

Sustainable Finance Framework

4 February 2022

領展
LINK

1. Introduction

1.1 About Link

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

We invest and manage a diversified portfolio comprising retail facilities, car parks and offices. With our home in Hong Kong, our properties are located in Hong Kong, Beijing, Shanghai, Guangzhou, Shenzhen, London and Sydney. We seek to extend our portfolio growth trajectory and grasp expansion opportunities in different markets in pursuit of being a world class real estate investor and manager.

Listed in Hong Kong Stock Exchange since 2005, we are a constituent stock of the Hong Kong benchmark Hang Seng Index, the Hang Seng Corporate Sustainability Index (HSSUS), and leading international indices Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific) and FTSE4Good.

Our Vision

To be a world class real estate investor and manager serving and improving the lives of those around us.

Our Mission

Building relationships with our stakeholders through

- Providing value and quality service
- Partnering with local communities
- Delivering sustainable growth

Our Values

Managing and operating our business with

- Respect
- Excellence
- Integrity
- Teamwork

1.2 Governance

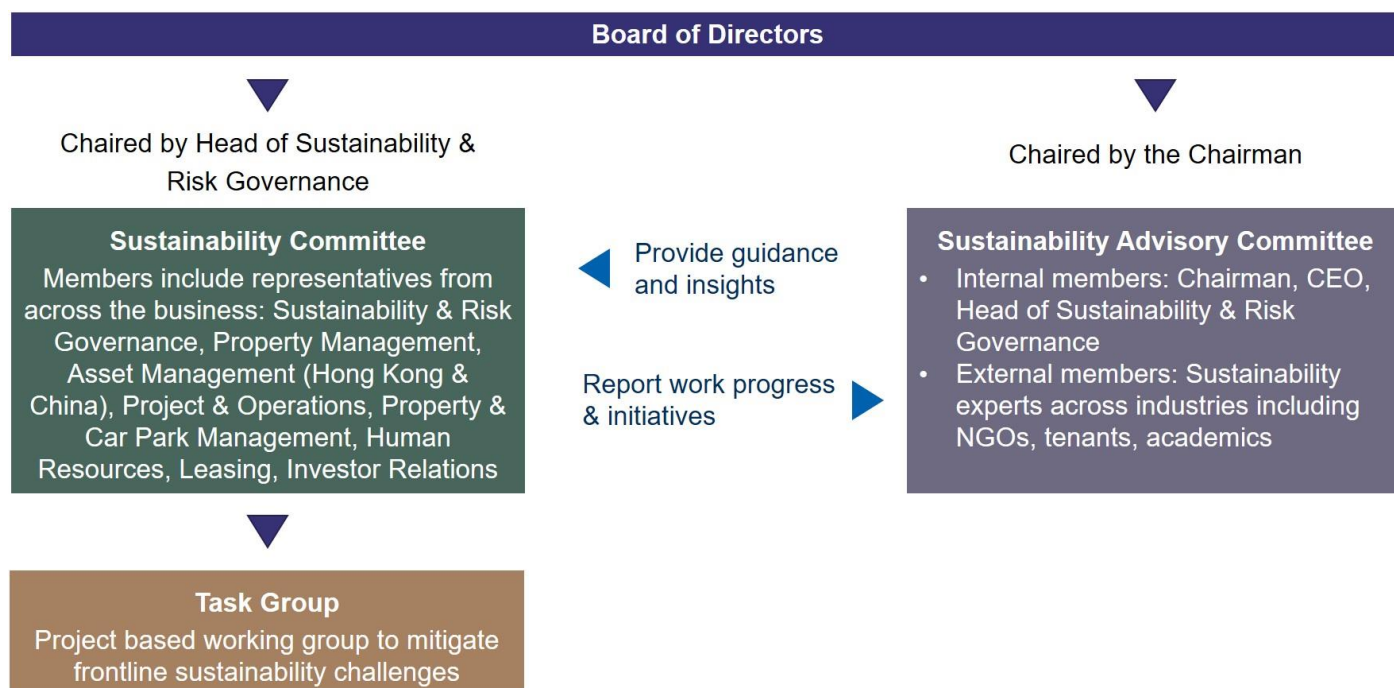
Link believes responsible governance transcends mere regulatory compliance and into a value embedded within our business operation. Link has a strong, independent and effective Board, which leads and provides insights to management, sets strategy and risk appetite proposed by management, and monitors business progress against agreed business targets.

