



**SF REIT Asset Management Limited
(as Manager of SF Real Estate
Investment Trust)**

2022 Climate-Related Disclosure Report

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Introduction

Recognising the adverse effects of anthropogenic activities on natural systems and the risks and impacts that climate change poses to the world in turn, many countries have united to launch the Paris Agreement¹. China, as a responsible member, announced its commitment to achieving peak carbon emissions by 2030 and carbon neutrality by 2060 at the 75th session of the United Nations General Assembly. To fully support the nationally determined contributions, Hong Kong set an ambitious target to reach carbon neutrality by 2050.

In light of this growing urgency and attention in climate change, SF Real Estate Investment Trust (“**SF REIT**”) actively responds to the governments’ call of carbon neutrality by setting decarbonization targets and adopting relevant mitigation measures. SF REIT Asset Management Limited, as the manager of SF Real Estate Investment Trust (the “**Manager**”, “**we**”, “**us**”), has devoted resources to promoting sustainability, embed climate-related issues into our business development strategy, implement measures and engage our stakeholders to continuously strengthen the resilience to climate change.

This is the first climate-related disclosure report (the “**Report**”) of the Manager with reference to the recommendations of the Task Force on Climate-Related Financial Disclosures (**TCFD**). The Report summarises our climate-related management approaches, initiatives and practices in managing the assets of SF REIT based on the core pillars, namely governance, investment management and risk management, throughout the Report:

- Under the section of governance, we illustrate how climate issues are incorporated in our governance structure with the oversight of our Board of Directors (the “**Board**”) and the roles and responsibilities of management team in determination of climate-related strategies, practices and performance tracking.
- The investment management section describes how we factor environmental, social and governance (“**ESG**”) issues, including physical and transition climate risks, into our management processes and ownership practices and take climate-related risks and opportunities into consideration during investment analysis and decision making.
- Through our well-established risk management and internal control processes, we discuss, identify and assess the relevancy and materiality of climate-related risks and opportunities posed to our business activities and assets, as well as how we take appropriate measures to mitigate and monitor those identified risks.

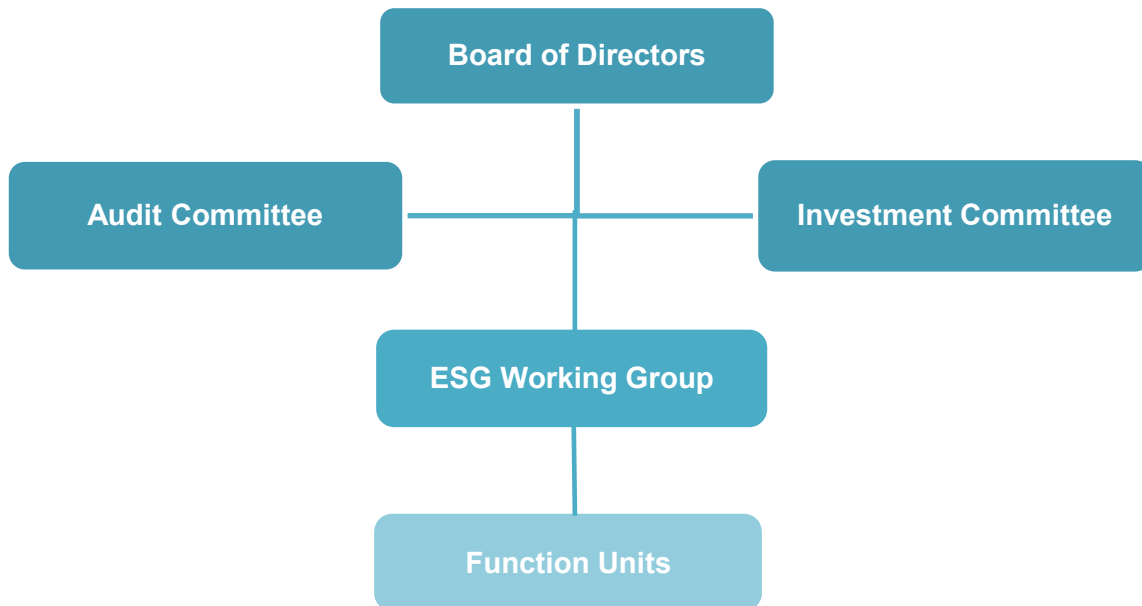
Unless otherwise stated, the policies and practices as referred in the Report are adopted by the Manager for all assets under management and applied in relevant jurisdictions in which SF REIT operates. The Manager continues to provide timely and transparent information with structured reporting framework for stakeholders and investors to facilitate a comparative information analysis and decision.

We highly value your feedback and suggestions on the Report. Please feel free to share your opinions with us via the following email address: irsfreit@sf-express.com.

