



香港按揭證券有限公司
The Hong Kong Mortgage Corporation Limited

The Social, Green and Sustainability Financing Framework

August 2025

Contents

Introduction	3
About the HKMC	3
Delivering Socially Responsible Financial Products.....	7
Promoting Banking Stability and Local Financial and Debt Markets Development.....	8
Sustainable Financing	9
Transition to Carbon Neutrality	10
HKMC Social, Green and Sustainability Financing Framework	13
1. Use of Proceeds.....	13
2. Process for Project Evaluation and Selection	21
3. Management of Proceeds	22
4. Reporting	23
1. Allocation Reporting.....	23
2. Impact Reporting	24
External Review	25
Appendix I – Environmental and Social Exclusion List for the Infrastructure Financing and Securitisation Division	26
Appendix II - Project Evaluation and Selection Process of the Infrastructure Financing and Securitisation Division	28
Additional Undertakings for Sustainability-Linked Loans (“SLLs”) Financing Bonds.....	30

Introduction

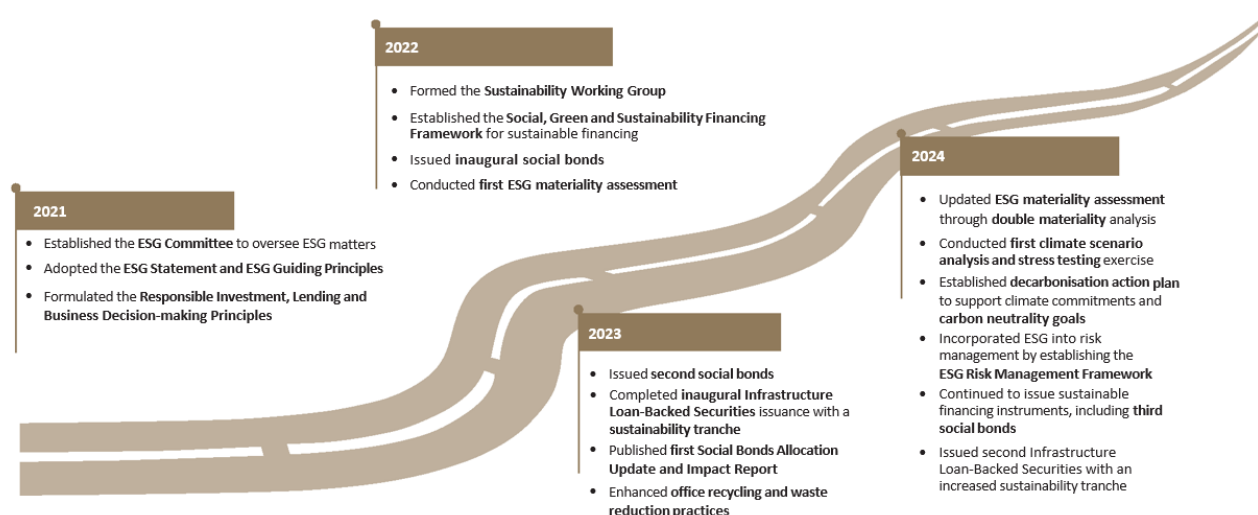
About the HKMC

The Hong Kong Mortgage Corporation Limited (“**HKMC**” or the “**Group**”), incorporated since March 1997, is wholly owned by the Government of the Hong Kong Special Administrative Region of the People’s Republic of China (the “**HKSAR Government**”) through the Exchange Fund. The Group has three wholly-owned principal operating subsidiaries: HKMC Insurance Limited (“**HKMCI**”), HKMC Annuity Limited (“**HKMCA**”) and HKMC Mortgage Management Limited (“**HMML**”).

The Group is committed to its core missions of promoting stability of the banking sector, wider home ownership, development of the local debt market and development of retirement planning market in Hong Kong, through the following main business activities:

- **Promote stability of the banking sector:** purchases residential mortgage assets.
- **Support home ownership in Hong Kong:** operates the Mortgage Insurance Programme (“**MIP**”).
- **Support small and medium-sized enterprises (“SMEs”) in Hong Kong:** operates a platform for the HKSAR Government to provide financial guarantee cover to banks in respect of loans advanced to local non-listed enterprises, including SMEs.
- **Promote development of the retirement planning market:** offers retirement products, namely the Reverse Mortgage Programme (“**RMP**”), the Policy Reverse Mortgage Programme (“**PRMP**”) and the HKMC Annuity Plan (“**Annuity Plan**”), to provide retirees with immediate, stable and lifelong streams of income.
- **Consolidate Hong Kong as infrastructure financing hub and fill the infrastructure financing market gaps:** acquires infrastructure debt obligations including purchasing and co-financing infrastructure loans, and at right market conditions, securitises these loan assets to further its mandates of promoting the development of the local debt market and stability of the banking sector and facilitating infrastructure investment and financing flows, benefiting financial and professional service sectors in Hong Kong.
- **Promote development of Hong Kong debt market:** continues to play its key role and keep regular presence in the local debt market development.

A Snapshot of Key Environmental, Social and Governance (“ESG”) Milestones



Group ESG Governance

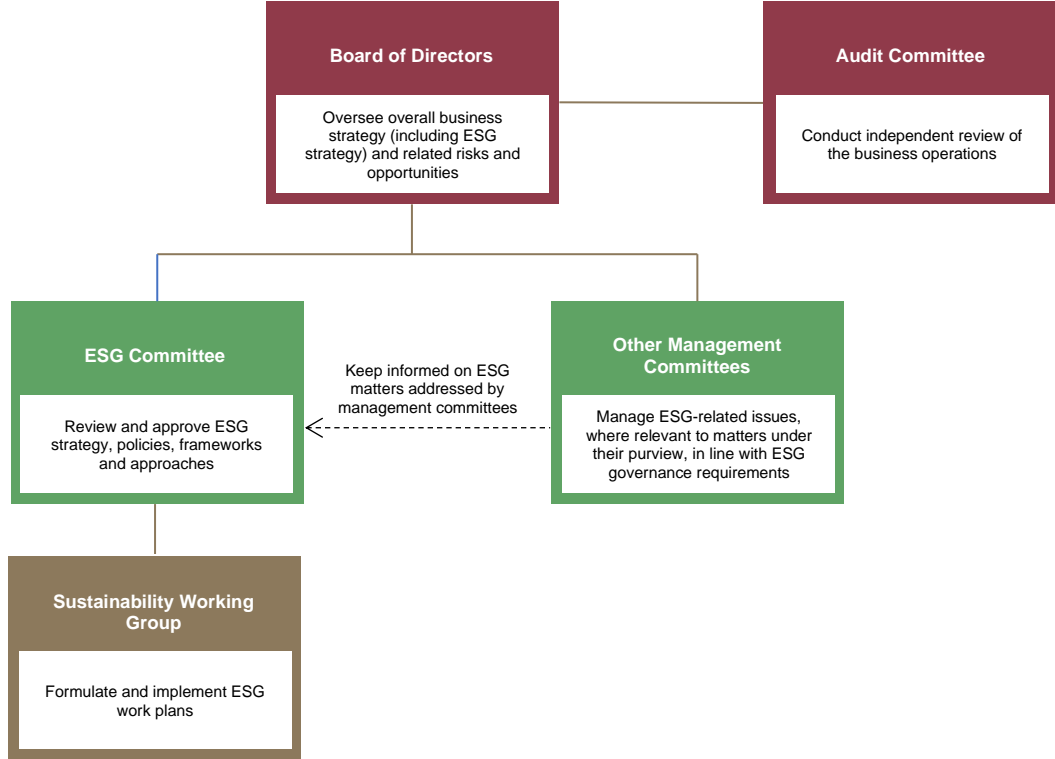
The Board is the highest governance body of the HKMC and bears ultimate responsibility and oversight for the overall business strategy (including ESG strategy) and related risks and opportunities of the Group.

In 2021, the Group established the ESG Committee to lead its sustainability efforts, oversee the implementation of its ESG strategy, and monitor and manage the associated risks. The ESG Committee is responsible for reviewing, approving and updating the Group's ESG strategy, policies and plans, as well as overseeing their implementation while analysing and monitoring the ESG trends and topics that are material to the Group and ensuring appropriate skills and competencies are available to provide oversight. The ESG Committee will also oversee the establishment and maintenance of systems, policies and processes to identify and manage ESG risks and opportunities, and evaluate the performance of the Group in achieving its ESG-related goals and targets and report the progress to the Board.

The ESG Committee is chaired by the Chief Executive Officer (“**CEO**”) of the HKMC, and its members include the CEOs of the HKMCA and the HKMCI and senior representatives of relevant functional departments and teams of the Group.