Sustainability Governance Structure

Our Link’s Board has oversight of Environmental, Social and Governance (ESG) issues, as well as overall responsibility for Link’s ESG strategy and reporting. The Board is supported by Link’s Sustainability Advisory Committee, which is chaired by the Board Chairman and comprises sustainability experts from academia and across industries. The Advisory Committee convenes semi-annually and provides an additional channel for constructive feedback on sustainability matters from the external community.

At the management level, the Sustainability Committee, chaired by the Head of Sustainability & Risk Governance, oversees Link’s sustainable development. The Committee meets monthly, acts as custodian for the sustainability strategy, and comprises senior staff from all areas of the business to oversee programme deliverables. The senior staff are tasked with project identification, target setting and related performance indicators and the supervision of the activities and resources to achieve project purpose.

Link regularly establishes project-based task groups to better identify and manage frontline sustainability challenges. To exemplify our Culture of Excellence, these task groups are made intergenerational and interdepartmental to help integrate good practices in our operation, as well as reinforce a sustainability culture by grooming future leaders across different business units. One example is our Net Zero Task Group.



Risk Management

Risk management plays a key role in enabling Link’s business strategy and planning discussions. Our Risk Management 360 (RM360) framework outlines how Link organises and applies risk management practices to ensure that all activities are conducted in line with the principles and limits mandated by the Group Risk Management Policy.

The risk management process is aligned to our Group Strategy and each principal risk and uncertainty is considered in the context of how it relates to the achievement of the Group’s strategic objectives. This comprehensive process is designed to identify key risks, including ESG risks, and provide assurance that they are fully understood and managed within Management’s risk appetite.

RM 360 focuses on implementing an integrated approach to managing current and emerging risks and opportunities. It nurtures a culture of active risk ownership by mirroring Link’s target operating model and requiring each business and functional area to be responsible for the ongoing identification, assessment and management of their existing and emerging risks. This empowers business units and individual Linkers to monitor risk and execute defined mitigation strategies when needed.

1.3 Sustainability Strategy

Link’s sustainability strategy reflects the clear understanding that Link is only as sustainable as the communities and environments in which we are located and operate within. The incorporation of the six capitals: Placemaking, Financial, Talent, Relationship, Innovation and Environmental, in our daily operations, ensures we continue to create and deliver long-term value. This underlying premise remains core to our business objectives and drives how we govern our business operations, manage our social and environmental footprints and, how we engage with our stakeholders and broader society.

Link's sustainability strategy gives a clear line of sight across the organisation that partners with our established governance infrastructure and risk management programme. This effectively embeds sustainability into business units and organisational functions to provide robust and disciplined ESG policies and management decision making.

The sustainability strategy is purposed to evolve with the maturing of the organisation. Driving this resilience is our Business as Mutual (BAM) management model¹ which frames our business operations as a dynamic ecosystem of interacting capitals, stakeholders and market events that co-operate to achieve mutual shared value as an outcome. At Link, we recognise the best approach to address contemporary challenges—from local issues such as waste management to global agenda like climate change—is to align the efforts of multiple stakeholders. By doing so, we can better identify the risks, opportunities and the broader social expectations on common material issues with our stakeholders, which enables more informed decision making and strategic feedback.

Driven by BAM, we measure and report our efforts and performance in material ESG focus areas² that are relevant to Link's Sustainability Strategy, which include but are not limited to:

Environment

- Green building
- Energy use efficiency and/ or reduction
- Emissions reduction
- Renewable energy
- Water consumption reduction
- Waste, materials and resource management

Social

- Enhancing stakeholder engagement
- Employee, tenant, community satisfaction
- Enabling social mobility
- Promoting diversity

Governance

- Business Integrity and Compliance
- Board Governance
- Risk management
- Climate resilience
- Reporting in alignment to recognised ESG standard, guideline or frameworks
- Improvement in externally rated sustainability performance

Link deploys three lines of defence embedded within the governance framework to drive the vertical integration of the strategy and programme.

