

Second Party Opinion

## Link REIT's Sustainable Finance Framework

Feb. 7, 2022

Link REIT is a retail-focused real estate investment trust based in Hong Kong. As of Sept. 30, 2021, Link's portfolio consisted of a gross floor area of 4.8 million square meters across 143 properties in areas including retail, offices, car parks, logistics, and other assets. In its portfolio, Hong Kong accounted for 78% of asset value, China 17%, and overseas assets 5%. In terms of asset type, retail accounted for 72% of the total; offices 10%; and car parks, logistics, and other assets 18%.

Our assessment covers only the sustainability-themed financing section of Link's sustainable finance framework.

In our view, this section of Link's sustainable finance framework, published in February 2022, is aligned with:

- ✓ Social Bond Principles (SBP), ICMA, 2021
- ✓ Social Loan Principles (SLP), LMA/LSTA/APLMA, 2021
- ✓ Green Bond Principles (GBP), ICMA, 2021
- ✓ Green Loan Principles (GLP), LMA/LSTA/APLMA, 2021
- ✓ Sustainability Bond Guidelines (SBG), ICMA, 2021

### Issuer's Sustainability Objectives

Link's sustainability strategy is grounded in the company's view that it is only as sustainable as the ecosystems in which it operates, and that its stakeholders' and its success are mutually dependent. To that extent, the company has developed what it calls its "Business as Mutual" management model, which encourages cooperation with the company's stakeholders (including tenants, communities, non-governmental organizations, employees, business partners, and investors) to address collectively and efficiently issues, both local (such as waste) and global (including climate change).

The company focuses on six dimensions (placemaking, financial, talent, relationship, innovation, and environmental). It has identified these dimensions as cornerstones of its long-term viability.

In more detail, Link commits to improvement in 13 material ESG areas that support its sustainability strategy. These include, but are not limited to, energy efficiency, waste management, climate change resilience and adaptation, health and wellbeing, responsible investment, community development, and business integrity and compliance.

Link has developed a sustainable finance framework to align its funding terms with its sustainability strategy.

**PRIMARY ANALYST**

**Chloe Lin**  
Singapore  
+65 6216 1107  
chloe.lin  
@spglobal.com

**SECONDARY ANALYST**

**Bertrand Jabouley**  
Singapore  
+65 6239 6303  
bertrand.jabouley  
@spglobal.com

## Second Party Opinion Summary

### Use of proceeds

**Alignment**  Link's sustainable finance framework is aligned with this component of the GBP, GLP, SBP, SLP, and SBG.

**Score** Not aligned Aligned **Strong** Advanced

Link's commits to utilizing the net proceeds of financing instruments issued under its sustainable finance framework exclusively to finance projects meeting eligible green and social project categories that support GBP's and GLP's environmental objectives, and SBP's and SLP's social objectives.

### Process for project evaluation and selection

**Alignment**  Link's sustainable finance framework is aligned with this component of the GBP, GLP, SBP, SLP, and SBG.

**Score** Not aligned **Aligned** Strong Advanced

Link's sustainable finance framework outlines the process for ensuring selected projects meet eligibility criteria. Link's sustainability committee is responsible for project screening and evaluation, while identifying and managing potential environmental and social risks under the guideline of Link's group risk management framework.

### Management of proceeds

**Alignment**  Link's sustainable finance framework is aligned with this component of the GBP, GLP, SBP, SLP, and SBG.

Link will deposit the net proceeds from financing instruments in a general funding account and maintain a register to track and monitor allocation of proceeds. The company will hold unallocated proceeds in accordance with its liquidity guidelines.

### Reporting

**Alignment**  Link's sustainable finance framework is aligned with this component of the GBP, GLP, SBP, SLP, and SBG.


**Score** Not aligned **Aligned** Strong Advanced

Link commits to reporting the proceeds allocation, expected and/or actual environmental and social impacts of eligible projects annually until the proceeds' full allocation. The company will make this information available on its website and in its annual integrated report.

# Framework Assessment

## Use of proceeds

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For use of proceeds, we consider the commitments and clarity on how the proceeds are used.

