

The Hong Kong Mortgage Corporation Limited

Pre-Issuance Review — Bauhinia Infrastructure Loan-Backed Securities 4 Sustainability Financing Tranche

Summary

The Bauhinia 4 programme issues infrastructure loan-backed securities (ILBS) backed by a portfolio of loans acquired from the Hong Kong Mortgage Corporation Limited (HKMC) and other financial institutions. The proceeds of the sustainability financing tranche will be used to fund the acquisition of eligible green and social loans selected in line with HKMC's social, green and sustainability financing framework (SGS framework).

Sustainable Fitch's opinion is that the assessed green and social loans are eligible under HKMC's SGS framework.

Eligibility		Review and evaluation	Eligible	Selected green and social loans in line with eligible use of proceeds (UoP) categories in HKMC's SGS framework
UN SDGs		Contribution	Direct contribution	Assessment of contribution to UN Sustainable Development Goals (SDGs)

Scope of Work

In August 2025, HKMC updated the SGS framework under which HKMC can issue green, social, sustainability and asset-backed securities through public issuances and private placements. We provided the Second-Party Opinion (SPO) for the SGS framework in August 2025. The SPO scope covered the main body and appendices I and II of the framework, which concern the issuance of UoP bonds.

The SPO did not cover the appendix on "Additional Undertakings for Sustainability-Linked Loans Financing Bonds", which allows for the issuance of sustainability-linked loan financing bonds.

In October 2026, HKMC engaged us to provide a Pre-Issuance Review of the sustainability tranche of Bauhinia ILBS 4, focusing on:

- assessing the eligibility of the green and social loans to be securitised through the transaction under the eligibility criteria set out in HKMC's SGS framework; and
- analysing the loans' contributions to the UN SDGs.

This Pre-Issuance Review is not a limited (or reasonable) assurance.

We assessed the selected loans based on information provided by HKMC. HKMC is responsible for the preparation of the data, including the application of methods and internal control procedures designed to ensure that the information is free from material misstatement. We rely on, and have not verified independently, any information included in the entity's reported data.

Our assessment is limited to information disclosed by HKMC and does not consider additional sources.

Bond/Loan Information
Framework
HKMC's social, green and sustainability financing framework (August 2025)
Instrument(s)
ISIN XS3542742211 (Bauhinia ILBS 4)

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Eligibility – Review and Assessment Versus the Framework

UoP – Disclosure

The following table shows the UoP categories and projects related to the green and social loans included in Bauhinia ILBS 4. The UoP category is based on projects for which loan proceeds are ringfenced.



Category		Projects		Amount
UoP category	Number of Portfolios	Description	Location	% of the Loan Portfolio
Renewable energy	6	A 180MW run-of-river hydroelectricity power plant in operation stage.	Indonesia	2.45%
		An onshore 121MW wind power plant in operation stage.	Vietnam	5.71%
		A rehabilitation and capacity expansion project of a small run-of-river hydropower plant from 8.8MW to 34MW.	Angola	5.77%
		A 50MW solar PV farm in operation stage.	Bangladesh	1.94%
		A 200MW solar PV power plant in operation stage.	UAE	6.98%
		Providing financing to an electricity distributor primarily for its electricity distribution network projects, including sub-transmission lines and cables, distribution and low-voltage lines, and other network assets.	New Zealand	3.00 %
Energy efficiency	1	A gas conversion project related to the conversion of existing simple-cycle gas-fired units into combined-cycle units.	Indonesia	5.53%
Green buildings	4	Fifteen operational data centres with a total capacity of 261MW, and nine data centres with a total capacity of 327MW that are under construction or at the planning stage.	Europe	11.35%
		Six data centres, where 390MW is operational and 1,424MW remains under construction or is at the design stage.	Malaysia	5.65%
		One greenfield and purpose-built data centre, comprising two buildings with a combined capacity of 82.6MW that are in the construction stage.	Thailand	12.68%
		One data centre with 45MW capacity, currently under construction.	Malaysia	7.49%
Access to essential services	2	University providing tertiary education services.	UAE	16.34%
		University providing tertiary education services.	UAE	13.39%
Affordable basic infrastructure	1	A project related to providing financing to a telecommunications tower company.	India	1.71%
			Total	100%

Source: HKMC registry of eligible projects (October 2026)

HKMC confirmed that 100% of the issuance proceeds will be used to refinance eligible loans, and the classification of financing versus refinancing is based on the date of securitisation rather than the origination date of the underlying loans. The SGS framework sets a lookback period of three years, and proceeds of the sustainability tranche of the ILBS will be fully allocated at issuance to the above pre-determined portfolio of loans.