Internal Controls and Operations Management

This front-line defence sets out clear policies and procedures. Experienced management teams are tasked with the leadership, ethics and systems that ensure internal alignment to the governance control framework. This includes setting specific departmental/functional ESG targets and performance indicators, competency training and the monitoring and reporting of activities.

Risk Management and Compliance

¹ <https://www.linkreit.com/en/sustainability/business-as-mutual/>

² <https://www.linkreit.com/en/sustainability/our-approach-and-performance/>

This second line of defence monitors enterprise-wide risk management and compliance including the assessment, control mechanisms, mitigating actions and improvement of programme. The Board oversees management through its committees, corporate values and culture and the reward of correct behaviours.

Internal Audit

The internal audit function carries out independent reviews of key business processes and controls including ESG linked undertakings. This line of defence provides the assurance on the adequacy of controls with recommendations for improvement where needed.

This three-tiered structure for governance and risk management is foundational to Link's sustainability finance compliance programme in that it closely drives and tracks our performance as a company, more specifically through the committed ESG targets and the systems used. It also provides transparency of actions and the disciplined and independent audit of how we manage our sustainable finance portfolio.

2. Sustainable Finance Framework Overview

Link's Sustainable Finance Framework (the "Framework") has been developed as an update of its 2016 Green Bond Framework, and to demonstrate how Link and its subsidiaries (together the "Group") intend to enter into Sustainable Financing Transaction(s) ("SFT(s)") to support the implementation of Link's sustainable strategy.

The Group may issue different types of SFTs:

- **Use of proceeds financing instruments** where the proceeds of the financing instruments can be earmarked to Eligible Projects as defined in the Use of Proceeds section under Sustainability-themed Financing in Section 3.
- **Sustainability Linked financing instruments** where Link is incentivised to meet ambitious Sustainability Performance Target(s) ("SPT(s)") as defined under Sustainability Linked Financing in Section 4.

SFTs may include the following debt instruments:

- Green, Social and Sustainability Bonds, as well as Green and Social Loans;
- Sustainability-Linked Bonds and Loans;
- Any other financing instruments (including but not limited to Private Placements, Revolving Credit Facilities, Bank Loans and Commercial Paper and equity linked structures) that may be designated under this Framework.

SFTs may be issued in any currency and for any tenor and may include other terms and conditions (including covenants) to reflect the financing strategy and plans of the Group, as well as the outcome of the commercial discussions between the Issuer/Borrower and Manager/Arranger/Lender.

SFTs may be issued in any jurisdiction and market reflecting the Group's current and future business needs.

This Framework is developed in alignment with best market practice in the international capital markets that facilitate access to ESG based financial instruments and to finance our organisation wide target to achieve net-zero emissions by 2035. The Framework adopts the principles and/or guidelines published by the International Capital Market Association (ICMA), and Loan Market Association (LMA)/ Asia Pacific Loan Market Association (APLMA)/ Loan Syndications & Trading Association (LSTA) as specified in Section 3 and 4, as well as allowing other market recognised and accepted principles for issuing such instruments.

The Framework may be updated from time to time to include other sustainable debt instruments that may be issued in the future. Link retains the option to issue ESG financial instruments separate from this Framework, where deemed appropriate.

3. Sustainability-themed Financing

Green, Social and Sustainability Bonds as well as Green and Social Loans (“Sustainability-themed Transactions”) belong to use of proceeds instruments where funds borrowed are used exclusively to finance or refinance assets, projects or activities that contribute to sustainability and the transition to a Net-Zero economy as well as an inclusive society.

With respect to bonds, issuance under Sustainability-themed Financing will be aligned as appropriate for the type of bond issued, with the: Green Bond Principles (GBP)³, 2021, Social Bond Principles (SBP)⁴, 2021 and Sustainability Bond Guideline (SBG)⁵, 2021 or as they may be subsequently amended.

For loans under Sustainability-themed Financing, transactions will be aligned with the Green Loan Principles (“GLP”)⁶, 2021 and Social Loan Principles (“SLP”)⁷, 2021 or as they may be subsequently amended.