The Sustainability Working Group (“**SWG**”), comprising relevant department heads and supporting staff, is tasked to assist the ESG Committee in formulating and implementing ESG work plans. The SWG also helps to identify ESG topics, risks and opportunities of the Group while facilitating the co-ordination of different business units and functions to determine key ESG metrics and targets for monitoring and reporting.

ESG Governance Structure



Since 2021, the Group has adopted its ESG Statement and ESG Guiding Principles, detailed as follows, which serve to guide its approach to incorporating ESG factors in its corporate strategy and operations.

ESG Statement

The Group is committed to operating and carrying on business in a responsible and sustainable manner while applying high standards of corporate governance. This commitment is embedded in the way it operates, serves its customers, accounts to its stakeholders, cares for its staff, manages its impact on the environment and contributes to the community.

ESG Guiding Principles¹

Areas	Guiding Principles
Contributing to the Society	<ul style="list-style-type: none">▪ Offer financing solutions that support home ownership, facilitate retirement financial planning, and help to meet the financing needs of SMEs in Hong Kong▪ Provide products and services that facilitate banks' liquidity and risk management to promote stability of the banking sector in Hong Kong▪ Support the financial and debt markets in Hong Kong, and talent developments as well as financial education, in areas pertinent to its core missions
Upholding Governance Standards, Operational Resilience and Workplace Inclusion	<ul style="list-style-type: none">▪ Adhere to best practices of corporate governance and maintain high standards of professionalism, integrity and ethics in its work▪ Safeguard operational resilience and information security by continuous risk surveillance, system set-up and proper response▪ Promote inclusion and equality in the workplace, and foster staff wellness and development
Meeting Environmental Concerns	<ul style="list-style-type: none">▪ Devise strategic response to and implement plans to meet the risks and ride on opportunities relating to climate change and Hong Kong's long-term sustainability vision▪ Adopt and integrate ESG principles in its investment, lending and business decision-making activities▪ Strive for positive environmental impact with its operations and promote eco-friendly work practices and culture

¹ The ESG Guiding Principles were updated and approved by the ESG Committee on 13 October 2022.

Delivering Socially Responsible Financial Products

The HKMC achieves social objectives via the implementation of its core missions and the delivery of socially responsible products and services:

Solutions for Homebuyers

The Group has been operating the MIP since 1999, establishing it as an integral part of mortgage financing in Hong Kong. The MIP helps a potential homebuyer with limited resources to make the down payment to purchase a property. Through the MIP, the HKMCI provides insurance coverage to MIP participating banks, enabling the banks to extend mortgage loans with a higher loan-to-value (“LTV”) ratio. In addition, the HKMC has introduced the Fixed Rate Mortgage Scheme for fixed-rate mortgages, which provides an alternative financing option that can help mitigate the risk of interest rate volatility for homebuyers. As of the end of 2024, the MIP has supported 235,181 households since the launch of the programme².

Solutions for Retirees

Shifting into retirement can bring a myriad of financial hurdles, particularly as regular pay cheques cease. Many seniors, despite saving diligently, may find their retirement savings fall short when it comes to managing daily costs and handling the higher expenses of healthcare associated with increased longevity.

The Group has introduced the “HKMC Retire 3” branding, with the RMP, the PRMP and the Annuity Plan promoted together as a holistic solution for retirement planning. These three products provide the elderly with immediate, stable and lifelong streams of income to supplement their daily expenses after retirement, strengthening their financial security and improving their quality of life. Relatively illiquid assets are utilised as collateral, including residential properties for the RMP, death benefits of life insurance policies for the PRMP, and/or contribution of a lump-sum single premium for the Annuity Plan. These products help provide retirees with additional income support during their retirement.

Solutions for SMEs

To help tide SMEs and non-listed enterprises over financial difficulties, the HKSAR Government provides support for bank financing to SMEs and non-listed enterprises in Hong Kong with the 80% and 90% Guarantee Products of the SME Financing Guarantee Scheme (“SFGS”) under the entrusted operation of the HKMCI.

To ease the cash flow problems of enterprises adversely affected by the Coronavirus Disease 2019 (“COVID-19”) pandemic, the HKSAR Government launched the Special 100% Loan Guarantee (“100% SFGS”) as temporary special measures under the SFGS in April 2020, aiming to alleviate the financial burden of paying employee wages and rents by the enterprises which were suffering from reduced income and to help minimise shut-downs and layoffs. The HKMCI is the scheme administrator and the Group purchases loans originated under the 100% SFGS which is fully guaranteed by the HKSAR Government. As society has returned to normalcy after the COVID-19 pandemic, the 100% SFGS expired and ceased to accept new applications at the end of March 2024.

As of the end of 2024, the HKMCI had approved more than 27,400, 14,700 and 67,000 applications for loans amounting to HK\$118.4 billion, HK\$26.5 billion and HK\$143.7 billion for the

² The number of households supported includes count of the same household which is or has been supported through application for new loan drawdown and/or refinancing under the MIP since its launch.

80%, 90% and 100% Guarantee Products respectively since their respective launch date, benefitting around 62,400 local SMEs and 774,400 related employees in total.

Acknowledging that the economic recovery needs further reinforcement and mindful of the fluctuating market conditions, the HKSAR Government continues to offer support to SMEs in tackling their capital flow problems. To this end, the application period of the 80% and 90% Guarantee Products of the SFGS has been extended for two years to end-March 2026. Complementing this extension, the total guaranteed commitment under the SFGS was increased further by HK\$10 billion.

To further alleviate the repayment pressure on borrowing enterprises, and help them address challenges brought about by economic restructuring, the HKSAR Government announced enhancements to the SFGS in “The Chief Executive’s 2024 Policy Address” in October 2024. For both existing and new loans, borrowing enterprises under the SFGS could apply by 17 November 2025 for a principal moratorium for up to 12 months, while the maximum loan guarantee periods of the 80% and 90% Guarantee Products have been extended to ten and eight years respectively. In addition, partial principal repayment arrangement would be offered to new loans under the two guarantee products. These measures took effect on 18 November 2024.

Solutions for Specified Sectors

In 2023, the Group launched the Dedicated 100% Loan Guarantee Schemes (“**DLGS**”) to provide fully guaranteed loans to eligible licensed travel agents, owners of local tour coaches and vehicle owners or ferry owners/ operators of cross-boundary passenger transport to facilitate their business resumption alongside the gradual tourism recovery. The application period of the DLGS for Travel Sector and the DLGS for Cross-boundary Passenger Transport Trade expired on 28 October 2024.

Meanwhile, to support Hong Kong’s target to achieve zero vehicular emissions by 2050, the HKSAR Government has been actively promoting the use of electric vehicles and has established a target of introducing about 3,000 battery electric taxis (“**e-Taxis**”) by the end of 2027. To encourage the taxi trade to switch to e-Taxis, the HKMCI launched in September 2023 the DLGS for Battery Electric Taxis, with an application period of five years, to provide loans for eligible taxi owners to replace their liquefied petroleum gas, petrol, or hybrid taxis with e-Taxis.

Promoting Banking Stability and Local Financial and Debt Markets Development

The Group upholds its role in promoting banking and financial stability whilst executing sound risk management practices. To achieve this mission, the Group maintains a proactive approach, standing ready to acquire mortgage assets from the banking industry through the Mortgage Purchase Programme. Also, the MIP enables participating banks to provide mortgage loans at higher LTV ratios without incurring additional credit risk. It serves as a safeguard against potential losses from mortgage defaults that exceed the established LTV thresholds, thus contributing to Hong Kong’s banking stability. Furthermore, through the provision of the 80% and 90% Guarantee Products of the SFGS, the HKMCI extends guarantee coverage for bank loans to eligible SMEs, helping to reinforce the overall stability of the banking system.

As a leading corporate debt issuer in Hong Kong, the HKMC plays a crucial role in cultivating the local debt market. This is achieved not only through regular debt issuances, but also by launching innovative debt products and contributing to the evolution of the debt and financial markets.

Filling the Infrastructure Financing Market Gaps

In anticipation of the demand for infrastructure financing in the market, the HKMC saw an opportunity to further promote banking stability and local debt market development in Hong Kong and at the same time, help consolidate Hong Kong's position as an infrastructure financing hub, and established the Infrastructure Financing and Securitisation (“**IFS**”) Division in 2019 to participate in the infrastructure financing market. The HKMC purchases and accumulates mainly infrastructure loans from commercial banks, as well as co-finances infrastructure projects with multilateral development banks and commercial banks. It will, under the right market conditions, securitise these loan assets to further its mandate of promoting the local debt market development in Hong Kong.

Since 2023, the HKMC has been leading the issuance of Infrastructure Loan-backed Securities (“**ILBS**”) as a channel for directing investments from the capital markets into infrastructure assets.