 Link’s sustainable finance framework is aligned with this component of the GBP, GLP, SBP, SLP, and SBG.

### Commitments score

Not aligned    Aligned    **Strong**    Advanced

We consider Link’s overall use of proceeds commitments to be strong.


Link commits to allocating the net proceeds of financing instruments exclusively to eligible green and social projects. The framework identifies key environmental objectives and articulates the perceived environmental benefits associated with all seven green project categories. Eligible green project categories include green buildings, energy efficiency, renewable energy, pollution prevention and control, climate change adaption, clean transportation, and sustainable water and wastewater management. Each eligible project category supports at least one of GBP’s and GLP’s environmental objectives. For instance, renewable energy contributes to climate change mitigation by reducing reliance on fossil fuels for power generation.

Link lists the key objectives, clearly identifies target populations (relying on local authorities’ definition when possible) and the perceived social benefits for all social project categories. These categories contribute to SBP’s and SLP’s social objectives of affordable basic infrastructure, socioeconomic advancement and empowerment, and access to essential services. For example, promoting local employment contributes to the socioeconomic advancement and empowerment of target populations.

The company commits to disclosing the share of financing and refinancing in the use of proceeds, with a maximum look-back period of 24 months for refinanced projects.

## Process for project evaluation and selection

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For our process for project selection and evaluation, we consider the commitments and clarity on the process used to evaluate and select eligible projects to fund with the proceeds of the sustainable finance instrument.

 Link’s sustainable finance framework is aligned with this component of the GBP, GLP, SBP, SLP, and SBG.

### Commitments score

Not aligned    **Aligned**    Strong    Advanced


We consider Link’s overall process for project selection and evaluation commitments to be aligned.

Link describes how the company ensures selected projects are eligible. During this process, the sustainability team will work with Link’s operating units, including the investment, and project and operations teams, to select green and social projects. Link’s sustainability committee, comprising senior staff across its business or an appointed internal manager with relevant technical expertise, will assemble monthly and review the selected projects against eligibility criteria before the head of sustainability & risk governance grants the final approval.

The sustainability committee will abide by Link’s wider risk management policies (the company’s “Risk Management 360 Framework”), to identify and manage potential environmental and social risks associated with the financed projects.

## Management of proceeds

The Principles require disclosure of the issuer's management of proceeds from sustainable finance over the life of the funding. The alignment opinion focuses on how clear in the documentation is the issuer's commitment to ensure that the funds raised will remain dedicated to eligible sustainability projects throughout the life of the sustainable finance funding.

 Link's sustainable finance framework is aligned with this component of the GBP, GLP, SBP, SLP, and SBG.

The company commits to earmarking sustainable funds raised for eligible projects, while maintaining a register to monitor the invested proceeds. The register will record information on funding transactions, descriptions of the financed projects, the remaining balance of unallocated proceeds, and the temporary management of unallocated proceeds. In the event of divestment or if a project ceases to be eligible, Link will reallocate the related proceeds to other eligible projects as soon as possible.

Link will hold unallocated net proceeds as per its liquidity guidelines, including short-term deposits and investments. The company will not invest these funds in projects that conflict with the eligibility criteria specified within the framework. The company aims to fully allocate the net proceeds of each financing instrument on a timely basis.

## Reporting

The Principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as aligned, strong, or advanced. We consider plans for updates on the sustainability performance of the issuer for general purpose funding, or the sustainability performance of the financed projects over the lifetime of any dedicated funding, including any commitments to post-issuance reporting.

 Link's sustainable finance framework is aligned with this component of the GBP, GLP, SBP, SLP, and SBG.

## Disclosure score

Not aligned

**Aligned**

Strong

Advanced

We consider Link's overall reporting practices to be aligned.

Link commits to reporting on allocation and impact reporting at least annually until the full proceeds allocation. The company will disclose these elements in its annual integrated report and on its corporate website.

In its allocation reporting, Link will report matters such as the amount allocated to each project category, the balance of unallocated proceeds, selected examples of projects financed by the net proceeds, and the share of financing and refinancing.

