



**Policy**

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**Responsible Investment**

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## A. Objective

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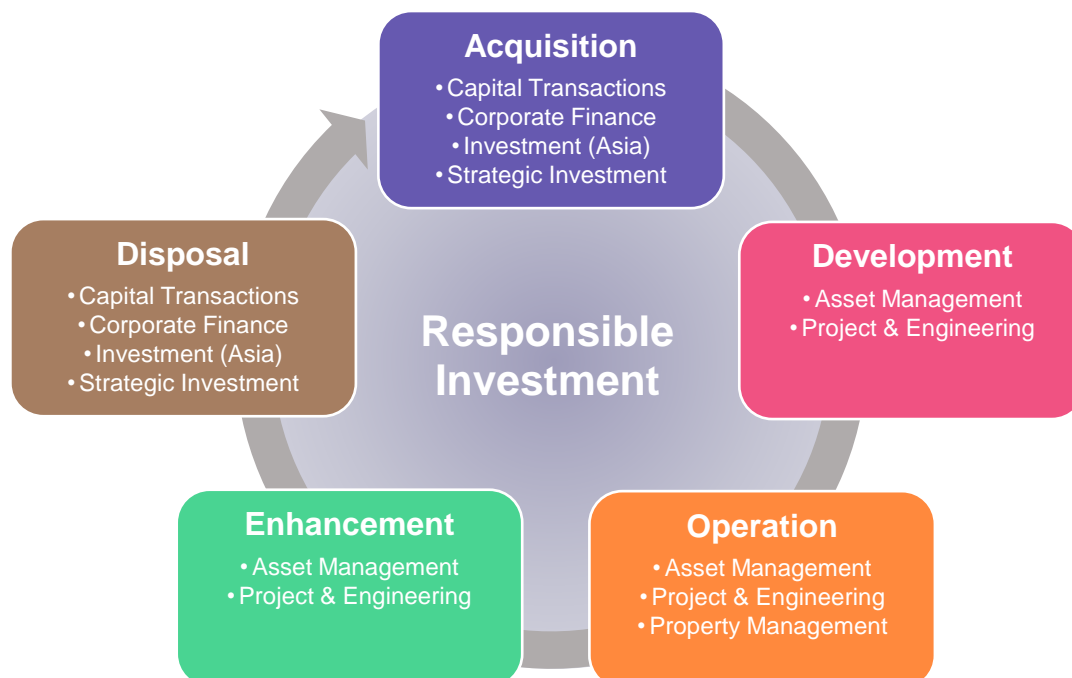
- As a world class real estate investor and manager that extends its portfolio growth trajectory across different asset classes and markets, Link Asset Management Limited (“**Link**”) recognises its fiduciary duty to uphold the principles of responsible investment throughout the real estate asset (“**asset**”) life cycle.
- The objectives of Responsible Investment Policy (“**This Policy**”) are to:
  - Define Link’s Responsible Investment (“**RI**”) Strategy that is in line with the Principles underpinned by the United Nations Principles for Responsible Investment (“**UN PRI**”).
  - Incorporate key sustainability criteria in Link’s investment decision-making and management actions so that we future proof our real estate portfolio against identified and anticipated risk exposures.

## B. Policy Scope

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- This Policy sets out the overarching framework for Link’s investment management process, which includes asset acquisition, development, operation, enhancement, and disposal. The investment may be a sole Link investment, or other forms as permitted by the REIT Code, such as joint ventures and co-ownership investment arrangements.
- As a UN PRI signatory since 2017, Link recognises that adopting the six Principles, where consistent with our fiduciary responsibilities, would better align our investment activities with the broader interests of society.
  - **Principle 1:** We will incorporate ESG issues into investment analysis and decision-making process.
  - **Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.
  - **Principle 3:** We will seek appropriate disclosures on ESG issues by the entities in which we invest.
  - **Principle 4:** We will promote acceptance and implementation of the Principles within the investment industry.
  - **Principle 5:** We will work together to enhance our effectiveness in implementing the Principles.
  - **Principle 6:** We will each report on our activities and progress towards implementing the Principles.
- Guided by our Business as Mutual ethos, the following are ESG priorities to be integrated into decision-making process across Link’s real estate investment and management activities:
  - Net Zero pathway;
  - Climate change resilience;
  - Resources management;
  - Health and wellbeing; and
  - Community enrichment.
- Implementation of this Policy is the shared responsibility among business units across all regional centres, primarily but not limited to:

- Capital Transactions, Corporate Finance, Investment (Asia), and Strategic Investment (collectively, “**Investment teams**”);
- Asset Management (HK & ML China) (collectively, “**AM**”);
- Project & Engineering (HK & ML China & International) (collectively, “**P&E**”); and
- Sustainability & Risk Governance (“**S&RG**”).



- Our Finance and Investment Committee (“**FIC**”) has delegated authority from the Board to endorse Link’s investment processes for its approval, of which any underlying environmental, social, and governance (“**ESG**”) risks, opportunities, and potential impacts to our business to be considered alongside other financial factors.
- This Policy will be reviewed on a regular basis considering any regulatory and statutory changes, industry best practices in relevant guidelines and standards, as well as major organisational changes, or at a minimum, every three years.