UoP – Assessment Versus Issuance Framework

The following table shows our assessment of the eligibility of the green and social loans with reference to the issuance framework.

UoP	Type	ICMA Category	Eligible under the framework	Comments
				<p>We consider the green loans for the renewable energy projects to be aligned with the relevant eligibility criteria set out in HKMC's SGS framework 2025.</p> <p>The hydropower assets are aligned with HKMC's SGS framework, which recognises hydropower as eligible where it is small-scale or run-of-river, has life-cycle emissions below 100gCO₂e/kWh, or has a power density above 5W/sqm. These two assets meet the "run-of-river" criteria under the framework.</p>
Renewable energy	E	Renewable energy	✓	<p>The wind and solar power assets are aligned with the SGS framework, as wind power generation and solar PV solar power are explicitly included as eligible activities under the framework.</p> <p>We consider the electricity distribution network asset to be aligned with the SGS framework. Based on the information provided, 95% of new generation capacity over the relevant rolling five-year period is below the 100gCO₂e/kWh threshold, which exceeds the 67% criterion referenced in HKMC's SGS framework for transmission and distribution systems with a renewable electricity share below 90%.</p>
				<p>We consider the green loan for the energy efficiency project to be aligned with the relevant eligibility criteria set out in HKMC's SGS framework 2025.</p> <p>The gas conversion project in Indonesia aims to improve the fuel efficiency by converting simple cycle into combined cycle that can recover waste heat. Electricity generated from the waste heat recovery will expand the overall generation capacity of the power plant by an additional 650MW from the current 2,050MW, representing an increase of efficiency by 31.7%. This exceeds the 30% improvement threshold specified in HKMC's SGS framework for energy efficiency upgrade and improvement projects.</p>
Energy efficiency	E	Energy efficiency	✓	<p>We assess the project as consistent with the exclusionary criteria in HKMC's SGS framework. The framework excludes projects that are functionally related to coal, including facilities dedicated to enabling coal mining or coal use, or projects that rely on a dedicated coal-based power supply.</p> <p>HKMC has indicated that there is no evidence that the project is intended to support continued operation or expansion of the borrower's coal-fired generation fleet, nor is there any identified linkage between the project and the borrower's coal-related activities.</p> <p>The power plant is connected to the Greater Jakarta electricity system and is not dependent on dedicated coal-specific infrastructure. The financing is ringfenced to the gas conversion project only and expressly prohibited from funding the borrower's coal-fired activities.</p>
				<p>We consider the green loans for the green building projects to be aligned with the relevant eligibility criteria set out in HKMC's SGS framework 2025.</p> <p>HKMC specifies in the eligibility criteria of its SGS framework that eligible data centres should achieve a power usage effectiveness (PUE) of 1.4 or below. Loans to data centres that it committed to before the publication of the SGS framework in August 2025 follow the eligibility criteria of the previous framework version, which required a PUE of 1.5 or below. Accordingly, we assessed the first and second portfolios against the 1.5 threshold, and the third and fourth portfolios against the 1.4 threshold.</p> <p>The first portfolio of data centres is located in various European countries. Both the weighted average operational PUE for operational sites and design PUE for sites under construction or at the planning stage fall below the threshold of 1.5. Two operational</p>
Green buildings	E	Green buildings	✓	



sites recorded an average PUE above 1.5 over the most recent 12-month period. HKMC assesses eligibility using a capacity-weighted average PUE at the portfolio level. This approach reflects the overall efficiency of the portfolio, although we consider that it allows individual facilities to be offset by stronger-performing assets.

The second portfolio comprises six data centres in Malaysia. The weighted average PUE of the operating facilities is 1.38. The PUE performance varies across the individual facilities, with some facilities recording an average PUE above 1.5 over the most recent 12-month period, although the portfolio remains below the relevant threshold on a weighted-average basis.

The design PUE of the facilities under construction is 1.33. For the remaining facilities at the design stage, specific PUE figures were not available. HKMC clarified that the portfolio-level PUE is expected to remain below 1.33 over the long term, supported by the borrower's established energy-efficiency standards and the performance of its newest operational facility that is currently achieving a PUE of 1.2–1.3.

The third portfolio consists of one data centre in Thailand. The facility is still under construction, although the guaranteed PUE at utilisation rates above 75% is no greater than 1.35, which meets the 1.4 threshold specified in HKMC's SGS framework.

The fourth portfolio consists of one data centre in Malaysia that is under construction, with a design PUE of 1.38. This meets the 1.4 threshold specified in HKMC's SGS framework.

We consider the social loans for access to essential services projects to be aligned with the relevant eligibility criteria set out in HKMC's SGS framework 2025.

