

SECOND PARTY OPINION BAUHINIA ILBS 1 LIMITED SUSTAINABILITY NOTES

DNV PRE-ISSUANCE ELIGIBILITY ASSESSMENT FINAL ELIGIBILITY ASSESSMENT DATED 25 MAY 2023

Scope and objectives

Bauhinia ILBS 1 Limited ("Issuer") is a Hong Kong-incorporated Special Purpose Vehicle ("SPV") that expects to issue notes to fund the acquisition of a loan portfolio from The Hong Kong Mortgage Corporation Limited ("HKMC" or "Sponsor") through a securitisation transaction where ING Bank N.V., Singapore Branch is mandated as the Sustainable Finance Adviser.

The Issuer is proposing to issue, amongst other classes of notes, Class A1-SU Notes (henceforth referred to as "Sustainability Notes") as Secured Sustainable Standard Bond¹ under the International Capital Market Association ("ICMA") Green Bond Principles 2021 ("GBP"), ICMA Social Bond Principles 2021 ("SBP"), ICMA Sustainability Bond Guidelines 2021 ("SBG"). The Sustainability Notes qualify as a Secured Sustainable Standard Bond under the latest edition of the GBP, SBP and SBG.

The Issuer intends to use the proceeds of the Sustainability Notes to finance and refinance project and infrastructure loans falling under the Green Eligible categories of Renewable Energy and the Social Eligible category of Access to Essential Services and Affordable Basic Infrastructure and Services.

HKMC will also be the collateral manager of the Issuer, performing administrative and advisory functions on behalf of the Issuer, including monitoring the continued eligibility of the green and social assets of the loan portfolio.

DNV Business Assurance Singapore Pte. Ltd. (henceforth referred to as "DNV") has been commissioned by HKMC to provide a pre-issuance eligibility assessment of the Sustainability Notes. Our methodology to achieve this is described under 'Work Undertaken' below. We were not commissioned to provide independent assurance or other audit activities.

No assurance is provided regarding the financial performance of the Sustainability Notes, the value of any investments in the Sustainability Notes, or the long-term environmental and social benefits of the issuance of the Sustainability Notes. Our objective has been to provide an assessment that the Sustainability Notes have met the criteria established on the basis set out below.

The scope of this DNV opinion is limited to the ICMA GBP, SBP and SBG.

Responsibilities of the Management of HKMC and DNV

The management of HKMC has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform HKMC management and other interested stakeholders in the Sustainability Notes as to whether the established criteria have been met, based on the information provided to us. In our work we have relied on the information and the

¹ Under the Sponsor's Social, Green and Sustainability Financing Framework, Secured Sustainable Standard Bond refers to secured bond where the net proceeds will be exclusively applied to finance or refinance the green and/or social project(s) of the issuer, originator or sponsor, where such projects may or may not be securing the specific bond, in whole or in part. A Secured Sustainable Standard Bond may be a specific class or tranche of a larger transaction.

facts presented to us by HKMC. DNV is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by HKMC's management and used as a basis for this assessment were not correct or complete.

Basis of DNV's opinion

We have adapted our ICMA GBP, SBP and SBG assessment methodology, to create an Issuer-specific Sustainable Bond Eligibility Assessment Protocol (henceforth referred to as "Protocol"). Our Protocols include sets of suitable criteria that can be used to underpin DNV's opinion. The overarching principle behind the criteria is that an offering of Sustainability Notes should "enable capital-raising and investment for new and existing projects with environmental and social benefits".

Work undertaken

Our work constituted a high-level review of the available information provided to us by HKMC. We have not performed an audit or other tests to check the veracity of the information provided to us. DNV notes that a detailed assessment of alignment has been included in the Social, Green and Sustainability Finance Framework ("Framework") Second Party Opinion ("SPO") provided to HKMC, by another services provider. This pre-issuance eligibility assessment has been prepared to specifically focus on the Use of Proceeds aspects of the Sustainability Notes. The work undertaken to form our opinion included:

- Creation of an Issuer-specific Protocol, adapted to the purpose of the Sustainability Notes, as described above and in Schedule 1 and 2 to this Assessment;
 - Evaluation of the green and social eligibility of projects against the Use of Proceeds section of the Framework;
 - Assessment of documentary evidence provided by HKMC on the Sustainability Notes and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology;
 - Discussions with HKMC management, and review of relevant documentation;
 - Documentation of findings against each element of the criteria. Our opinion as detailed below is a summary of these findings.
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Findings and DNV's opinion