¹ It is an international treaty on climate change. Adopted in 2015, the agreement covers climate change mitigation, adaptation, and finance.

Governance

With the tone at the top, we have established a robust ESG governance structure to ensure the strategic management and effective monitoring of ESG issues, including climate-related issues, are always put into the corporate agenda and in achieving our ESG objectives and long-lasting value for our stakeholders and the society.



The Board has the overall responsibility for overseeing the direction of SF REIT’s ESG strategy and framework, risk management, policy formulation and performance review. It also plays the leading role to evaluate the extent of risks with respect to ESG and climate matters, provide guidance on prioritising and assessing material ESG issues (including climate-related risks and opportunities) with associated business implications and positioning of SF REIT in long run. The Board arranges regular meetings to review the overall performance of ESG tasks and the progresses against ESG-related goals and targets, so as to ensure that our ESG performance is aligned with the business objectives.

The Audit Committee ensures the sound and effective internal control and risk management systems are in place to identify and prioritise all the key risks throughout different stages of our business, from asset acquisition to asset management and divestment. It is tasked to periodically review the risk management profile and risk assessment reports (which include ESG and climate-related risks) prepared by the risk taskforce led by the Chief Executive Officer with the assistance of the manager in-charge of risk management, and to report the result findings and recommendations to the Board for understanding and monitoring the effectiveness of the overall risk management mechanisms.

The Investment Committee oversees the overall investment strategies and objectives of SF REIT and takes ESG and climate-related risks into consideration for potential new acquisitions and disposals of assets, by exerting fiduciary duty and due diligence processes, to maintain consistency and quality of our ESG management approach.

Headed by the Chief Executive Officer, our ESG Working Group is responsible for developing ESG framework and initiatives, setting ESG-related targets with action plans against the strategies determined by the Board, identifying and assessing material ESG-related risks and opportunities, and supervising function units to implement relevant ESG practices across day-to-day operations. On the other hands, it assists the Board in monitoring the latest ESG market trends, update of regulatory requirements to ensure our ESG and climate-related management approaches, policies and procedures in compliance with the latest national and regional polices and regulations. It reviews feedback and data collected by function units, and reports to the Board regularly on the ESG progresses. To foster the continuous improvement, it provides recommendations and insights on ESG and climate-related issues, such as ESG development trends, climate resilience and low carbon economy transition and ESG performance progress update.

The Manager has in place a **Climate Change Policy** for SF REIT, which outlines our commitment to taking climate risks into consideration across our business activities and to addressing such risks by developing strategies and actions in strengthening our climate mitigation and resilience throughout our operations, thereby effectively preventing potential adverse effects on operational performance and costs.

With the evolving sustainability landscape, we continue to devote necessary resources in building professional capabilities for both the members of the Board and employees at different staff levels, by offering training sessions and disseminating useful information on topics related to environmental conservation and climate change, to raise their ESG awareness in response to the everchanging ESG market environment. Professional advice from external consultants will be sought by the management team when necessary to better perform the essential duties in managing ESG and climate-related risks, ensuring the compliance with regulatory requirements, as well as making thorough investment analysis and decision.

Investment Management

SF REIT aims to provide unitholders with stable distributions, the potential for sustainable long-term distribution growth and enhancement in the value of our portfolio of properties. As a responsible Manager, we are fully aware of our role in promoting sustainable development, and actively incorporate ESG risks and opportunities into our overall business and investment strategies.

Our **Investment Policy** details the investment strategies and objectives with the criteria for investment focus. As stipulated in our **Compliance Manual**, the investment management processes provide guidelines for the investment team on identifying the investment preferences and restrictions on the investment portfolio, maintaining dialogue with counterparty companies, and fairly managing and monitoring the actual and potential conflicts of interest, to govern the overall investment management mechanism and ensure that all the investment decisions are complied with the requirements under the Code on Real Estate Investment Trusts (REIT Code), Securities and Futures Commission's ("**SFC**") requirements for fund managers and other relevant rules and regulations applicable to SF REIT.

We perform thorough investment screening when commencing new acquisitions and/or disposals of assets to prevent, mitigate and account for ESG-related risks such as health risk, environmental damages and climate change remediation and adaption across our portfolio. We also have ESG due diligence in the process of investment analysis and this exercise is to ensure that we consider not only the financial impact, but also the environmental and social values creation and/or destruction during our investment decision. With the assistance of external consultants, the investment team actively engages in the entire investment analysis process to understand and review the substantial ESG-related risks where the potential assets are exposed to, apart from the assessment of financial performance. During the process, the ESG and climate-related risks will be carefully assessed, and the findings will be incorporated into the overall investment analysis and reported to the Board for final decision making.