The university projects support the UAE government's initiative to enhance domestic educational attainment. The UAE's Ministry of Education has launched a national strategy for higher education 2030 with an aim to provide future generations with the necessary technical and practical skills to drive the economy in public and private sectors.

One of the universities was originally established as a women-only institution and has since transitioned to a co-educational model. Nevertheless, female students have consistently represented a significantly higher proportion of enrolment than male students in recent years. We consider this focus on female students to be aligned with the target population specified in the eligibility criteria.

We consider the social loan for the affordable basic infrastructure project to be aligned with the eligibility criteria set out in HKMC's SGS framework 2025.

Telecommunications towers are a critical part of communications infrastructure, and support digital inclusion by facilitating access to digital services and information.

The SGS framework defines eligible telecommunications projects as those promoting digital inclusion in unconnected or under-served communities, with under-served communities defined as those with access to 4G or lower network technologies. The deployment of 5G in India has accelerated in recent years; however, fixed broadband performance remains below both global averages and the national target, indicating continued connectivity constraints. We therefore consider the project to support digital inclusion in communities that remain inadequately connected, in line with the framework's eligibility criteria.

Note: E – Environmental, S – Social.

Source: Sustainable Fitch, based on HKMC SGS framework, company materials

As of the date of this review, the issuer has 14 loans in the SGS asset pool, comprising 11 green loans and three social loans.

In our view, the selected green and social loans will align with the green and social UoP categories of the SGS framework, all of which are aligned with the categories recommended by the ICMA Green Bond Principles and Social Bond Principles.

The SGS framework, including Appendix I – Environmental and Social Exclusion List, has set out a clearly defined list of excluded activities that include environmentally and socially controversial activities. Based on our review, we consider the eligible green and social assets included in the SGS pool to be consistent with the framework’s exclusionary criteria and not to involve any activities included on the exclusion list.

Project Evaluation and Selection – Assessment Versus Issuance Framework

Based on the information provided, HKMC confirmed that the selection of the eligible green and social assets was conducted in accordance with the evaluation and selection process set out in the SGS framework. The eligible assets were reviewed through the relevant internal review and approval process, including involvement of the internal task force and submission to the ESG committee for approval.

HKMC has conducted environmental and social risk assessments for all eligible assets included in the SGS pool, including environmental and social categorisation and physical and transition climate-risk assessments by the infrastructure financing and securitisation (IFS) division. This is consistent with the project evaluation and selection process described in HKMC’s SGS framework, which requires the IFS division to apply its environmental and social guidelines and related checklists when assessing infrastructure loan assets. We therefore consider HKMC’s evaluation and selection process for the eligible assets to be aligned with the approach set out in the framework.



Management of Proceeds – Assessment Versus Issuance Framework

The issuance is structured with the underlying green and social assets supporting the sustainable tranche through an SPV. This structure provides full segregation of proceeds, which eliminates the risk of proceeds being commingled with other funds.

HKMC confirmed that there will be no unallocated proceeds arising from the issuance. The issuance is backed by a predetermined pool of eligible assets held through an SPV; therefore, the proceeds will be fully allocated at issuance. HKMC also communicated that the eligible asset pool is maintained at a level no less than the net proceeds of the issuance amount of the transaction, as committed to in the framework.

HKMC also confirmed that assets that are no longer eligible under the eligibility criteria will be substituted as soon as reasonably practicable and on a best-effort basis by other eligible assets, as committed to in the SGS framework.



Reporting – Assessment Versus Issuance Framework

HKMC confirmed that it will conduct allocation and impact reporting for the eligible assets at least on an annual basis until full allocation of proceeds and update in case of material changes to the eligible assets, as committed to in the SGS framework.

This review is conducted at the pre-issuance stage, so no allocation and impact report is yet available. Proceeds will be fully allocated upon issuance, hence a registry detailing the allocation proportions of the underlying assets was included in this Pre-Issuance Review.



Source: Sustainable Fitch, HKMC SGS framework 2025, company materials



Contribution to UN SDGs – Assessment

In the following table Sustainable Fitch shows the UN SDGs each UoP category covered by the eligible green and social assets is directly contributing towards.

UoP	Type	UN SDG contribution
Renewable energy	E	SDG 7 (affordable and clean energy)
Energy efficiency	E	SDG 7 (affordable and clean energy)
Green buildings	E	SDG 9 (industry, innovation and infrastructure)
Access to essential services	S	SDG 4 (quality education) SDG 5 (gender equality)
Access to affordable basic infrastructure and services	S	SDG 9 (industry, innovation and infrastructure)

Note: E – Environmental, S – Social.

Source: Sustainable Fitch, based on HKMC SGS framework, company materials



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