DNV has provided a pre-issuance eligibility assessment on the Sustainability Notes:

- 1. Principle One: Use of Proceeds:** The Issuer intends to use the proceeds of the Sustainability Notes to finance and refinance Green projects and assets including Solar Energy projects, Wind Energy projects, Run-of-River hydro projects; and/or to finance and refinance Social projects and assets including Education projects and telecommunication projects. DNV has reviewed evidence that demonstrates that the Green and Social projects and assets for the issuance of Sustainability Notes meet the eligibility criteria specified in the Framework.
- 2. Principle Two: Process for Project Evaluation and Selection:** The raised proceeds will be allocated to finance and refinance the assets as set out under Use of Proceeds. DNV has reviewed evidence that demonstrates that HKMC regularly assesses opportunities for improvement and devises action plans and initiatives to mitigate negative environmental and social impacts from its operations.
- 3. Principle Three: Management of Proceeds:** The HKMC as the collateral manager of the Issuer, shall establish an independent allocation register to record and track the allocation of the proceeds from the issuance of Sustainability Notes. The full amount of the proceeds will be deposited in the accounts of the Issuer, and not be commingled with general accounts of HKMC, and an amount equal to the net proceeds will be earmarked for allocation to the eligible loan portfolio. HKMC will review the outstanding balance of the Sustainability Notes as part of its allocation reporting at least on an annual basis.
- 4. Principle Four: Reporting:** HKMC has confirmed that it will report on its website the following:
 - i)** The total amount of proceeds allocated to Eligible Loans;
 - ii)** Description of selected allocated Eligible Loans;
 - iii)** The balance of unallocated proceeds (if any);
 - iv)** The amount or the percentage of new financing and refinancing;
 - v)** Impact Reporting to a range of metrics as available and as selected.

On the basis of the information provided by HKMC and the work undertaken, it is DNV's opinion that the proposed Sustainability Notes meet the criteria established in the Protocol and are aligned with the stated definition of green/social/sustainability bonds within the GBP, SBP and SBG. Based on the review conducted, nothing has come to our attention that causes us to believe that the Framework and proposed Sustainability Notes are not, in all material respects, in accordance with the ICMA GBP, SBP and SBG.

for DNV Business Assurance Singapore

Singapore / 25 May 2023

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About DNV

Driven by our purpose of safeguarding life, property and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight. With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

SCHEDULE 1: DESCRIPTION OF NOMINATED PROJECT AND ASSET POOL

Green Use of Proceeds		Asset Category		USD (mln)
Solar Energy Projects		Renewable Energy		18.89
Wind Energy Projects		Renewable Energy		12.17
Run-of-River Hydro Projects		Renewable Energy		5.35
Hybrid Projects (Wind + Solar)		Renewable Energy		28.68
Social Use of Proceeds	Asset Category	Social Benefit	Target Population	USD (mln)
Education asset Investments	Access to Essential Services	Access to education	Women in UAE	64.00
Telecommunication Tower Investments	Access to Affordable Basic Infrastructure and Services	Access to digital communication	Unconnected or underserved communities in Indonesia	3.0
Total				132.09

Note: The above figures reflect the amount of proceeds allocated to the eligible loans.

SCHEDULE 2: SUSTAINABILITY NOTES ELIGIBILITY ASSESSMENT PROTOCOL

1. GBP, SBP and SBG Use of proceeds alignment

This protocol assessment is intended to demonstrate alignment for the Use of Proceeds information associated with the Sustainability Notes issuance against the GBP, SBP and SBG criteria. Further assessment of the broader Framework has been provided in a separate Second Party Opinion provided by another service provider.

