

The Hong Kong Mortgage Corporation Limited Social, Green and Sustainability Financing Framework



Evaluation Summary

Sustainalytics is of the opinion that the Hong Kong Mortgage Corporation Limited Social, Green and Sustainability Financing Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2021.¹ This assessment is based on the following:



USE OF PROCEEDS The eligible categories² for the use of proceeds are aligned with those recognized by the Sustainability Bond Guidelines, Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental and social impacts in Hong Kong and invested regions and advance the UN Sustainable Development Goals, specifically SDGs 3, 4, 6, 7, 8, 9, 11 and 12.



PROJECT EVALUATION / SELECTION The Hong Kong Mortgage Corporation has established an internal working group³ that will be responsible for the project evaluation and selection process in line with the Framework's eligibility criteria. The Hong Kong Mortgage Corporation ESG Committee⁴ is responsible for the final approval of the eligible projects and ensuring the risk management and internal control systems are in place for managing environmental and social risks associated with the eligible projects. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS The Hong Kong Mortgage Corporation's Financial Control Department will track the allocation of proceeds through an independent allocation register. Pending allocation, unallocated proceeds may be held in accordance with The Hong Kong Mortgage Corporation's internal liquidity management policy and managed in accordance with The Hong Kong Mortgage Corporation's Responsible Investment, Lending and Business Decision-making Principles and the exclusionary list of the Framework. Sustainalytics views the management of proceeds as aligned with market practice.



REPORTING The Hong Kong Mortgage Corporation intends to report on the allocation and impact of net proceeds in a report made available through The Hong Kong Mortgage Corporation's website annually until full allocation. Allocation reporting will include a list of all sustainable financing instruments, the share of financing and refinancing, the amount and percentage of proceeds allocated under the eligible categories and the remaining balance of unallocated proceeds. In addition, The Hong Kong Mortgage Corporation is also committed to reporting on relevant impact metrics. Sustainalytics views The Hong Kong Mortgage Corporation's allocation and impact reporting as aligned with market practice.

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Issuer Location Hong Kong, China

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¹ Including updated Appendix for Sustainable Securitisation as published by ICMA in June 2022.

² The eligible social and green categories are Social Alleviation: SME, Access to Essential Services, Affordable Housing, Access to Affordable Basic Infrastructure and Services, Renewable Energy, Clean Transportation, Pollution Prevention and Control, Sustainable Water and Wastewater Management, Green Buildings - Data Centres, and Energy Efficiency.

³ The internal working group comprises the senior representatives from various functions of the Group, including Treasury, SME Financing Guarantee Scheme Operations, Infrastructure Financing and Securitisation, Marketing and Business Development, and Risk Management.

⁴ Chaired by the CEO of HKMC, the HKMC ESG Committee includes the CEOs of HKMCA and HKMCI and senior representatives of relevant departments of HKMC.

Introduction

The Hong Kong Mortgage Corporation Limited (“HKMC” or the “Group”) is wholly owned by the Hong Kong Special Administrative Region Government through the Exchange Fund. HKMC has three wholly owned principal operating subsidiaries: HKMC Insurance Limited (HKMCI), HKMC Annuity Limited (HKMCA) and HKMC Mortgage Management Limited (HMML). As of 31 December 2021, HKMC has permanent staff of 367. The Group is committed to its core missions of promoting stability of the banking sector, boosting home ownership, and developing the local debt market and retirement planning market in Hong Kong.

HKMC has developed The Hong Kong Mortgage Corporation Limited Social, Green and Sustainability Financing Framework (the “Framework”), under which it intends to issue green, social and sustainability bonds and asset-backed securities through public issuance and private placements (referred to as Sustainable Financing Instruments), and use the proceeds to finance or refinance, in whole or in part, existing or future projects that can create positive environmental and social impacts in Hong Kong and invested regions.