The Investment Committee takes the responsibility for reviewing investment proposals put forward by the investment team and considering if there are any potential climate-related risks which may have adverse impacts on our future operations. It also takes in account SF REIT's investment strategy in the different phases of business cycles, from asset management, acquisitions, capital management and divestment, in light of the prevailing conditions of the property market and the economy where we operate, and provides the Board with recommendations on the update of the policy and procedures in relation to investment and treasury management, including identification and assessment of climate-related risks under investment analysis, where appropriate.

We engage with various stakeholders and seek their feedback on the understanding and expectations of sustainability data disclosure and our management of ESG and climate-related issues. Based on the analysis of peer benchmarking, the results of the materiality assessment and corporate risk assessment, climate change is deemed relevant but not material to SF REIT.

Risk Management

Risk Management Approach

In recognition of the risks and threats posed by climate change, the Manager has proactively integrated ESG and climate-related risks into the whole risk management processes, so as to ensure that the optimised risk management approach and policy of SF REIT are conducive to the improvement of the climate resilience of its assets.

We have a defined risk management process for identifying, analysing and managing a wide range of risks (including climate-related risks and opportunities). The function heads, who also serve as risk owners, are responsible to identify, monitor and report risks in day-to-day operations, with reference to a risk universe containing different external and internal risks that may affect SF REIT. A 5-by-5 risk matrix is adopted to assess the risk level, in term of the probability of occurrence and the severity of impact of each risk with score of risk rating. Risks with a high likelihood of occurrence and which might have severe impacts on SF REIT are considered material risks, and mitigation measures and/or action plans are determined to reduce such risks to an acceptable level.

The risk taskforce conducts risk assessment, review the processes associated with risk management and update our corporate risk register regularly at quarterly intervals, to ensure the relevant significant and emerging risks including ESG and climate-related risks, are addressed in a timely manner.

Risk and Opportunities Identification

The Manager has performed a qualitative climate risk assessment with benchmarking peer performance, studying the historical climate data and local policies of the areas where we operate. As a result, we regarded climate-related risks as relevant but non-material, and the identified relevant climate-related risks with potential impacts and implications on our business operations are illustrated as follows:

Physical Risks

Risk category	Risk	Financial Implications
Acute	Extreme weather events (e.g. typhoons, floods, rainstorms)	<ul style="list-style-type: none">Reduced revenue from business interruptions, such as suspension of work and supply chain interruptions due to traffic difficultiesIncreased capital costs from the maintenance and replacement of damaged and/or destroyed assets and/or equipment
Chronic	Rising temperatures (e.g. heatwaves)	<ul style="list-style-type: none">Reduced revenue from lower productivity due to extreme heat, including restrictions on working outdoorsHigher operating costs for cooling

Transition Risks

Risk category	Risk	Financial Implications
Policy and legal	Enhanced climate-related reporting obligations	<ul style="list-style-type: none">Higher operating costs from compliance with new standards and disclosure requirementsAdditional costs incurred from litigation or fines for non-compliance with the latest regulations

Our Response to Identified Risks and Opportunities

The Manager ensures that emergency plans are in place to enhance the properties' ability to address critical disasters and accidents and minimising the potential damages caused by extreme weather events such as typhoons, rainstorms and floods, thereby safeguarding our employees, tenants and properties. The management office is responsible for emergency management, and their duties includes:

- coordinating emergency operations, including personnel arrangement, notice and safety inspections;
- monitoring the implementation of all safety measures and the preparation of emergency suppliers; and
- recording equipment damages and incidents and reporting to maintenance service providers for further handling.

To fortify building resilience of our properties, the Manager attaches great importance to improving energy efficiency and reducing carbon footprint by adopting the following measures:

- maintain an effective building management system to manage the air conditioning system, including the number of air conditioners and operating hours, with the aim of remain comfortable indoor room temperature with the least energy consumption.
- give priority to equipment and products with energy labels and local low-carbon materials to maximise energy and material efficiency.
- promote green building requirements and obtain relevant building certifications. For example, low-emission curtain walls are used within our portfolio to reduce indoor air temperature, thereby reducing the cooling requirements and electricity consumption of the buildings.
- maximise the use of renewable energy by installing solar panels in all of our properties and supporting the Feed-in Tariff Scheme in Hong Kong to decrease greenhouse gas emissions.

Looking forward, we are planning to integrate ESG initiatives in our capital and treasury management and seek to grow a sustainable portfolio financing via sustainability-linked loans to foster asset enhancement. We will continue to strengthen the climate resilience across SF REIT's portfolio by tackling climate-related risks and opportunities throughout the real estate lifecycle. Adequate resources will be allocated to manage climate-related risks during investment management and operational stages, so as to demonstrate our commitment to fighting against climate change.