Sustainability-themed Transactions will align with the following four core components as set out in Section 3 of this Framework below:

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of proceeds
4. Reporting

3.1 Use of Proceeds

Link is committed that the proceeds of each Sustainability-themed Transaction will be used exclusively for financing and/or refinancing projects, assets or activities that meet the eligibility criteria set out below. With respect to Green bonds and loans, potential use of proceeds will fall under the Environmental Projects outlined below. Potential use of proceeds for Social bonds and loans will fall under the Social Projects, also outlined below. Refinancing of Eligible Projects will have a look-back period of no longer than 24 months from the time of issuance.

Environmental Projects

Project type	Key Objectives	Environmental and Social Benefits	Eligibility Criteria
Green Building	<ul style="list-style-type: none"> • Climate Change Mitigation • Natural Resource Conservation • Pollution Prevention and Control 	<ul style="list-style-type: none"> • Optimise efficient use of energy, water, and other resources • Reduce the production of waste and prevent pollution • Enhance health and wellbeing 	<ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> ○ Hong Kong BEAM Plus – minimum certification of Gold; or ○ Hong Kong BEAM Plus EB – minimum Good rating; or

³ <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

⁴ <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

⁵ <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

⁶ https://www.lma.eu.com/application/files/9716/1304/3740/Green_Loan_Principles_Feb2021_V04.pdf

⁷ https://www.lma.eu.com/application/files/1816/1829/9975/Social_Loan_Principles.pdf

		<p>of stakeholders through better ventilation, lighting and air quality</p>	<ul style="list-style-type: none"> ○ 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)⁸ – 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. <ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● Climate Change Mitigation ● Climate Change Adaption 	<ul style="list-style-type: none"> ● Improve energy efficiency and reduce energy consumption. ● Capture and store atmospheric carbon dioxide 	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● Climate Change Mitigation 	<ul style="list-style-type: none"> ● Generate renewable energy and reduce GHG emissions ● Reduce the reliance on fossil fuels 	<ul style="list-style-type: none"> ● 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.

⁸ Official Full Name: Assessment Standard for Green Building GB/T 50378-2019

Pollution Prevention and Control	<ul style="list-style-type: none"> • Pollution Prevention and Control 	<ul style="list-style-type: none"> • Reduce waste water and waste, and prevent pollution • Optimise recycling and reduce the loss of resources 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Climate Change Adaption 	<ul style="list-style-type: none"> • Mitigate climate-related risks 	<ul style="list-style-type: none"> • Construction, repairment and/or operation of flood gates. • Costs related to improving drainage systems of existing properties.
Clean Transportation	<ul style="list-style-type: none"> • Climate Change Mitigation • Pollution Prevention and Control 	<ul style="list-style-type: none"> • Prevent pollution and reduce GHG emissions 	<ul style="list-style-type: none"> • Costs associated with installing, operating and/or repairing infrastructure supporting clean energy vehicles, such as charging ports for electric vehicles (EV).
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> • Natural Resource Conservation 	<ul style="list-style-type: none"> • Preserve water resource • Ensure water quality 	<ul style="list-style-type: none"> • Projects related to replacing leakage/obsolete water systems.

Social Projects

Project type	Key Objectives	Environmental and Social Benefits	Eligibility Criteria	Target Population Criteria ⁹
Affordable Basic Infrastructure	<ul style="list-style-type: none"> • Affordable basic infrastructure 	<ul style="list-style-type: none"> • Enhance mobility and access into and within properties for target populations 	<ul style="list-style-type: none"> • Project involving the creation or enhancement of barrier-free access (BFA) infrastructure in Link's malls or estates 	<ul style="list-style-type: none"> • Individuals with disabilities or ageing population as defined by the local authority¹⁰
Socioeconomic advancement and empowerment (Local Employment)	<ul style="list-style-type: none"> • Socioeconomic advancement and empowerment 	<ul style="list-style-type: none"> • Provide upskilling and trainings, reduce cost of living and transportation 	<ul style="list-style-type: none"> • Projects related to job placement to support local employment 	<ul style="list-style-type: none"> • Individuals and communities that are living below the poverty line

⁹ The Target Population will be the exclusive ultimate beneficiaries of the proceeds applied towards social projects under "Socioeconomic advancement and empowerment" project types.