Sustainable Financing

The HKMC successfully executed three rounds of social bonds, across 3 different currencies, as of the end of 2024. The inaugural issuance, launched in October 2022, marked a significant milestone as the world's first dual-tranche HKD and CNH social bond by a quasi-sovereign issuer, totalling HK\$8 billion and CNH 3 billion. The second round, issued in September 2023, was the largest social bond issuance in Asia at that time, amounting to approximately HK\$20 billion equivalent. The third round, issued in October 2024, further expanded the HKMC's commitment in sustainable financing with an issuance of approximately HK\$23.8 billion equivalent, reinforcing its dedication to financing socially impactful projects. These issuances are aligned with the HKMC's objectives to support sustainable initiatives and contribute to Hong Kong's long-term sustainability visions.

Summary of the Social Bond Issuances

Round	Date	Description
1	October 2022	<ul style="list-style-type: none"> Inaugural social bond issuance Comprised of 2 tranches, denominated in 2 currencies: HKD 8 billion 2-year and CNH 3 billion 3-year
2	September 2023	<ul style="list-style-type: none"> Comprised of 3 tranches, denominated in 3 currencies: HKD 9.5 billion 2-year, CNH 5 billion 3-year, and USD 650 million 5-year The largest social bond issuance in Asia on the date of issuance
3	October 2024	<ul style="list-style-type: none"> Comprised of 4 tranches, denominated in 3 currencies: HKD 7 billion 2-year and HKD 8 billion 5-year, CNH 2 billion 7-year, and USD 850 million 3-year The largest social bond issuance in Asia Pacific on the date of issuance

The HKMC successfully completed two ILBS issuances in May 2023 and September 2024 respectively, both of which consisted of multiple classes of USD-denominated secured notes backed by the cash flows from diversified portfolios of project and infrastructure loans across various regions and sectors. The issuances offered professional investors exposure to a diversified portfolio of project and infrastructure loans across multiple geographies and sectors. Each issuance included a sustainability tranche backed by sustainable, green and social assets.

Summary of the ILBS Issuances

Round	Date	Description
1	May 2023	<ul style="list-style-type: none"> Total issuance size of approximately US\$404.8 million Comprising a portfolio of 35 project and infrastructure loans spreading across 12 countries and 9 sectors Among these, there was an US\$100 million sustainability tranche backed by sustainable, green and social assets
2	September 2024	<ul style="list-style-type: none"> Total issuance size of approximately US\$423.3 million Comprising a portfolio of 28 project and infrastructure loans spreading across 14 countries and 10 sub-sectors Among these, there was an US\$107 million sustainability tranche backed by sustainable, green and social assets

Transition to Carbon Neutrality

In alignment with the HKSAR Government's carbon neutrality commitments and Hong Kong's Climate Action Plan 2050, the HKMC targets to achieve carbon neutrality by 2050. As an interim target, the HKMC strives to reduce its greenhouse gas ("GHG") emissions intensity by 36% by 2035 from a 2023 base year³.

The HKMC's progress in meeting its decarbonisation targets will be monitored, reviewed and regularly reported to the ESG Committee and the Board.

To achieve its goal of reaching carbon neutrality across operations and specific investment portfolios by 2050 as stated above and contribute to Hong Kong's Climate Action Plan 2050, the HKMC has established a decarbonisation action plan below which sets out the non-exhaustive list of actions it aims to take to help achieve decarbonisation over time.

Decarbonisation Action Plan

Carbon reduction initiatives	<ul style="list-style-type: none"> Encouraging resources conservation, energy saving and waste reduction in the workplace Retiring diesel-fuelled company vehicles Reducing overseas business meetings that may be effectively done virtually Purchasing renewable energy certificates for Scope 2 GHG emissions Purchasing carbon credits for Scope 1-3 (except Category 15) GHG emissions, including carbon offsets offered by airlines Portfolio re-balancing through positively shifting towards less carbon-intensive sectors and companies, including setting investment target on high-emitting sectors over time Increasing the proportion of financing renewables and decreasing the proportion of financing carbon-intensive assets over time by adopting a climate resilience framework to assess the relevant portfolio's climate resilience
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³ Taking into account the nature of the HKMC's businesses, portfolios, services and operations and the feasibility of data collection and quantification including considering the relevance and/or materiality of its various emissions sources, the scope of the GHG emissions for emissions intensity calculation of the HKMC's decarbonisation target includes Scope 1, Scope 2 and Category 3, 5, 6 and 15 of Scope 3 GHG emissions (as applicable).

Carbon reduction investments/financing	<ul style="list-style-type: none"> ▪ Investment in green bonds or corporate bonds with issuers engaged in renewable projects or projects which could generate carbon credits (i.e. carbon creditable projects) ▪ Financing carbon creditable projects or less carbon-intensive infrastructure projects or projects with carbon avoidance or carbon removal potentials
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Integrating ESG Considerations into Business Decision-making

The HKMC is committed to operating and carrying on business in a responsible and sustainable manner. As part of that commitment, in 2021, the HKMC incorporated ESG factors into its corporate strategy and operations by adopting its ESG Statement and ESG Guiding Principles.

The HKMC has adopted the Responsible Investment, Lending and Business Decision-making Principles, which establish a framework for implementing responsible strategies in its investment, lending and business decision-making activities. Through ESG integration, the HKMC identifies and evaluates ESG factors within its decision-making processes, encompassing standard risk assessments and thematic investment, lending and business activities.

To achieve its ESG vision, the HKMC has adopted a list of ESG integration factors that cover key aspects such as office operations, corporate governance and culture, overall strategy, product design, and stakeholder engagement. These are designed to facilitate the undertaking of ESG integration actions and enable the tracking of ESG progress. To ensure the robust implementation of the ESG strategy, the HKMC will conduct regular reviews on its ESG strategy, performance and policies.

Green Operations

To reduce GHG emissions and improve energy efficiency, the HKMC has developed the Green Operations Guidelines in alignment with the HKSAR Government's carbon neutrality commitments and Hong Kong's Climate Action Plan 2050. The guidelines serve to steer and facilitate the adoption of eco-friendly practices, with an emphasis on two areas: green workplace design and positive environmental impact.

Green Workplace

The HKMC continues to support and implement various green initiatives to create a more environmentally-friendly office, taking environmental protection as one of its priorities when selecting and maintaining its office buildings and workplace.

In 2024, the HKMC relocated its headquarters to a building that obtained the Leadership in Energy and Environmental Design Platinum certification by the U.S. Green Building Council to demonstrate high-performance in sustainable building standards.

Other Adopted Green Office Elements

Office furniture and equipment	<ul style="list-style-type: none"> ▪ Reuse of office furniture and equipment ▪ Use of Cradle to Cradle Certified® carpets which are safe and responsibly made
Air-conditioning	<ul style="list-style-type: none"> ▪ Installation of individual air-conditioning switches to reduce electricity consumption when not in use
Lighting	<ul style="list-style-type: none"> ▪ Use of LED lighting instead of fluorescent tubes ▪ Installation of timers for office lighting and motion sensors to reduce indoor lighting usage

Water	<ul style="list-style-type: none"> Water dispensers are used to replace bottled water
Other considerations in workplace design	<ul style="list-style-type: none"> Provision of greenery within the offices

Environmental Protection

The staff of the HKMC are encouraged to positively contribute to environmental protection through waste reduction and energy conservation. Actions taken include adopting digital communication tools for paperless operations and recycling wastepaper and used toner cartridges. The HKMC's workplace utilises sustainable products such as Forest Stewardship Council-certified paper and eco-friendly pantry supplies. In 2024, the HKMC introduced the "Go Green Trio" programmes to facilitate the re-use of items and recycling. To raise awareness about treasuring resources and reducing waste, the HKMC provides support for year-round book donations and works with Management Services Offices to enhance waste management and monitoring of waste data.

Initiatives to Reduce Environmental Footprint

Waste Reduction	<ul style="list-style-type: none"> Providing facilities, including recycling bins, for collection of used paper, cans and bottles Donating old computer equipment which are in good condition to charitable organisations Recycling used paper and envelopes Recycling rechargeable batteries and electronic appliances via the HKSAR Government's waste reduction and recycling programmes Supporting Used Clothes Recycling Programme to set up collection points in the office to collect clothing items from staff for recycling Minimising consumption of bottled water and usage of plastic carboy containers Replacing desktop computers with laptops to facilitate paperless meetings Issuing publications in electronic format, including the in-house staff publication, HKMConnection Adopting electronic internal administrative procedures, including leave application, performance appraisal and reservation of meeting rooms Utilising infographics in the office to promote reduction of paper consumption
Energy Conservation	<ul style="list-style-type: none"> Installation of energy-saving devices, including LED lights, motion sensors and timers to control indoor lighting Utilising infographics in the office to promote reduction of energy consumption

The information disclosed in this section will be updated from time to time. For the latest information, please refer to the ESG report of the HKMC's annual report which is made available on its website.