## C. Policy Content

### 1. Asset Enhancement and Development

- Our asset enhancement (“**AE**”) and development projects unlock vast investment opportunities to shape a sustainable built environment at the site level. Beyond that, we believe a truly sustainable investment programme shall deliver strategic (re)positioning to tenants, enhanced financial returns to investors, as well as tangible and quantified positive impacts to the environment and society.
- We thereby see the need to collate Link’s sustainability-related capital expenditure (“**CAPEX**”) invested across the portfolio, then quantify the respective return on investment and disclose the impact where appropriate.
- For new development and major AE projects (>HK\$60M), AM shall present sustainability-related CAPEX spending, proportion, and cost implications in the FIC paper. This process

will be supported by P&E and S&RG in providing technical guidance, then subject to FIC's endorsement and the Board's approval.

- We anticipate a ramp-up in sustainability-related CAPEX allocation would be needed to meet upcoming ESG goals, especially for achieving net-zero operations by 2035 and science-based net-zero targets by 2032 and 2050 ultimately. Link will actively seek for financing opportunities, where aligned with the use of proceeds outlined in our [Sustainable Finance Framework](#) (“SFF”) to support sustainability enhancement upgrades moving forward and at potential lower cost of capital.
- New developments seek to incorporate the highest sustainability standards feasible, while major AE projects shall at a minimum ensure assets could meet current best practices and evaluate strategies for improving sustainability performance. Areas of focus may include but not limited to the following:
  - Energy efficiency;
  - Renewable energy;
  - Water efficiency;
  - Waste reduction;
  - Climate change adaptation;
  - Clean transportation;
  - Affordable basic infrastructure;
  - Health and wellbeing; and
  - Placemaking.
- We believe that the following areas are of high relevance to the contribution of sustainability premium throughout Link's asset life cycle. P&E shall communicate with external consultants to review potential in attempting during AE or development stages:
  - Recognised third-party building certification schemes and rating systems; and
  - Building life cycle assessment that accounts for embodied energy and carbon.<sup>1</sup>

## 2. Asset Acquisition

- A portion of Link's portfolio growth stems from strategic asset acquisition. Considering ESG factors at early stage of transactions enables us to prepare ahead for growing regulatory requirements and investor demands, and more importantly, develop robust action plans to follow up after purchase.
- Categorized by nature / extent of impact, Link identifies key sustainability metrics to inform FIC endorsement decisions and AM management actions during acquisition phases. The checklist guiding questions are designed to complement our existing technical due diligence (“TDD”) scope with a sustainability lens. Areas of focus include:
  - Statutory and regulatory compliance on technical and ESG-related requirements;
  - Physical climate risk exposure and mitigation efforts;

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<sup>1</sup> Life Cycle Assessment (LCA) of a building normally involves evaluating its whole life cycle in the stages of raw material supply, manufacture of construction products, construction process, use phase, demolition and when the materials are disposed of or recycled. Embodied impact (energy and greenhouse gas emissions) released from the construction materials are assessed.

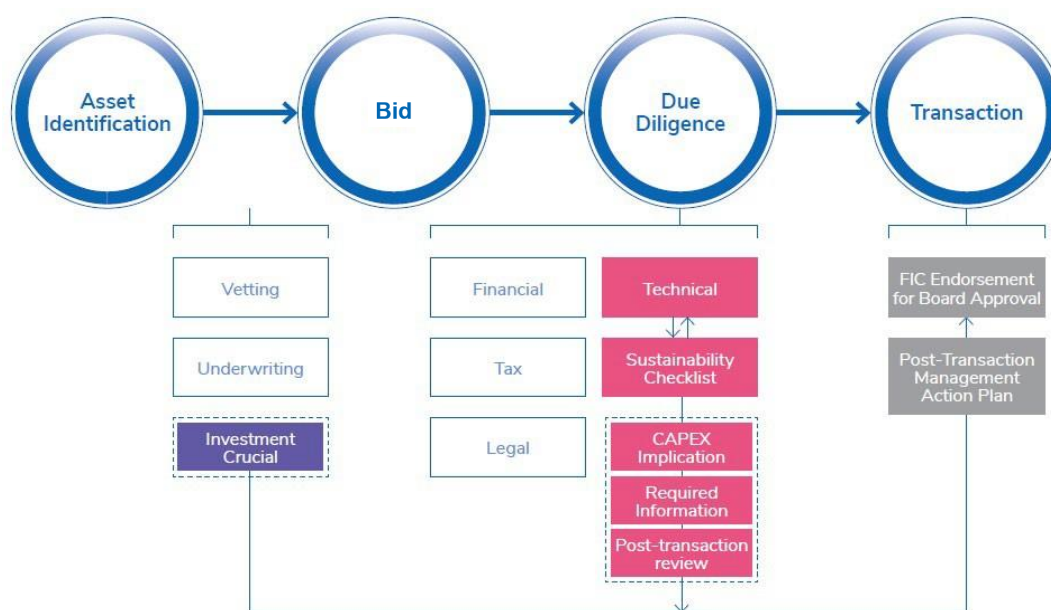
- Land use and biodiversity;
  - Energy and water use and carbon emissions;
  - Waste management;
  - Third-party sustainability certification schemes and rating systems;
  - ESG commitments of building users;
  - Accessibility; and
  - Heritage.
- Investment teams shall instruct their external consultants to gather material sustainability information of target acquisitions during TDD.
  - As the scope and extent of TDD may vary from deal to deal depending on factors such as the asset class, geography, deal size, and desired deal closing speed, at a minimum, the Investment Crucial criteria shall be considered and reviewed for each deal. The remaining criteria shall be complied with where applicable to each specific deal. A summary of the TDD categories are listed in *Table 1* below.