¹⁰ For instance, the Hong Kong government defines "disabilities" in Cap. 487 Disability Discrimination Ordinance, which can be retrieved at https://www.elegislation.gov.hk/hk/cap487!en?INDEX_CS=N&xpid=ID_1438403263596_001. The definition of elders in Hong Kong can be found in the website of the Hong Kong Social Welfare Department at https://www.swd.gov.hk/en/index/site_pubsvc/page_elderly/sub_csselderly/id_seniorciti/.

		time for target populations		as defined by local authority ¹¹
Access to essential services (Placemaking)	<ul style="list-style-type: none"> • Access to essential services 	<ul style="list-style-type: none"> • Improving quality of life and independence for vulnerable groups¹² 	<ul style="list-style-type: none"> • Projects that expand access to health care¹³ and/or improve the wellbeing and independence of target populations 	<ul style="list-style-type: none"> • Vulnerable youth / aged / physically, mentally, or socially disadvantaged persons

3.2 Process for Project Evaluation and Selection

Link has established processes and procedures to ensure that projects are properly identified and assessed in compliance with this Framework. Under the direction of the Board, the Sustainability Committee oversees Link’s sustainable development. The committee comprises senior staff from all areas of the business to oversee programme. Please refer to Section 1.2 for further details.

The Eligible Projects are selected by Link’s sustainability team with input from operating units in accordance with Link’s Sustainable Framework, project risk analysis, and the eligibility criteria outlined above. On occasion, input from other teams including investment, project and operations may be consulted.

On a monthly basis, and before any new finance is raised, the Sustainability Committee (or appointed internal managers)¹⁴ will review the assets/projects included in the Sustainable Portfolio and confirm that they meet the criteria for inclusion. Per Link’s RM360 Framework, 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, including the Code of Conduct, Human Rights Policy and Sustainability Policy. Prior to the confirmation of the Sustainable Portfolio by the Sustainability Committee, each sub-category will have been signed off and approved against inclusion criteria for the individual category.

The confirmation on whether the project meets the criteria for inclusion in the Development Projects category of the Sustainable Portfolio will be the responsibility of the Head of Sustainability & Risk Governance. In case of divestment or an Eligible Project no longer meets the eligibility criteria, the proceeds will be allocated to other Eligible Projects as soon as practicable.

3.3 Management of Proceeds

An amount equal to the net proceeds of the financial instrument will be used to finance or refinance, in whole or in part, existing and future projects that are eligible per the eligibility criteria specified above.

¹¹ For instance, the definition of poverty in Hong Kong can be found in the Government’s “Hong Kong Poverty Situation Report 2020” at https://www.censtatd.gov.hk/en/data/stat_report/product/B9XX0005/att/B9XX0005E2020AN20E0100.pdf.

¹² “Vulnerable groups” refers to physically, mentally, or socially disadvantaged populations who are unable to meet their basic needs and may therefore require special assistance

¹³ An example is partnering with NGOs to promote the use of gerontechnology for elderlies.

¹⁴ Internal managers will be appointed where the Sustainability Committee requires additional relevant technical expertise that the internal manager can provide

The proceeds from each Sustainability-themed financing will be deposited in the general funding account and be earmarked to Eligible Projects. To ensure that net proceeds from Sustainability-themed Transactions are appropriately tracked and allocated, Link will maintain a register of Eligible Projects, which will outline the following information:

(A) Type of Funding Transaction

- Key information including, issuer/borrower entity, transaction date, tranche(s) information, principal amount of proceeds, repayment or amortisation profile, maturity date, and interest or coupon (and in the case of bonds, the ISIN number)

(B) Allocation of Use of Proceeds Information including:

- Name and description of Eligible Projects to which the proceeds of the Sustainability-themed financing have been allocated in accordance with this Framework
- Amount of Sustainability-themed financing proceeds allocated to each project
- The remaining balance of unallocated proceeds
- Other relevant information such as information of temporary investment for unallocated proceeds

Link commits to allocating proceeds to Eligible Projects on a timely basis. Any balance of issuance proceeds which is not yet allocated to Eligible Projects will be held in accordance with Link's liquidity guidelines for short term deposits or investments. Link will not hold any unallocated proceeds as cash; this is consistent with the cash management practices for REITs. Link commits not to invest unallocated proceeds to any high pollution activities or any projects that are in conflict with the eligibility criteria under this Framework.