HKMC Social, Green and Sustainability Financing Framework

As a public sector entity and one of the major debt issuers in Hong Kong, the HKMC launched this Social, Green and Sustainability Financing Framework (“**Framework**”) to expand and implement its sustainability strategy as an integral part of its business strategy.

The HKMC first published this Framework in September 2022 and updated the Framework in August 2025. The updated Framework reflects the HKMC’s latest sustainable initiatives and is aligned with Hong Kong’s long-term sustainability visions.

The HKMC will use this Framework as the basis to structure and issue green, social and/or sustainability bond(s) and asset-backed securities via public issuance and private placement (referred to as “**Sustainable Financing Instruments**”), to support the growth of assets or projects with environmental and/or social benefits.

The Sustainable Financing Instruments issued under this Framework will be structured in alignment with the Social Bond Principles (2025)⁴ (“**SBP**”), Green Bond Principles (2025)⁵ (“**GBP**”), and the Sustainability Bond Guidelines (2021)⁶ (“**SBG**”) released by the International Capital Market Association (“**ICMA**”) (collectively, the “**ICMA Principles**”).

In particular, sustainable securitisations issued under this Framework will be aligned with the elaboration on “Secured Social / Green Bond” in Appendix 1 of the SBP and GBP.

The HKMC structured this Framework based on the four components of the ICMA Principles:

- Use of Proceeds;
- Process for Project Evaluation and Selection;
- Management of Proceeds; and
- Reporting.

1. Use of Proceeds

Under this Framework, the HKMC can launch Sustainable Financing Instruments in the following formats:

- Social: proceeds are exclusively allocated to Eligible Social Asset Category(ies);
- Green: proceeds are exclusively allocated to Eligible Green Asset Category(ies); and
- Sustainability: proceeds are allocated to a mix of Eligible Green Asset Category(ies) and Eligible Social Asset Category(ies).

An amount equivalent to the net proceeds of any of the HKMC’s Sustainable Financing Instruments will be used to finance and/or refinance, in whole or in part, new and/or existing projects, programmes, schemes, plans, products, loans, expenditures and investments falling within one or more of the Eligible Green Asset Categories or Eligible Social Asset Categories as defined below (collectively, the “**Eligible Assets**”). For the avoidance of doubt, loans to companies can also be eligible if at least 90% of their revenues are generated by the operation of one or more eligible activities⁷, as per the Eligibility Criteria set out in this Framework.

⁴ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>

⁵ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>


⁶ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/>

⁷ The remaining 10% of the revenues shall not be generated from activities that cause significant environmental or social harm and shall be subject to the Internal Task Force’s (as defined below) review.

For each sustainable securitisation, the HKMC or the issuer of asset-backed securities will adopt one of the following approaches and will clearly specify the approach adopted in the marketing materials and transaction documentation for each issuance:



- Secured Sustainable Collateral Bond: a secured bond where the net proceeds will be exclusively applied to finance or refinance the green and/or social project(s), loan(s), and/or transaction(s) securing the specific bond only.
- Secured Sustainable Standard Bond: a secured bond where the net proceeds will be exclusively applied to finance or refinance the green and/or social project(s), loan(s), and/or transaction(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.

According to the composition of the collateral asset pool or committed use of proceeds, the respective securitisation (or a specific class or tranche thereof) will bear a “Green”, “Social” or “Sustainability” label.



Eligible Social Asset Categories	Eligibility Criteria	Main Social Objectives & United Nations Sustainable Development Goals Alignment ⁸
<p>Employment Generation and Social Alleviation</p>	<p>Loans under the Special 100% Loan Guarantee of the SME Financing Guarantee Scheme, which aim to support local businesses affected by the COVID-19 pandemic.</p> <p><u>Target population</u>: local SMEs⁹ and non-listed enterprises</p> <p>Loans under the Dedicated 100% Loan Guarantee Schemes to support resumption of business activities and services of the sectors covered under the scheme.</p> <p><u>Target population</u>: entities from specific sectors as determined by the HKSAR Government to require short-term funding support for the resumption of operations and business activities</p> <p>Loans or projects that support a just and equitable transition, including but not limited to activities to facilitate transition away from fossil fuels in energy systems, investment in</p>	<p>Support Unemployment Alleviation and Just Transition</p> 

⁸ Mainly referencing the ICMA's "Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals". For full mapping, please refer to: https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Mapping-SDGs-to-GSS-Bonds_June-2022-280622.pdf

⁹ As defined by the Trade and Industry Department of the HKSAR Government: a SME is any manufacturing business which employs fewer than 100 persons in Hong Kong, or any non-manufacturing business which employs fewer than 50 persons in Hong Kong.

	<p>clean energy alternatives, and support for communities and workers affected by sustainable energy transition.</p> <p><u>Target population</u>: workers affected by the shift to low-carbon economies, especially those in high-carbon sectors facing job losses or changes</p>	
<p>Access to Essential Financing & Financial Services for the Elderly</p>	<p>Loans under the Reverse Mortgage Programme¹⁰.</p> <p><u>Target population</u>: elderly aged 55 or above, such that the elderly are provided with immediate, stable and lifelong streams of income and improved quality of life</p>	<p>Promote Comfortable Retirement and Financial Wellbeing</p> 
<p>Access to Essential Services</p>	<p>Loans or bonds in infrastructures, projects, corporate, entities, or facilities which provide essential services, such as:</p> <ul style="list-style-type: none"> (i) affordable basic healthcare services, including public and private hospitals, medical foundations, medical equipment, diagnostic services, emergency medical response, and disease control services to people in need of essential medical services; (ii) elderly care centres, residential care centres, care for the elderly, and disabled care centres; and (iii) schools or other education centres that expand access to education and/or for targeted minority inclusion regardless of their ability to pay. <p><u>Target population</u>: People living below the poverty line defined by local government, marginalised populations and/or communities, people with disabilities, migrants and/or displaced persons, underserved with a lack of quality access to essential goods and services, and women and/or sexual and gender minorities, the general public</p>	<p>Access to Essential Services</p> 

¹⁰ Under the RMP, only loans originated by HMML, a wholly-owned subsidiary of the HKMC, will be considered as eligible.

Affordable Housing	<p>Financing to support various local affordable housing schemes in Hong Kong to promote wider home ownership.</p> <p><u>Target population:</u> low- and medium-income groups in Hong Kong</p>	<p>Affordable Housing</p> 
Access to Affordable Basic Infrastructure and Services	<p>Loans or bonds in infrastructure projects, corporate, entities or facilities which provide affordable basic infrastructure and services, such as:</p> <ul style="list-style-type: none"> (i) electric power transmission and distribution assets for providing power to areas with no access or substantially inadequate access to electricity; (ii) roads, rails or ports that increase access for people in remote areas in developing countries^{11, 12}; (iii) water treatment and supply infrastructure such as waterworks, drinking water treatment plants, disinfection facilities and distribution network, and storage facilities to provide stable freshwater supply to underserved populations based in areas with no or inadequate drinking water infrastructure; (iv) telecommunication projects to promote digital inclusion in unconnected or underserved¹³ communities; and (v) hygiene infrastructure for the public, such as sewers, sewage treatment plants, and waste collection and disposal facilities. <p><u>Target population:</u> underserved communities with a lack of quality access to essential basic infrastructure and services</p>	<p>Access to Affordable Basic Infrastructure and Services</p> 


Eligible Green Asset Categories	Eligibility Criteria	Main Environmental Objectives ¹⁴ & United Nations Sustainable
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¹¹ Excluding high-risk countries or regions according to the IFS Compliance Guidelines (see Appendix II for details) which cover the evaluation of anti-money laundering, counter-terrorist financing and sanctions risks of the countries.

¹² Eligible projects shall be located in areas with no access or substantially inadequate access to transportation. Areas with substantially inadequate access to transportation are defined as areas that have unpaved, ungraded narrow or non-weather proof (mud road) roads or roads with poor conditions (such as potholes, cracked pavement, or collapsing shoulders) rendering its use difficult or impossible. In the case of maritime transportation, areas with poor maritime infrastructure are areas for which ports project will improve travel time or travel capacity by at least 100%.



¹³ Underserved communities are defined as communities with access to 4G or lower network technologies.

