

## Case Study ESG

# Sustainability-linked insurance: Incentivising climate resilience



PROJECT:  
Sustainability-linked insurance



COMPANY:  
Link Asset Management Limited  
(Link)



LOCATION  
Hong Kong

## Challenge

In September 2023, Hong Kong experienced one of the most extreme rainfall events in over 140 years, recording 158.1 mm of precipitation within one hour. Runoff flooded Link's Temple Mall North, submerging the LG floor under approximately 2.9 metres of water and affecting eight tenants.

Such extreme weather events are increasingly impacting Hong Kong, driving up insured losses and testing the resilience of various industries. In response, insurers have raised premiums, tightened terms and withdrawn capacity, leading to a cycle of escalating costs and potential uninsurable assets.

At the same time, leading asset owners are already investing in climate adaptation to reduce physical risk exposure.

The challenge is how insurers will evolve and reward proactive resilience measures rather than only reacting to past losses.

## Solution / Approach

Link reframed its relationship with insurers from a transactional one to a partnership in risk management. Working with Marsh Hong Kong, Link embedded resilience efforts into a resilience-focused insurance roadshow, engaging 22 insurers into early discussions. The team presented quantifiable evidence of risk reduction, showcasing Link's HK\$5 million investment into flood-resilience measures.

At Temple Mall North, asset-level interventions included revised flood-handling standard operating procedures, detachable floodgates at LG/F entrances and plant rooms, relocation of control panels to higher floors, enhanced sump-pump capacity, and improved drainage design. These measures were complemented by ongoing operational preparedness, including drills and updated property management protocols. Such measures were also applied to other high-risk assets in Link's portfolio.

In parallel, Link collaborated with AXA on a Sustainability-Linked Insurance proof-of-concept.



AXA modelled an “as-if” scenario based on Typhoon Haikui, a 1-in-500-year flood event, assuming effective preventive measures and emergency response. This scenario analysis indicated a potential 10–20% reduction in losses. AXA participated as a proof-of-concept partner; final underwriting decisions remain subject to individual insurers’ assessments. The structure linked insurance pricing to loss-ratio performance, creating a financial incentive for continued investment in resilience.

## Results

Following the resilience-focused insurance engagement, Link achieved the following outcomes in 2025:

- > 11.7% reduction in insurance premiums, linked to demonstrated climate-resilience measures;
- > Doubling of water-damage sub-limits, reflecting increased insurer confidence;
- > Two-year insurance agreement, replacing the standard annual renewal;
- > Additional 7.5% premium reduction tied to achieving a 60% loss-ratio KPI;
- > HK\$3 million additional investment in flood-resilience measures to support KPI delivery.

Despite experiencing five black rainstorm signals and two T10 hurricane signals in 2025,

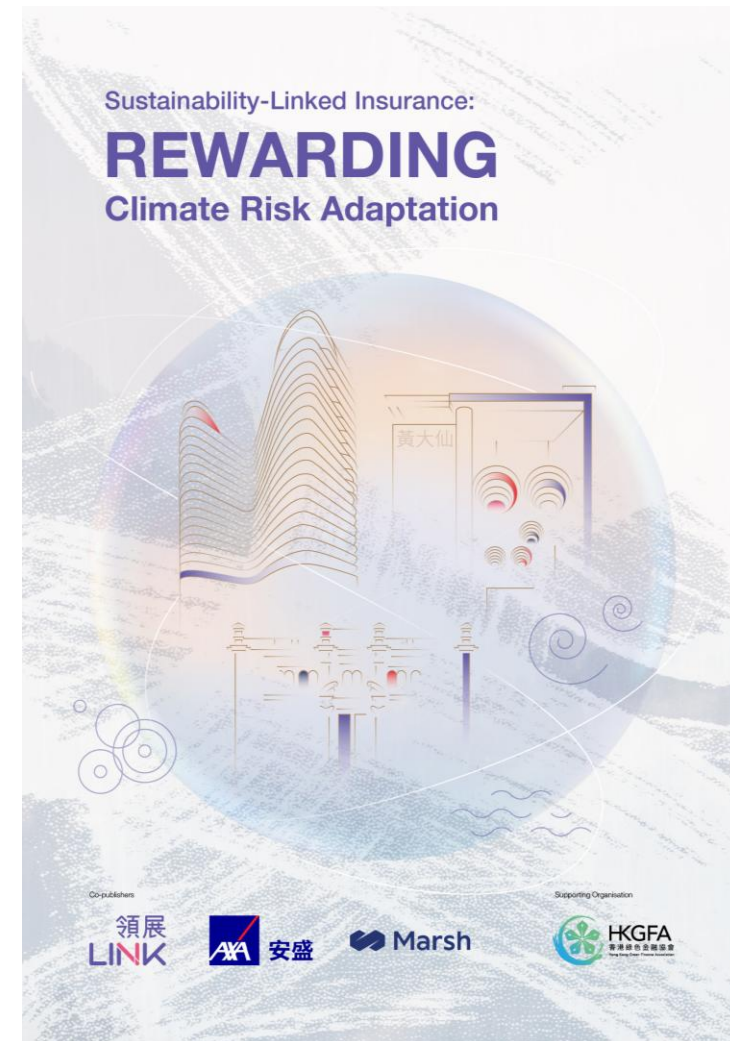
Link recorded a 66% reduction in claims compared with the 2023 wet season.