3.4 Reporting

Link commits to report the Sustainable Portfolio at least annually for so long as the Sustainability-themed finance remains outstanding. Any material developments, such as modification of the Framework, will also be reported in a timely manner.

3.4.1 Allocation Reporting

Link will make and keep readily available through Link REIT's annual integrated report and corporate sustainability website up to date information on the allocation of the net proceeds, to be renewed annually until full allocation and as necessary thereafter in the event of new developments. The allocation reporting will be aggregated at a portfolio level per eligible project category, and will contain the below information at a minimum:

1. Share of financing versus refinancing
2. The list of eligible project categories and amounts allocated to these categories;
3. Balance amount of unallocated bond proceeds;
4. A selection of project examples financed by the net proceeds of the financial instrument; and
5. For each project category:
 - **Green Buildings – Acquisitions:** the certification, ownership proportion, and total cost
 - **Green Buildings – Development projects:** the expected certification, Practical Completion date, ownership proportion, aggregate of the overall category valuation and cost to come
 - **Green Buildings – Existing owned and managed properties:** the certification, ownership proportion, and latest overall valuation
 - **Environmental project categories other than Green Buildings:** the overall value of the category, environmental impacts and/or examples
 - **Social project categories:** the overall value of the category, social impacts and/or examples

By including this information in Link REIT's annual integrated report, the allocation of net proceeds receives an external review by an independent third party.

3.4.2 Impact Reporting

With each project funded by a sustainability finance instrument, Link commits explicitly (including in the documentation) to future improvements in sustainability outcome(s) for the project within a predefined timeline.

Where feasible, Link will include qualitative and quantitative ESG performance indicators, and report on the estimated and/or actual environmental and social impacts resulting from Eligible Projects. Key performance indicators may change from year to year and will include, but not limited to, the following indicators¹⁵:

Eligible Environmental Project Type	Indicators
Green Building	<ul style="list-style-type: none"> List of eligible buildings that received third-party verified green building certification (scheme and rating)
Energy Efficiency	<ul style="list-style-type: none"> Energy consumption reduced (kWh) Energy intensity (kWh/m²)
Renewable Energy	<ul style="list-style-type: none"> Number of solar lights and panels installed Amount of renewable energy generated (kWh)
Pollution Prevention and Control	<ul style="list-style-type: none"> Amount of organic waste diverted from landfill (tonnes)
Climate Change Adaption	<ul style="list-style-type: none"> Types and number of climate mitigation measures implemented
Clean Transportation	<ul style="list-style-type: none"> Number of electric vehicle charging stations installed
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> Water consumption reduced (m³)

Eligible Social Project Type	Indicators
Affordable Basic Infrastructure	<ul style="list-style-type: none"> Percentage of properties fitted with basic BFA facilities (%)
Socioeconomic advancement and empowerment (Local Employment)	<ul style="list-style-type: none"> Rate of local employment (%)
Access to Essential Services (Placemaking)	<ul style="list-style-type: none"> Types and number of beneficiaries Area (m²) dedicated for providing such essential services Example: dedicated area for creation of health & wellbeing centre for senior citizens to access technology for enhancing senior care. Indicators would include area of centre and number of senior citizens served.

The impact reporting will be aggregated at a portfolio level and disclosed annually, with the methodology of the above indicators articulated on the corporate sustainability website at <https://www.linkreit.com/en/sustainability/>. By including this information in Link's sustainability website, the impact reporting receives an external review by an independent third party.

¹⁵ Appropriate environmental and social impact indicators will be determined in reference to frameworks and resources published by ICMA, such as the Harmonized Framework for Impact Reporting December 2020. <https://www.icmagroup.org/green-social-and-sustainability-bonds/impact-reporting/>

4. Sustainability Linked Financing

This section outlines how Link will address considerations taken into account when executing Sustainability Linked Transactions (SLTs).

Bonds issued under Sustainability Linked Financing will be aligned to the Sustainability-Linked Bond Principles (SLBPs)¹⁶, 2020, whereas loans executed under Sustainability Linked Financing will be aligned to the Sustainability Linked Loan Principles (SLLPs)¹⁷, 2021, or as these Principles may be subsequently amended. Bonds and loans issued under the Sustainability Linked Financing Framework are together Sustainability Linked Transactions.