¹⁴ For full mapping, please refer to: https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Mapping-SDGs-to-GSS-Bonds_June-2022-280622.pdf

<p>Renewable Energy</p>	<p>Loans or bonds to support renewable energy power generation including development, manufacturing, construction, operation and maintenance of renewable energy generation technologies and its components, such as:</p> <ul style="list-style-type: none"> (i) solar (solar photovoltaic and concentrated solar power); (ii) wind (onshore and offshore); (iii) geothermal with direct emission threshold of $\leq 100\text{g CO}_2/\text{kWh}$, (iv) hydropower¹⁵; (v) tidal power; (vi) green hydrogen made using renewable energy, and its derivatives such as ammonia and methanol; and (vii) bioenergy¹⁶. <p>In particular, for storage, transmission and distribution systems, the following applies:</p> <ul style="list-style-type: none"> (i) if the system carries more than 90% electricity from renewable sources, the full financing or project is considered eligible; (ii) if the system carries less than 90% renewable energy, but is on a decarbonisation trajectory with more than 67% of the newly-enabled generation capacity in the system below the generation threshold of $100\text{g CO}_2\text{e}/\text{kWh}$ over a rolling five-year period, according to the EU Taxonomy, then the full financing is considered eligible; and (iii) if the system carries less than 90% renewables, but the percentage of renewables is expected to increase, then a pro-rata approach will be adopted for allocation. 	<p>Climate Change Mitigation</p> 
<p>Clean Transportation</p>	<p>Loans or bonds to support clean transportation projects such as:</p> <ul style="list-style-type: none"> (i) for passenger transportation, vehicles or rolling stocks that have zero tailpipe CO_2 	<p>Climate Change Mitigation</p>

¹⁵ Activity shall comply with either of the following criteria: (i) Small-scale ($< 25\text{ MW}$) or run-of-river, (ii) Lifecycle carbon emissions $< 100\text{g CO}_2\text{e}/\text{kWh}$, (iii) Power density is greater than $5\text{W}/\text{m}^2$ as referenced by the Organisation for Economic Co-operation and Development.

¹⁶ Lifecycle GHG emissions of electricity shall be $\leq 100\text{g CO}_2/\text{kWh}$; and feedstock could be from waste or non-waste, which should be sourced sustainably.

	<p>emissions (e.g. fully electric or hydrogen-powered)</p> <p>(ii) for freight transportation, road freight (e.g. lorries and trucks) and freight rail (trains) that are either fully electric or with emissions at or below (\leq) 25g CO₂/t-km (tonne-kilometre); and</p> <p>(iii) for aircraft leasing, activity complying with the technical screening threshold as specified in the EU Taxonomy¹⁷; and</p> <p>(iv) production and delivery of dedicated parts for clean transportation such as rechargeable batteries, fuel cells, sustainable fuels, or charging station networks.</p>	<p>and Pollution Prevention and Control</p> 
<p>Pollution Prevention and Control</p>	<p>Loans or bonds to support infrastructure intended to achieve pollution prevention and control, such as remediation of contaminated land, waste recycling, reuse treatment and waste-to-energy projects which follow the waste hierarchy (i.e. collection, sorting and recycling before energy recovery)¹⁸, as well as landfill gas capture and utilisation projects.</p> <p>Loans or bonds to support carbon capture technologies¹⁹, transportation²⁰, utilisation²¹ and/or storage²² projects whereby carbon emissions are captured for further use or sequestered.</p> <p>Loans or bonds to support retrofitting, refurbishment or alterations to projects that result in reduced air pollutants and GHG emissions and reduce discharges into water and land and generation of waste by at least 30%.</p>	<p>Pollution Prevention and Control</p> 



¹⁷ For the leasing of aircraft, the activity shall comply with the EU Taxonomy's technical screening threshold for Activity 6.18 (https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2022-climate-annex-1_en.pdf).

¹⁸ For municipal wastes, the majority of recyclables, especially plastic waste that can be recovered from the waste stream, will be segregated before energy conversion. In countries where the local environmental laws mandate the household solid waste must be segregated at the source, it is not necessary for the waste management company to implement sorting process at the project level.

¹⁹ Air capture is related to carbon-intensive and hard-to-abate industrial sector, with demonstrated high carbon capture efficiency of 90%.
²⁰ For transport of CO₂, the activity shall comply with the EU Taxonomy's technical screening threshold and the transport process should include a plan to monitor and mitigate leakage.








²¹ Captured CO₂ will not be utilised for enhanced oil recovery.

²² For permanent sequestration of captured CO₂, operation of a permanent CO₂ storage facility is eligible if the facility complies with requirements and recommendations of ISO 27914:2017 or comparable standards for geological storage of CO₂.

<p>Sustainable Water and Wastewater Management</p>	<p>Loans or bonds to support sustainable water and wastewater management projects, such as:</p> <ul style="list-style-type: none"> (i) water / wastewater treatment or recycling including sewer network and treatment, and slurry or sludge treatment facilities; (ii) water collection and water / wastewater treatment facilities to enhance water and wastewater treatment capacity / efficiency, improve water quality, and promote water recycling and reuse; and (iii) projects to improve water management efficiency by reducing leakage or improving water usage efficiency such as water pressure management systems, pump and pipe systems. 	<p>Sustainable Water and Wastewater Management and Pollution Prevention and Control</p> 
<p>Green Buildings</p>	<p>Loans or bonds in green buildings that meet regional, national or internationally recognised standards or certifications for environmental performance, including but not limited to:</p> <ul style="list-style-type: none"> ○ U.S. Leadership in Energy and Environmental Design with a rating at “Gold” or “Platinum”; ○ Building Research Establishment Environmental Assessment Method or BREEAM: “Very Good” or “Excellent”; and ○ any other green building or infrastructure certification that is comparable to the above standards. <p>Loans or bonds in infrastructure projects, corporate, entities or facilities for data centres that meet a power usage effectiveness (“PUE”) of 1.4 or below²³ or meet the PUE levels specified by local regulatory standards designed to classify data centres as green²⁴; or the upgrade, retrofit or renovation works resulting in achievement of such PUE value.</p>	<p>Climate Change Mitigation</p> 
<p>Energy Efficiency</p>	<p>Loans or bonds in energy efficiency improvement projects, such as:</p>	<p>Climate Change Mitigation</p>

²³ The eligibility for loans to data centres that were committed by the HKMC prior to the publication date of this version of the Framework (i.e. August 2025) shall be governed by the criteria applied under the previous version of the Framework, which is a PUE level of 1.5 or below.

²⁴ In cases where local regulatory standards impose a PUE threshold of lower than 1.4, the more stringent local standards shall apply.

	<p>(i) for telecommunication infrastructure projects: modernisation of networks and supporting infrastructure such as replacement of 3G or 4G with 5G, or transformation of legacy/ copper networks with more efficient fibre networks such as fibre optics; and</p> <p>(ii) other energy efficiency upgrade or improvement projects²⁵ or provision of electrical and mechanical supplies that result in an enhancement in energy performance by at least 30%.</p>	 
Climate Change Adaptation	<p>Loans or bonds in climate adaptation projects, such as:</p> <p>(i) information support systems, such as climate observation and early warning systems for extreme weather and climate events; and</p> <p>(ii) infrastructure designed to provide protection against flooding and extreme weather events and climate change, such as heavy rain drainage systems, flood prevention, flood defences or stormwater management, and other risk mitigation programmes.</p>	<p>Climate Change Adaptation</p> 
Environmentally Sustainable Management of Living Natural Resources and Land Use	<p>Loans or bonds in environmentally sustainable management of living natural resources and land use projects, such as:</p> <p>(i) environmentally sustainable forestry, including afforestation or reforestation that use tree species that are well-adapted to the site conditions, and preservation or restoration of natural landscapes and resources²⁶.</p>	<p>Protection and Restoration of Biodiversity and Ecosystems</p>  
Green Construction Materials	<p>Loans or bonds in the manufacturing of green construction materials that meet regional, national or internationally recognised standards or certifications for environmental performance, including but not limited to:</p> <p>(i) for reinforcing bar and structural steel: “Gold” or “Platinum” certification from the Hong Kong Construction Industry</p>	<p>Climate Change Mitigation</p>  

²⁵ Projects involving, for example, heat exchangers, heat pumps, heat recovery steam generators, and thermodynamic cycles such as adoption of Organic Rankine Cycle (ORC).

²⁶ For afforestation and reforestation projects, native species must be given preference and certified sustainable management plan (e.g. Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC) would be preferred.

	<p>Council's Green Product Certification Scheme, with the condition that the carbon footprint of the product is lower than the global average as revealed by the International Energy Agency ("IEA") or comparable international and regional organisations²⁷; and</p> <p>(ii) any criteria that are comparable to the above standards.</p>	
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Exclusionary Criteria:

For the avoidance of doubt, in any case, the following assets shall not be eligible for the use of proceeds of the HKMC's Sustainable Financing Instruments:

- Nuclear energy generation related assets and projects
- Weapons, gambling and casinos
- Business activities which are prohibited by laws and regulations in HKSAR
- In addition, projects under the Infrastructure Financing and Securitisation Division will be further subject to IFS Division Environmental and Social Exclusion List (Appendix I)

(the "**Exclusionary Criteria**")

2. Process for Project Evaluation and Selection

The HKMC will establish an internal task force (the "**Internal Task Force**") to lead the process of evaluating and selecting projects for each issuance of Sustainable Financing Instruments under this Framework.

