds of the financial instrument*

Frequency:

- Annual
- Semi-annual
- Other (*please specify*):

Impact reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual loan(s)
- Other (*please specify*):

Frequency:

- Annual
- Semi-annual

Other (*please specify*):

Information reported for eligible Green Projects (*expected or ex-post*):

- | | |
|---|---|
| <input type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Other ESG indicators (<i>please specify</i>): List of eligible buildings that received third-party verified green building certification (scheme and rating), Energy intensity (kWh/m ²), number of solar lights and panels installed, amount of renewable energy generated (kWh), amount of organic waste diverted from landfill (tonnes), types and number of climate mitigation measures implemented, and number of electric vehicle charging stations installed |

Information reported for eligible Social Projects (*expected or ex-post*):

- | | |
|--|--|
| <input checked="" type="checkbox"/> Number of beneficiaries | <input checked="" type="checkbox"/> Target populations |
| <input checked="" type="checkbox"/> Other ESG indicators (<i>please specify</i>): percentage of properties fitted with basic BFA facilities(%), rate of local employment (%), area (m ²) dedicated for providing such essential services | |

Means of Disclosure

- | | |
|--|--|
| <input checked="" type="checkbox"/> Information published in financial report | <input checked="" type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (<i>please specify</i>): corporate sustainability website at https://www.linkreit.com/en/sustainability/ |
| <input type="checkbox"/> Reporting reviewed (<i>if yes, please specify which parts of the reporting are subject to external review</i>): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (*e.g., to review provider methodology or credentials, to issuer's documentation, etc.*)

The Company will report on the allocation of net proceeds and associated impact metrics within one year from transaction date and annually to investors in the case of bonds, and to lenders in the case of loans, and publish the information via its corporate sustainability website and/or Annual integrated Report.

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|---|---|
| <input type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND SBP

- (i) **Consultant Review:** An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental sustainability or other aspects of the issuance of a Green Bond, such as the establishment/review of an issuer's Green and Social Bond framework. "Second opinions" may fall into this category.
- (ii) **Verification:** An issuer can have its Green/Social Bond, associated Green/Social Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria.
- (iii) **Certification:** An issuer can have its Green/Social Bond or associated Green/Social Bond framework or Use of Proceeds certified against an external green assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- (iv) **Rating:** An issuer can have its Green/Social Bond or associated Green/Social Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Green/Social Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Green/Social Bond frameworks / programmes.

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GLP AND SLP

- (i) **Consultant review:** a borrower can seek advice from consultants and/or institutions with recognised expertise in environmental sustainability or other aspects of the administration of a green/social loan. "Second party opinions" may also fall into this category.
- (ii) **Verification:** a borrower can have its green/social loan, associated green/social loan framework, or underlying assets independently verified by qualified parties, such as auditors or independent ESG rating providers. In contrast to certification, verification may focus on alignment with internal standards or claims made by the borrower.
- (iii) **Certification:** a borrower may have its green loan or associated green/social loan framework certified against an external assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties/certifiers.
- (iv) **Rating:** a borrower can have its green/social loan or associated green/social loan framework rated by qualified third parties, such as specialised research providers or rating agencies.

Appendix 3: Hong Kong Quality Assurance Agency (HKQAA)

Local Excellence, Global Perspective

Established by Hong Kong Government in 1989, Hong Kong Quality Assurance Agency (HKQAA) is a non-profit public organisation committed to introducing international management standards, promoting good management practices and sustainability in Greater China for decades. As one of the leading conformity assessment organisations in the region, HKQAA not only provides certification, assessment, registration, training and research services to help organisations enhance management performance and competitiveness, but also develops a wide range of good management practices and related criteria to cope with increasingly diversified market demands and the growing need for sustainable development, fostering a better environment and bringing benefits to the community.

Ample Experience in Fostering Sustainable Economy

In recent years, sustainability has become one of the key forces driving organisations towards a prolonged success. To support and encourage them to walk the talk, HKQAA has developed diverse services and obtained ample experience in the field of social responsibility, environmental protection, sustainability and responsible investment:

- With the initial support of **The Hongkong and Shanghai Banking Corporation Limited (HSBC)**, HKQAA introduced the **CSR Index** to provide quantitative metrics to measure organisations' maturity level in practicing their social responsibilities in 2008;
- HKQAA has been **the only Hong Kong organisation accredited as the Designated Operational Entity (DOE)** by the Executive Board of the Clean Development Mechanism (CDM) under the United Nations Framework Convention on Climate Change (UNFCCC) to deliver CDM validation and verification services since 2011;
- HKQAA has been providing assessment and rating services on companies' sustainability performance for the **Hang Seng Corporate Sustainability Index Series** since 2014;
- Since 2017, our expert has been nominated by the **Innovation and Technology Commission of the HKSAR Government** and the **China National Institute of Standardization** respectively to directly take part in the technical committee of ISO/ TC 207/SC 4 and the working group of **ISO/TC 207/SC 4/ WG 7** to develop **ISO 14030 Green bonds – Environmental performance of nominated projects and assets**;
- Since 2018, HKQAA has been admitted as an **Observer of the Green Bond Principles (GBP) under the International Capital Market Association (ICMA)**;
- Since 2018, HKQAA has become an **approved verifier under the Climate Bonds Standard**.

Contact HKQAA

Website: <http://www.hkqaa.org>