*Table 1 TDD Categories*

<b>Investment Crucial</b>	<ul style="list-style-type: none"> <li>• Items that may create a material impact on an acquisition decision from the standpoint of regulatory compliance and/or financial compatibility.                             <ul style="list-style-type: none"> <li>- Investment teams should undertake a preliminary assessment on all Investment Crucial items by means of vendor engagement and/or desktop research for any target acquisitions.</li> <li>- In case the items are not fulfilled at a satisfactory level and may lead to a material negative impact on the pricing and predicted returns, deal renegotiation or termination may be considered. Unless otherwise endorsed by FIC and approved by the Board, remediation actions including in-depth assessment and post-transaction management action plans must be executed.</li> </ul> </li> </ul>
<b>CAPEX Implications</b>	<ul style="list-style-type: none"> <li>• Items that may require short-, medium-, and long-term CAPEX after acquisition.                             <ul style="list-style-type: none"> <li>- Investment teams shall work with external consultants to include material sustainability-related CAPEX forecast within TDD scope of work.</li> <li>- Such forecast should be incorporated into subsequent business plans.</li> </ul> </li> </ul>
<b>Required Information</b>	<ul style="list-style-type: none"> <li>• Information that should be provided as a minimum.</li> </ul>

<b>Post-transaction Review</b>	<ul style="list-style-type: none"> <li>Items that may facilitate a smooth transition of ownership and post-acquisition management.             <ul style="list-style-type: none"> <li>Although the items may not be as critical from an investment standpoint, requesting them during TDD would avoid duplicated actions undertaken by the previous owner(s).</li> <li>Understanding the asset's committed ESG efforts at an early stage would also be helpful for Link to plan for portfolio strategy ahead.</li> </ul> </li> </ul>
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- S&RG and P&E shall provide in-house technical advisory support to Investment teams and AM, where needed, for incorporating sustainability criteria into decision-making process.
- Where a material acquisition by deal size and/or investment arrangement occurs, a robust ESG due diligence shall be pursued as advised by Investment teams.
- The flowchart below summarises Link's approach framework of sustainability integration during acquisition phases.



### 3. Operational Control

- The extent of our asset-level management intensity largely depends on our operational control. Operational control is defined as having the authority to introduce and implement operating policies and procedures for the asset.<sup>2</sup>
- When an asset is owned as part of a joint venture with operational control, we ensure there is alignment of ESG strategy, execution, and management intensity between co-owner(s) and manager to drive sustainability initiatives. Whereas for assets without

<sup>2</sup> In accordance with the definition of Greenhouse Gas Protocol Corporate Standard

operational control, our sustainability management intensity would remain at a lower level, primarily focused on high-level engagement and ESG data disclosures.

*Table 2 Management Intensity Based on Operational Control*

Ownership Structure	Management Intensity
Full ownership	• • • • •
Partial interest / joint venture <i>with</i> operational control	• • • •
Partial interest / joint venture <i>without</i> operational control	• •

- For any outsourced property management services at Link’s assets, we prioritise credible and like-minded business partners who have a track record and expertise of local legislative compliance, tenant engagement, ability to collect sustainability data, provision of staff training programmes, and sustainability procurement practices. They are expected to demonstrate sustainability commitments as stated in the property management agreements. Where Link has operational control, regular meetings will be held between AM and the external property manager to align expectation, stimulate discussion, expedite actions, and monitor progress. At minimum, however, they are required to share ESG data as requested by Link for reporting purposes.
- In case of a change in equity stake or other investment arrangements leading to a change in an asset’s operational control as defined by Link, a transition period of 6 months, unless otherwise stated, shall be permitted to cater for the necessary resources allocation for sustainability matters.

#### 4. Asset Disposal

- Alongside financial and legal aspects, Investment teams, P&E, and S&RG shall facilitate a smooth handover with buyer(s) on technical and sustainability-related items:
  - Manage Request for Information (“**RFI**”), including but not limited to full sets of building plans, engineering schematic drawings and layout plans, operation manuals, and green/ sustainable building certificates where available;
  - Maintain transparency of information and data sharing during TDD; and
  - Enable post-transaction communication including transfer of data and details of initiatives related to the ESG performance of the specific asset(s).