In order to ensure strong governance process and inclusivity of expertise from various functions of the Group, the Internal Task Force shall, on an as-needed basis, consist of senior representatives from the following:

- Compliance Function;
- IFS Division;
- Risk Management Department;
- Treasury Department; and/or
- Any other departments or teams involved in the structuring and issuance of the relevant Sustainable Financing Instrument.

Frontline staff from business lines of the HKMC will be responsible to identify and select potential assets by using this Framework as the primary selection guideline.

In order to ascertain the eligibility of and funding required for potential assets selected for each potential launch of Sustainable Financing Instrument, the Internal Task Force will review the

²⁷ Given the relative immaturity of regional carbon footprint standards on green construction materials, the HKMC currently focuses on aligning the carbon footprint of the products to the industry average revealed by the IEA or international organisations of comparable standing. However, the HKMC will continue to monitor and recognise the market developments, and if prior to the next review of this Framework, there are commonly acceptable carbon footprint standards of green construction materials developed by regional organisations or key jurisdictions, the HKMC will aim to seek Second Party Opinion at the transactional level to confirm the eligibility prior to issuance of the financing instrument(s).

potential assets selected by frontline staff (and identify further assets where necessary) and collate relevant information in respect of the selection of those potential assets for the relevant Sustainable Financing Instrument; such information will be one of the factors for the HKMC to determine the format, category of financing instrument, and issuance size range of the potential issuance.

In addition, as part of the Group's decision-making processes for investment, the Group takes into account its Responsible Investment, Lending and Business Decision-making Principles to identify and evaluate ESG factors as a key guideline.

For projects potentially subject to medium or high ESG risks, the HKMC will engage in-house expertise or independent consultant(s) to conduct appropriate reviews, and present relevant risk mitigation measures to the Internal Task Force for consideration.

As a final step, the potential assets selected will be subject to the approval of the ESG Committee, based on the eligibility criteria defined in this Framework and the analysis on the expected environmental and/or social risks and impact relating to the potential assets.

In addition to following the company-wide process, the IFS Division has a more specific process for evaluating and selecting potential infrastructure loan assets. Please refer to Appendix II.

3. Management of Proceeds

The Financial Control Department shall establish an independent allocation register (the **"Register"**) to record and track the allocation of the proceeds from the issuance of Sustainable Financing Instruments to the Eligible Assets.

The net proceeds from the issuance of Sustainable Financing Instruments will be deposited in general funding accounts or designated accounts specified by the respective Sustainable Financing Instruments and managed through a formal internal process to ensure the proceeds of the Sustainable Financing Instruments are allocated to the Eligible Assets.

The HKMC intends to fully allocate the net proceeds into Eligible Assets within two years from issuance of the relevant Sustainable Financing Instruments.

The Register will contain, but not limited to, the following information:

- details of each Sustainable Financing Instrument including the instrument type, pricing date, maturity date, currency, gross and net amount of proceeds, coupon/interest rate, etc.;
- information of the list of allocated Eligible Assets for each instrument including the category, asset description, total costs / outstanding loan amount, allocated amount of proceeds, etc., of the relevant Eligible Assets; and
- the balance of any unallocated amount of proceeds.

Any balance of net proceeds pending allocation to the Eligible Assets shall be held in accordance with the HKMC's internal liquidity management policy and managed in accordance with the HKMC's Responsible Investment, Lending and Business Decision-making Principles and the Exclusionary Criteria of this Framework. Any balance of proceeds not allocated to Eligible Assets might be temporarily invested in traditional bonds or sustainable bonds, short-term money

market instruments with good ratings and market liquidity in the domestic and international markets, time deposits, or as cash, until being fully allocated into Eligible Assets.

Post-allocation, the Internal Task Force will review the assets allocated at least annually or when necessary to ensure that proceeds are allocated to the relevant Eligible Assets in line with the eligibility criteria throughout the tenor of the respective Sustainable Financing Instrument; and for Sustainable Financing Instruments issued in the form of asset-backed securities, which could be a stand-alone issue or of a specific class or tranche of a larger transaction, a pool of Eligible Assets is managed at a level no less than the net proceeds of the issuance amount of such Sustainable Financing Instruments as collateral.

Any allocated 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. Any such substitution of assets shall be subject to prior review and approval by the ESG Committee.

4. Reporting

For Bonds and Asset-Backed Securities:

The HKMC will report on the allocation of net proceeds of each Sustainable Financing Instrument and, where available, environmental and/or social impact indicators on an annual basis until the proceeds have been fully allocated (the “**Report**”), and update the market if there are any material changes to the respective assets on a timely basis.

The Internal Task Force will lead the drafting of the Report, which will be reviewed and subject to approval by the ESG Committee. The Report will be published as a stand-alone annual sustainable financing report and/or as a part of the HKMC’s annual report and made available through the HKMC’s website.

The Report will consist of the following:

1. Allocation Reporting

- A list of all Sustainable Financing Instruments issued in the reporting period and outstanding as at the reporting date;
- By each Sustainable Financing Instrument:
 - Amount and percentage of proceeds allocated under Eligible Green Asset Category and/or Eligible Social Asset Category;
 - Description of selected / allocated Eligible Assets;
 - Remaining balance of unallocated proceeds for each Sustainable Financing Instrument outstanding;
 - Estimated percentage of financing and refinancing of Eligible Assets; and
- In particular, for each sustainable securitisation and asset-backed securities:
 - Amount of the pool of Eligible Assets allocated to each sustainable securitisation or asset-backed securities, and its key information such as amount and percentage allocated under the Eligible Green Asset Category and/or Eligible Social Asset Category, number of loans and impact (if applicable).

2. Impact Reporting

The HKMC is committed to disclosing information about the positive environmental and/or social benefits of the Eligible Assets.

Subject to the availability of data and feasibility, the Report will include the relevant indicators recommended under the Harmonised Framework for Impact Reporting issued by the ICMA and the associated impact calculation methodologies and standards. Set out below is a list of examples of indicators for Eligible Green Asset Category and/or Eligible Social Asset Category:

Eligible Social Asset Categories	Examples of Impact Reporting Indicators
Employment Generation and Social Alleviation	<ul style="list-style-type: none"> • Number and type of beneficiaries / loans provided • Type of sectors supported • Number of jobs supported, created, and/or retained • Number of hours in up- and reskilling workers • Qualitative information that reflects the benefits of the projects to ensure a “just transition”
Access to Essential Financing & Financial Services for the Elderly	<ul style="list-style-type: none"> • Number of elderly supported through RMP
Access to Essential Services	<ul style="list-style-type: none"> • Types of essential services provided • Number and type of beneficiaries • Number of essential services facilities financed
Affordable Housing	<ul style="list-style-type: none"> • Number of beneficiaries / benefited families • Number of affordable housing financing loans granted
Access to Affordable Basic Infrastructure and Services	<ul style="list-style-type: none"> • Number and type of beneficiaries • Number of projects built to benefit the targeted population • Increase in electrification rates • Increase in digital penetration rates • % of underserved population having new access to the services as a result of the infrastructure financed

Eligible Green Asset Categories	Examples of Impact Reporting Indicators
Renewable Energy	<ul style="list-style-type: none"> • Installed capacity in MW • Estimated annual GHG emissions avoided (in tCO₂e or in %) • Estimated annual renewable energy production (in MWh)
Clean Transportation	<ul style="list-style-type: none"> • Number of electric vehicles / e-taxi deployed • Tracks built / repaired / improved / modernised (in km) • Number of passengers carried • Estimated annual GHG emissions avoided (in tCO₂e or in %) • Estimated fuel consumption reduced (in %)

Pollution Prevention and Control	<ul style="list-style-type: none"> • Amount of waste reduced • Amount of annual energy generated from non-recyclable waste /emission-efficient waste-to-energy facilities
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> • Number of water treatment facilities built or upgraded • Volume of water saved / reduced / treated (in m³ or %) • Volume of wastewater treated / reused / reduced (in m³ or %)
Green Buildings	<ul style="list-style-type: none"> • Number and types of green building certifications obtained • Estimated GHG emissions avoided (in tCO₂e or in %, annually or over project lifetime) • Designed or operational PUE achieved • Proportion of energy use from renewable sources
Energy Efficiency	<ul style="list-style-type: none"> • Energy savings (in MWh/year or in %, annually or over project lifetime) • Energy efficiency of transferred data • Estimated GHG emissions avoided (in tCO₂e or in %, annually or over project lifetime)
Climate Change Adaptation	<ul style="list-style-type: none"> • Number and type of adaptation and resilience measures or systems installed
Environmentally Sustainable Management of Living Natural Resources and Land Use	<ul style="list-style-type: none"> • Estimated GHG emissions avoided (in tCO₂e) • Increase in area under sustainable forest management (ha)
Green Construction Materials	<ul style="list-style-type: none"> • Number and types of green construction materials and building products certifications obtained • GHG emissions intensity (kgCO₂e/tonne steel) • Amount of CO₂ emissions captured/reduced (in tCO₂e/year)

Note: The impact reporting may be based on data sources from external consultants, information and statistics published by government and multilateral agencies and/or estimates by experts.