All SLTs will be based around the following five core components:

1. Selection of Key Performance Indicators (KPIs)
2. Calibration of Sustainability Performance Targets (SPTs)
3. Financial/ Structural Characteristics
4. Reporting
5. Verification

4.1 Selection of KPIs

Sustainability to Link means delicately balancing environmental, social, governance and prosperity considerations in a way that enables the organization to grow responsibly. Therefore, it is imperative that all of Link's SLTs will include, at a minimum, one performance indicator/target under each of the Environment, Social and Governance headers respectively.

KPIs for SLTs will be chosen on the basis that they are material and linked to Link's sustainability strategy. KPIs should be measurable, auditable and address the key sector specific ESG challenges faced by Link and the industry. KPIs will be set out in detail in the relevant documentation for each Sustainability Linked Bond and Loan.

4.2 Calibration of SPTs

Based on the KPIs, Link will determine measurable and identifiable SPTs that are ambitious, material to our business and compliant to core principles of environmental and social classification.

SPTs will be clearly specified in the relevant documentation for each SLT together with any material factors that may impact the achievement of the SPTs. All calculation methodologies will be disclosed alongside the selected SPTs in the relevant documentation.

4.3 Financial/ Structural Characteristics

Proceeds of SLT will be available for general corporate purposes unless otherwise specified.

These transactions will feature financial and/or structural characteristics that facilitate the achievement of the SPTs. This may include penalties and/or incentives, depending on the transaction. The magnitude of the coupon or margin adjustment, as well as the effective date(s) will be clearly set out in the relevant documentation for each transaction. Potential economic variations including but not limited to:

- **Margin adjustment** – Variation of the spread paid over the base rate for the SLT
- **Coupon adjustment** – Variation to the coupon rate of the SLT
- **Price adjustment** – Variation in the redemption price of the SLT

¹⁶ <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-Principles-June-2020-171120.pdf>

¹⁷ https://www.lma.eu.com/application/files/8416/2210/4806/Sustainability_Linked_Loan_Principles.pdf

The application of the economic variations will vary from transaction to transaction with potential variations including:

- **One off adjustment** – a one off test during the life of the SLT, with the potential for the economic variation to change only once
- **Annual adjustment** – annual test against the SPTs with the potential for the economic variation to change on an annual basis on a non-cumulative basis
- **Cumulative annual adjustment** – annual test against the SPTs with the potential for the economic variation to change on an annual basis on a cumulative basis

The relevant documentation may also include any fallback mechanisms in case the relevant SPT(s) cannot be calculated, and language to take into consideration potential exceptional or extreme events, including drastic changes in the regulatory environment, that could substantially impact the calculation of the selected KPI(s), the restatement of the selected SPT(s), and/ or pro forma adjustments of baselines or selected KPI(s) scope. Where relevant, Link may exclude potential exceptional or extreme events that could substantially impact the calculation of the selected KPI(s) and SPT(s) in the documentation of the relevant Sustainability Linked Financing Instrument.

4.4 Reporting

Link will outline the reporting obligations in the relevant documentation for each SLT. At a minimum Link will undertake annual reporting regarding the SLTs and performance in relation to the SPTs and will make such reporting available to the relevant parties.

4.5 Verification

For each SLT on issue, an appropriate external verification will be undertaken. This includes obtaining an assurance of sustainability performance prior to issuance. Link will have its performance against its SPTs independently verified, for example by a qualified external reviewer such as an auditor, environmental consultant and/or independent ratings agency, at least once a year. Any such external reviewer should be agreed by parties participating in the financing package.

5. External Review

Second Party Opinion

Link has sought an external review from HKQAA to evaluate the Sustainable Finance Framework (including both the Sustainability-themed Financing Framework and Sustainability Linked Financing Framework), its transparency and governance as well as its alignment with the GBP, SBP, GLP and SLP.

Link has further sought an external review from S&P Global Ratings. S&P Global Ratings has reviewed the Sustainability-themed Financing Framework to assess the strength of commitment to, and alignment with GBP, SBP, SBG, GLP, and SLP.

The second party opinions will be available on <https://www.linkreit.com/en/sustainability/green-finance/>