Link will report metrics on the estimated and/or actual environmental and social impacts of financed projects, including energy intensity, amount of renewable energy generated, number of electric vehicle charging stations installed, percentage of local employment, and other indicators. The company will also disclose relevant methodologies used to calculate quantitative impact indicators. In line with market practices for social projects, Link will mainly count factors such as the numbers of beneficiaries, rate of local employment created, and percentage of properties fitted with basic barrier-free access facilities, rather than improvements in the well-being of target populations.

While the information on Link's sustainability website is reviewed by an independent third party, it is unclear whether it will specifically review the impact indicators of invested projects.

## Second Party Opinion

Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P) receives compensation for the provision of the Sustainable Financing Opinions product (Product). S&P may also receive compensation for rating the transactions covered by the Product or for rating the issuer of the transactions covered by the Product. The purchaser of the Product may be the issuer.

The Product is not a credit rating, and does not consider credit quality or factor into our credit ratings. The Product does not consider, state or imply the likelihood of completion of any projects covered by a given financing, or the completion of a proposed financing. The Product encompasses Second Party Opinions and Transaction Evaluations. Second Party Opinions consider features of a financing transaction and/or financing framework and provide an opinion regarding alignment with certain third-party published sustainable finance principles and guidelines ("Principles"). For a list of the Principles addressed by our Second Party Opinions, see the Analytical Approach and Analytical Supplement, available at [www.spglobal.com](http://www.spglobal.com). Transaction Evaluations provide an opinion which reflects our assessment of the potential relative environmental benefit of the funded or resilience projects. The Product is a statement of opinion and is neither a verification nor a certification. The Product is a point in time evaluation reflecting the information provided to us at the time that the Product was created and published, and is not surveilled. The Product is not a research report and is not intended as such.

S&P's credit ratings, opinions, analyses, rating acknowledgment decisions, any views reflected in the Product and the output of the Product are not investment advice, recommendations regarding credit decisions, recommendations to purchase, hold, or sell any securities or to make any investment decisions, an offer to buy or sell or the solicitation of an offer to buy or sell any security, endorsements of the suitability of any security, endorsements of the accuracy of any data or conclusions provided in the Product, or independent verification of any information relied upon in the credit rating process. The Product and any associated presentations do not take into account any user's financial objectives, financial situation, needs or means, and should not be relied upon by users for making any investment decisions. The output of the Product is not a substitute for a user's independent judgment and expertise. The output of the Product is not professional financial, tax or legal advice, and users should obtain independent, professional advice as it is determined necessary by users.

While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Product. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for reliance of use of information in the Product, or for the security or maintenance of any information transmitted via the Internet, or for the accuracy of the information in the Product. The Product is provided on an "AS IS" basis. S&P PARTIES MAKE NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, INCLUDED BUT NOT LIMITED TO, THE ACCURACY, RESULTS, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE WITH RESPECT TO THE PRODUCT, OR FOR THE SECURITY OF THE WEBSITE FROM WHICH THE PRODUCT IS ACCESSED. S&P Parties have no responsibility to maintain or update the Product or to supply any corrections, updates or releases in connection therewith. S&P Parties have no liability for the accuracy, timeliness, reliability, performance, continued availability, completeness or delays, omissions, or interruptions in the delivery of the Product.

To the extent permitted by law, in no event shall the S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence, loss of data, cost of substitute materials, cost of capital, or claims of any third party) in connection with any use of the Product even if advised of the possibility of such damages.

S&P maintains a separation between commercial and analytic activities. S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

For PRC only: Any "Sustainable Financing Opinions" or "assessment" assigned by S&P Global Ratings: (a) does not constitute a credit rating, rating, sustainable financing framework verification, certification or evaluation as required under any relevant PRC laws or regulations, and (b) is not intended for use within the PRC for any purpose which is not permitted under relevant PRC laws or regulations. For the purpose of this section, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.

Copyright © 2022 by Standard & Poor's Financial Services LLC. All rights reserved.