Criteria for assessment of ICMA GBP, SBP and SBG alignment

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	Type of bond	<p>The Sustainability Notes must fall in one of the following categories, as defined by the ICMA Green/Social/Sustainability Bond Principles:</p> <ul style="list-style-type: none"> Green/Social/Sustainability Use of Proceeds Bond Green/Social/Sustainability Use of Proceeds Revenue Bond Green/Social/Sustainability Project Bond Green/Social/Sustainability Secured Bond <ul style="list-style-type: none"> Secured Green/Social/Sustainability Collateral Bond Secured Green/Social/Sustainability Standard Bond 	<p>Review of:</p> <ul style="list-style-type: none"> HKMC Social, Green and Sustainability Finance Framework Sustainability Notes <p>Correspondence with HKMC representatives</p>	<p>The reviewed evidence confirms that the Sustainability Notes would fall in the category: Secured Sustainability Bond (Secured Sustainability Standard Bond), as the Eligible Loans are not securing the Sustainability Notes alone, and the Sustainability Notes form only one tranche out of the Issuer’s securitisation transaction.</p>
1b	Project Categories	<p>The cornerstone of Sustainability Notes is the utilization of the proceeds of the Sustainability</p>	<p>Review of:</p> <ul style="list-style-type: none"> HKMC Social, Green and 	<p>As identified by the Framework, the purpose of the Sustainability Notes is to use the proceeds for the financing or refinancing of Renewable</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		Notes which should be appropriately described in the legal documentation for the notes.	Sustainability Finance Framework - Sustainability Notes Correspondence with HKMC representatives	Energy, Access to Essential Services and Affordable Basic Infrastructure projects. Specifically, the use of proceeds for the proposed Sustainability Notes are summarised in Schedule 1 above. DNV's assessment concluded that eligible projects funded by the Sustainability Notes would present significant Environmental and Social benefits and qualify for inclusion under the Sustainability Bond Guidelines within the Renewable Energy, Access to Essential Services and Affordable Basic Infrastructure.
1c	Environmental and Social benefits	All designated Green and Social Project categories should provide clear environmentally sustainable benefits, which, where feasible, will be quantified or assessed by the Issuer.	Review of: - HKMC Social, Green and Sustainability Finance Framework - Sustainability Notes Correspondence with HKMC representatives	DNV's assessment concluded that these project types would present significant Environmental and Social benefits in line with Renewable Energy, Access to Essential Services and Affordable Basic Infrastructure and Services. Renewable Energy DNV confirms that Renewable Energy assets including solar and wind energy are considered to be green for the purposes of the GBP. DNV considers Run-of-River hydro projects to present a low risk of GHG emissions relative to fossil fuels and to be an eligible source of renewable energy under the GBP. Affordable Basic Infrastructure and Services The two projects selected are associated with social benefits to target populations deemed to deliver substantial social benefits. DNV has considered these by project type: Education Project Investments

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>These education project assets are confirmed by DNV to provide Affordable Basic Infrastructure and Services to residents of UAE (Emiratis).</p> <p>The projects are located in Abu Dhabi and Dubai, and provide access to education to women in these two cities (target population), focused on supporting students whose financial conditions may prevent them from continuing their bachelors and higher education. These range from scholarships and monthly stipends to financial aid for bachelor programmes and purchasing educational devices, thus assisting with ensuring affordability.</p> <p>DNV considers the benefit delivered for Affordable Basic Infrastructure and Services to be well aligned with the SBP.</p> <p>Access to Essential Services</p> <p>The telecommunication project selected is associated with social benefits to target populations deemed to deliver substantial social benefits. DNV has considered these here by project type:</p> <p>Telecommunication Towers</p> <p>The project promotes digital inclusion in Indonesia, which is under-developed with a low fixed line broadband penetration rate. These assets are confirmed by DNV to provide Access to Essential Services to unconnected or underserved communities in Indonesia. The infrastructure is noted by DNV to be to be critical to obtaining digital connectivity to residents in the area. DNV considers the benefit delivered for Access to Essential Services to be well aligned with the SBP.</p> <p>DNV can confirm that the Use of Proceeds associated with the Sustainability Notes are considered to be delivering tangible green and</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				social benefits and to be well aligned with the purpose and function of the GBP and SBP.
1d	Refinancing share	In the event that a proportion of the proceeds may be used for refinancing (or financing of a certain vintage), it is recommended that issuers provide an estimate of the breakdown of the financing structure.	Review of: <ul style="list-style-type: none"> - HKMC Social, Green and Sustainability Finance Framework - Sustainability Notes Correspondence with HKMC representatives	At the time of issuance, 100% of the Eligible Loans backing the Sustainability Notes will be acquired.