For Private Placements:

Subject to the terms of the underlying agreements in respect of the Eligible Assets or the Sustainable Financing Instruments, the HKMC will disclose aggregate information on the allocation of proceeds, and provide relevant information on the environmental and/or social impacts of Eligible Assets by adopting an approach similar to that for bonds and asset-backed securities outlined above.

Subject to the agreement and preference of the lenders and investors, the HKMC may disclose the relevant information in its annual report or in a stand-alone annual sustainable financing report made available through the HKMC's website.

External Review

Pre-issuance: Second Party Opinion

The HKMC has engaged Sustainable Fitch to provide a Second Party Opinion report on this Framework and confirm its alignment with the GBP, SBP and SBG. The Second Party Opinion

has been made available on the HKMC's website.

For any sustainable securitisations issued under this Framework, the HKMC will engage with an external reviewer to conduct pre-issuance eligibility assessment on the nominated projects and asset pools. The external review on the sustainable securitisations will be made available on the HKMC's website.

Post-issuance: Verification

The HKMC may engage with an independent third party to conduct post-issuance verification annually on the allocation of proceeds and impact reporting, until full allocation of any outstanding Sustainable Financing Instruments.

Appendix I – Environmental and Social Exclusion List for the Infrastructure Financing and Securitisation Division

The HKMC will not knowingly finance nor invest in the activities below. Requests for special exceptions shall be made by the IFS Investment Team on a case-by-case basis with strong and valid justifications, for review and approval by IFSIC.

- Production or activities involving forced labour²⁸ or harmful or exploitative forms of child labour²⁹;
- Production of or trade in any product or any activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, such as:
 - ❖ Pharmaceuticals;³⁰
 - ❖ Polychlorinated Biphenyls (“PCBs”), pesticides/herbicides and other hazardous chemicals;³¹
 - ❖ Ozone depleting substances;³²
 - ❖ Wildlife or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (“CITES”);³³ and
 - ❖ Transboundary movements of hazardous wastes or other wastes in violation of the Basel Convention;³⁴
- Activities prohibited by host country legislation or international conventions relating to the protection of biodiversity resources or cultural heritages;³⁵

²⁸ Forced labour means all work or service not voluntarily performed, that is, extracted from an individual under threat of force or penalty.

²⁹ Child labour means the employment of children whose age is below the host country's statutory minimum age of employment or employment of children in contravention of International Labour Organization Minimum Age Convention, 1973 (No. 138) (www.ilo.org). For the purposes of this list, harmful or exploitative forms of child labour means the employment of children that is economically exploitative, or is likely to be hazardous to, or to interfere with, the child's education, or harmful to the child's health, or has a negative impact on the child's physical, mental, spiritual, moral, or social development.

³⁰ Information of pharmaceutical products subject to phase-outs or bans is available at www.who.int.

³¹ A list of PCBs, pesticides/herbicides or other hazardous chemicals subject to phase-outs or bans is stipulated in the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade (www.pic.int), the United Nations Consolidated List of Products whose Consumption and/or Sale have been Banned, Withdrawn, Severely Restricted or Not Approved by Governments, and/or the Stockholm Convention on Persistent Organic Pollutants (www.pops.int).

³² A list of ozone depletion substances, together with target reduction and phase-out dates, is stipulated under The Montreal Protocol on Substances that Deplete the Ozone Layer.

³³ A list of concerned species is available at www.cites.org.

³⁴ Information of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal is available at www.basel.int.

³⁵ Relevant treaties in force and applicable to HK SAR include: Convention on the Conservation of Migratory Species of Wild Animals (www.cms.int); Convention on Wetlands of International Importance especially as Waterfowl Habitat (www.ramsar.org); Convention on Biological Diversity and Cartagena Protocol on Biosafety (www.cbd.int); International Convention for the Regulation of Whaling (www.iwc.int); Plant Protection

- Production of or trade in or use of radioactive materials;³⁶
- Production of, trade in, or use of asbestos fibres, whether or not bonded;³⁷
- Activities that directly affect primary tropical moist forests or old-growth forests or critical habitats, where significant degradation or conversion is involved;³⁸
- Shipment of oil or other hazardous substances in tankers which do not comply with the requirements stipulated by the International Maritime Organization;³⁹
- Nuclear projects where the host country has not ratified the relevant convention and treaty⁴⁰ or the operations are inconsistent with the International Atomic Energy Agency (“IAEA”) Safety Standards;⁴¹
- Large dams inconsistent with the World Commission on Dams framework;⁴²
- Mining of or trade in rough diamonds unless it is Kimberley Process certified;⁴³
- Production of or trade in or distribution of tobacco products violating the Framework Convention on Tobacco Control by the World Health Organization;
- Production of or trade in weapons and munitions, including paramilitary materials;
- Stand-alone gambling establishments or casinos or equivalent premises;
- Thermal coal mining, coal-fired power and heating plants or Projects that are functionally related to coal.⁴⁴
- Production of, or trade in, alcoholic beverages, excluding beer and wine⁴⁵
- Production or trade in wood or other forestry products other than from sustainably managed forests; and
- Marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats.

Agreement for the Asia and Pacific Region (www.fao.org); and Convention Concerning the Protection of the World Cultural and Natural Heritage (whc.unesco.org/en/convention).

36 This does not apply to the purchase of medical equipment, quality control (measurement) equipment, and any equipment for which IFS considers the radioactive source to be trivial and adequately shielded.

37 In special circumstances, if necessary to enable the borrower to transition from the use of bonded asbestos to alternative materials, the IFS Division may agree with the borrower on a reasonable transition period, provided that the asbestos content of the materials being used is less than 20 percent. Projects involving disposal of asbestos are not prohibited, provided a suitable asbestos management plan is adopted for such disposal.

38 Critical habitat includes areas with high conservation value that meet the criteria of the International Union for Conservation of Nature (IUCN), including habitat required for the survival of critically endangered or endangered species as defined by the IUCN Red List of Threatened Species (www.iucnredlist.org) or as defined in the host country's laws and regulations.

39 This includes: tankers which do not have all required International Convention for the Prevention of Pollution from Ships (MARPOL) and International Convention for the Safety of Life at Sea (SOLAS) certificates (including, without limitation, International Safety Management (ISM) Code compliance), tankers blacklisted by the European Union or banned by the Paris Memorandum of Understanding on Port State Control and tankers due for phase out under MARPOL regulation 13G.

40 For example the Convention on Nuclear Safety (www-ns.iaea.org/conventions/nuclear-safety.asp) and the Treaty on the Non-Proliferation of Nuclear Weapons (www.un.org/disarmament/wmd/nuclear/npt/).

41 Further information on the IAEA Safety Standards is available at www-ns.iaea.org/standards/.

42 The International Commission on Large Dams (www.icold-cigb.net) defined a large dam is a dam with a height of 15 metres or greater from lowest foundation to crest or a dam between 5 metres and 15 metres impounding more than 3 million cubic metres.

43 Information regarding Kimberley Process is available at www.kimberleyprocess.com.

44 Projects functionally related to coal means associated facilities that are dedicated to enable the mining and use of coal or projects that would not be carried out without dedicated coal-based power supply. In order to assist reduction of coal use, we may support Projects that aim at early retirement of coal plants, replacement of coal with lower-carbon fuel sources, or Projects for decommissioning, remediation, and redevelopment of affected coal facility sites and communities.

45 This does not apply to Clients who are not substantially involved in these activities. Not substantially involved means that the activity concerned is ancillary to the entity's primary operations.

Appendix II - Project Evaluation and Selection Process of the Infrastructure Financing and Securitisation Division

Through the IFS Division, the HKMC purchases and accumulates infrastructure loans from commercial banks, as well as co-finance infrastructure projects with multilateral development banks and commercial banks.

The IFS Division comprises the Investment, Risk Management, ESG and Loan Administration Teams. The Investment Team is responsible for deal origination and execution. The Risk Management Team is a risk control unit that is responsible for the credit assessment, day-to-day monitoring and reporting and risk management of the investments. The ESG Team is responsible for managing sustainable finance and overall ESG risks of the investments. The Loan Administration Team is responsible for the day-to-day loan administration processes.