## Outcome

By embedding climate resilience into both operational management and insurance strategy, Link demonstrated that physical climate adaptation can deliver measurable financial value alongside risk reduction. The sustainability-linked insurance structure shifted insurer engagement away from backward-looking loss assessment towards performance-based evaluation of resilience measures.

The experience in 2025 reinforced the effectiveness of the approach. At Wan Tsui Car Park, for example, targeted asset-level interventions resulted in no claims despite flooding during severe weather events. While broader community-level hazards continued to influence residual losses, Link is working with government and local stakeholders to address these wider risks, including public drainage and stormwater infrastructure upgrades currently under construction.

In April 2025, Link published a white paper, [Sustainability-Linked Insurance: Rewarding Climate Adaptation](#), in collaboration with AXA and Marsh. The paper outlines a practical framework for aligning insurance pricing with climate-adaptation performance and was launched through a workshop with the Hong Kong Green Finance Association, convening insurers, asset owners and other market participants. Together, these efforts contribute



to the development of more resilient, insurable real estate portfolios and support broader industry progress on managing physical climate risk.

**We welcome the efforts made by Link to make their assets more resilient and sustainable, and are pleased to show our support through promising insurance capacity and T&Cs. Extreme weather and climate risk are real issues for real estate and best tackled when all stakeholders work together.**

**Quoted by one insurer on an anonymous basis**

## Climate Risk Resilience

Link's properties are well protected against growing climate change risks such as typhoons and rainstorms.

### HK\$5 million

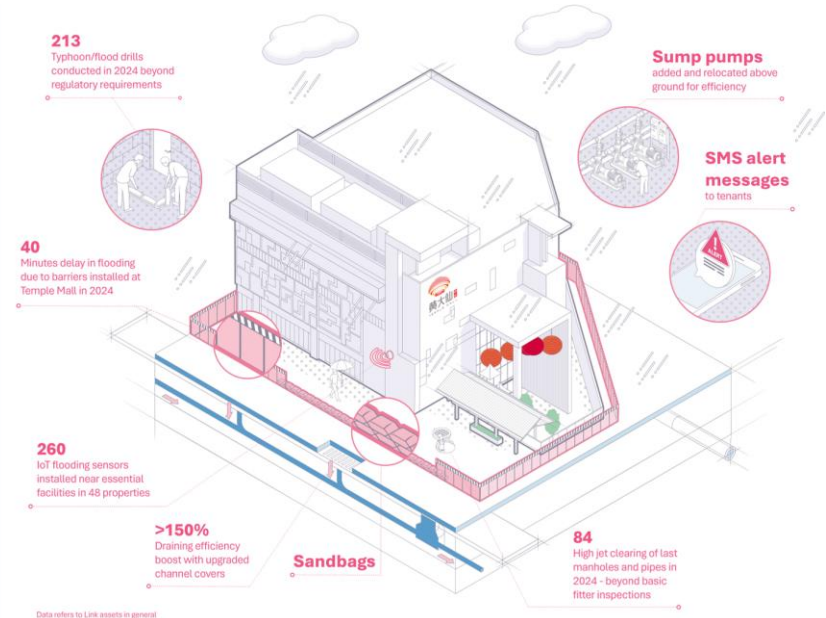
Total amount invested into flood mitigation and adaptation measures in 2023/4.

### 4 Risk Assessments

Conducted since 2019 across our portfolio to quantify our risk exposure and Climate Value at Risk (CVaR).

### 12 Engagements

With district councillors, DSD and more in 2023/2024 to ensure consistent stakeholder dialogue on flooding mitigation and response.



HK\$5 million investment into Flood Mitigation and Adaptation Measures in 2023/24

## Link Asset Management Limited

Link Asset Management Limited (Link) is a leading, independent, and fully integrated real estate investor and manager focusing on the APAC region. It manages Link Real Estate Investment Trust (Link REIT, Hong Kong stock code: 823), the largest REIT in Asia, and its real estate investment portfolio. Link also aims to leverage its investment management capabilities to serve as a trusted investment manager to capital partners through its business line, Link Real Estate Partners.