After a deal is originated by the Investment Team, it has to go through a deal evaluation process, which involves a review of preliminary information received from the sellers, issuers or borrowers, followed by a more in-depth due diligence review. All investments are subject to the approval of the IFS Investment Committee, a governing forum that includes the following members:

- Executive Director
- Chief Executive Officer
- Chief Investment Officer (IFS Division)
- Senior Vice Presidents representing Operations, Finance (including Treasury) and Risk divisions
- General Counsel representing Legal Office and Compliance Function

Assessment of the ESG-related risks is covered by the IFS Risk Management Guidelines which comprises, among others, the Environmental and Social (“**E&S**”) Guidelines and the Compliance Guidelines that outline the detailed risk management requirements and processes. The IFS Division also follows the company-wide policies in controlling the use of proceeds. In addition, where possible, the IFS Division will work with stakeholders to continuously seek improvement in IFS policies, procedures and practices.

The objectives of the E&S Guidelines are to:

- promote environmentally and socially responsible infrastructure financing;
- ensure that the E&S risks management processes are aligned with industry practices and those adopted by the key market players;
- guide IFS Division’s E&S due diligence processes for the projects and business activities under consideration, as well as to provide a structured approach to monitor and record borrowers’ performances; and
- ensure that the HKMC effectively understands, assesses, and manages E&S risks associated with the IFS transactions.

The E&S Guidelines comprises the IFS Division’s Environmental and Social Exclusion List, E&S Categorisation Checklist, Physical Risk Assessment Checklist and Transition Risk Assessment Checklist (collectively, the “**Climate Risk Assessment Checklists**”) and Sector Guidelines, which

may be updated from time to time to align with the evolving market standards and regulatory requirements.

The IFS Division's Environmental and Social Exclusion List is attached in Appendix I of this Framework and the updated version, if any, will be made available on the HKMC's website.

The E&S Guidelines reflects international and local Hong Kong E&S standards, including among others, the Equator Principles adopted by project finance banks to assess and manage E&S risks of the projects. The IFS Division is dedicated to adopt the Equator Principles in its projects to the extent practicable. For projects that are co-financed with: (i) other financial institutions that adopt the Equator Principles; (ii) multilateral development banks; and/or (iii) export credit agencies, whose standards are customarily recognised as consistent with the Equator Principles, the IFS Division may adopt the E&S standards as agreed with other lenders in the projects.

The IFS Division has incorporated climate risk assessment to assess the physical risk and transition risk of the infrastructure loan assets:

- Physical risk: Different emission scenarios and time horizons are adopted in the stress test on the infrastructure loan assets for their exposure to climate hazards, which include coastal flood, riverine flood, cyclone, landslide, wildfire and extreme heat.
- Transition risk: Under different emission scenarios and time horizons, the infrastructure loan assets are assessed for their exposure to transition risks under different factors, including sector, regulatory, technology, market and reputation.

In addition to the E&S Guidelines, the IFS Division adheres to the Compliance Guidelines to identify, assess and manage the governance risks associated with the borrowers and the projects. In adopting the Compliance Guidelines, the IFS Division seeks to (i) ensure that due diligence has been conducted to consider and identify governance risks and impacts related to the projects; (ii) formulate approaches to manage and mitigate the potential governance risks; (iii) work with borrowers to continuously seek improvement on managing the governance risks, to the extent practicable; and (iv) monitor the implementation of the project and identify any potential changes to the governance-related risks and impacts post-commitment.

As for the selection of the potential assets, the IFS Division is responsible for nominating the eligible infrastructure loan assets for the Sustainable Financing Instruments.

Additional Undertakings for Sustainability-Linked Loans (“SLLs”) Financing Bonds

In addition to the assets bearing the “Green”, “Social” or “Sustainability” labels as stipulated in this Framework, the HKMC may issue debt instrument(s) to finance its sustainability-linked loans portfolio (“**SLLB Instrument**”). Any such transaction incorporating undertakings as per *Additional Undertakings for Sustainability-Linked Loans Financing Bonds* specified below will receive a separate second party opinion on a deal-by-deal basis.

This section is structured with reference to the ICMA Guidelines for Sustainability-Linked Loans Financing Bonds⁴⁶.

Use of Proceeds

An amount equal to the net proceeds from the SLLB Instrument will be used to finance and/or refinance sustainability-linked loans (“**Eligible SLLs**”). The HKMC will identify a pool of Eligible SLLs to form the SLL Financing Portfolio. Eligible SLLs will be screened according to the following criteria:

- Eligible SLLs shall align with the 5 core components (i.e. Selection of Key Performance Indicators (“**KPIs**”), Calibration of Sustainability Performance Targets (“**SPTs**”), Loan Characteristics, Reporting, and Verification) of the most recent Sustainability-Linked Loan Principles (“**SLLP**”) published by relevant regulatory and industry sources at the time of signing the SLL facility; and
- Each Eligible SLL shall be verified by an internationally recognised, credible and independent external verifier to ensure alignment with the SLLP.

To the extent feasible, priority will be accorded to selected KPIs that conform to the ICMA’s Illustrative KPIs Registry⁴⁷, as shown in the table below:

Objectives	Description of KPIs included
Climate Change Mitigation	<p>KPIs considered may include, without limitation:</p> <ul style="list-style-type: none">• GHG Emissions Reduction / Avoidance / Displacement (Absolute or Intensity-based)• Utilisation of Renewable Energy• PUE value• Energy Consumption Reduction (Absolute or Intensity-based)• Water Efficiency or Water Usage Reduction (Absolute or Intensity-based)

⁴⁶ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-loans-financing-bonds-guidelines-sllbg/>

⁴⁷ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbpb/>

Diversity and Inclusion	<p>KPIs considered may include, without limitation:</p> <ul style="list-style-type: none"> Diversity, Equity, and Inclusion which might include without limitation % of women across all levels of the organisation or % of women at Management / Executive level
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For SLLs associated with hard-to-abate sectors, the HKMC will prioritise companies and projects that demonstrate a robust and ambitious climate strategy or policy including a climate and decarbonisation roadmap that outlines their concrete actions to achieve targets in short, medium and long terms, as well as those that have established procedures to address any material social and governance issues.

Process for SLLs Evaluation and Selection

The same project evaluation and selection process used by the IFS Division as previously mentioned in this Framework is also applied to the SLLB Instrument, and the IFS Division is responsible for nominating the Eligible SLLs in the SLL Financing Portfolio.

The process for disqualifying and requalifying SLLs in the SLL Financing Portfolio is in place to ensure ongoing compliance with the HKMC's standards and alignment with international best practices. In the event that the borrower fails to achieve the predefined SPT(s), thereby preventing margin reduction triggers, the HKMC shall conduct a case-by-case assessment to determine the feasibility of excluding the SLL from its SLL Financing Portfolio and potentially replace it with a new Eligible SLL. Following the exclusion, an SLL may be included back into the SLL Financing Portfolio, subject to meeting the predefined KPI and SPT that trigger the margin reduction.

Management of Proceeds

Planning for Use of Proceeds

The net proceeds will be allocated fully within two years from the date of issuance of the SLLB Instrument.

Management of the Eligible SLL Register

The HKMC shall record the source and allocation of proceeds in a separate register management system to ensure that all net proceeds of the SLLB Instrument are properly managed and utilised.

The HKMC will review and update the register on a regular basis (at least annually). During the life of each SLLB Instrument, if any Eligible SLLs cease to fulfil the eligibility criteria or if allocated SLLs have been partially or fully prepaid/repaid, the net proceeds will be reallocated to new Eligible SLLs.

Use of Unallocated Proceeds

Unallocated proceeds shall be prioritised to be allocated to Eligible Assets as described in the Framework. Any balance of proceeds not allocated to Eligible SLL or Eligible Assets might be temporarily invested in traditional bonds or sustainable bonds, short-term money market instruments with good ratings and market liquidity in the domestic and international markets, time deposits, or as cash. Unallocated proceeds shall not be invested in GHG-intensive, highly-polluting or energy-intensive projects nor projects with negative social impacts (including but not limited to those listed on Appendix I – IFS Division's Environmental and Social Exclusion List).

Reporting

The HKMC is committed to maintaining transparency in information disclosure by adhering to best practices. The HKMC will publish a report on an annual basis until the proceeds have been fully allocated, and update the market if there are any material changes to the respective assets on a timely basis.

The HKMC commits to disclose information that includes, without limitation:

- Amount of the net proceeds allocated
- Size of the portfolio of Eligible SLLs
- Number of Eligible SLLs included in the Eligible SLL Register
- Sector and geography of the borrower
- Information on the achievement of KPIs/SPTs
- Information on disqualified SLL facilities and newly added SLLs

Subject to the confidentiality agreements, competitive considerations, or limitations due to a large number of Eligible SLLs, the information disclosed may be presented in generic terms or on an aggregated portfolio basis.