The Framework defines eligibility criteria in the following four social categories:

1. Social Alleviation: SME
2. Access to Essential Services
3. Affordable Housing
4. Access to Affordable Basic Infrastructure and Services

The Framework defines eligibility criteria in the following six green categories:

1. Renewable Energy
2. Clean Transportation
3. Pollution Prevention and Control
4. Sustainable Water and Wastewater Management
5. Green Buildings - Data Centres
6. Energy Efficiency

HKMC engaged Sustainalytics to review The Hong Kong Mortgage Corporation Limited Social, Green and Sustainability Financing Framework, dated September 2022, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG),⁵ Green Bond Principles 2021 (GBP)⁶ and Social Bond Principles 2021 (SBP).⁷ The Framework has been published in a separate document.⁸

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁹ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021¹, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and

⁵ ICMA, “The Sustainability Bond Guidelines 2021”, (2021), at: <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf>

⁶ ICMA, “The Green Bond Principles 2021”, (2021), at: <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-100621.pdf>

⁷ ICMA, “The Social Bond Principles 2021”, (2021), at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>

⁸ HKMC, “The Hong Kong Mortgage Corporation Limited Social, Green and Sustainability Financing Framework”, (2022), at: https://www.hkmc.com.hk/eng/investor_relations/sustainable_finance.html

⁹ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

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- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11.4, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of HKMC's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. HKMC representatives have confirmed (1) they understand it is the sole responsibility of HKMC to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and HKMC.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.¹⁰

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that HKMC has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on The Hong Kong Mortgage Corporation Limited Social, Green and Sustainability Financing Framework

Sustainalytics is of the opinion that The Hong Kong Mortgage Corporation Limited Social, Green and Sustainability Financing Framework is credible, impactful and aligns with the four core components of the SBG, GBP and SBP. Sustainalytics highlights the following elements of HKMC's Sustainability Financing Framework:

- Use of Proceeds:
 - The eligible categories – Social Alleviation: SME, Access to Essential Services, Affordable Housing, Access to Affordable Basic Infrastructure and Services, Renewable Energy, Clean Transportation, Pollution Prevention and Control, Sustainable Water and Wastewater Management, Green Buildings - Data Centres, and Energy Efficiency – are aligned with those recognized by the SBG, GBP and SBP. Sustainalytics notes that the eligible categories are expected to provide environmental and social benefits.
 - HKMC intends to use part of the proceeds for project-based lending and another part for pure-play businesses that derive at least 90% of their revenue from activities identified under the eligible categories set in the Framework. Although Sustainalytics recognizes that the GBP and SBP prefer project-based lending and financing, which provide more transparency in general than non-project-based lending. Nevertheless, Sustainalytics notes that the financing of pure-

¹⁰ HKMC commits to closely follow market developments and will update the Framework accordingly if needed.

play companies with a robust revenue threshold is a commonly accepted practice that can generate positive impacts, and views 90% as a credible threshold.

- The Group has communicated to Sustainalytics that it has defined the look-back period as 36 months from the date of issuance for refinancing operating expenditures. This is in line with market practice.
- Under the Social Alleviation: SME category, HKMC may finance or refinance loans to SMEs under the Special 100% Loan Guarantee of the SME Financing Guarantee Scheme as defined by the Hong Kong SAR government, which aims to alleviate local businesses affected by the COVID-19 pandemic.^{11,12}
- Under the Access to Essential Services category, HKMC may finance or refinance loans, bonds or projects with the following criteria:
 - Affordable and subsidised basic healthcare services to expand access to or the provision of healthcare services to the general public, including both public and private healthcare services. HKMC has confirmed that the affordability of the healthcare services will be ensured by: (i) the provision of subsidies,¹³ (ii) universal healthcare scheme or public insurance is in place in the jurisdiction for public healthcare services,¹⁴ or (iii) for private healthcare services,¹⁵ tariffs are offered at a rate not substantially different than public healthcare services and ensure minimal out-of-pocket expenses¹⁶ for patients.
 - Schools or other education centres that expand access to education and/or for target minorities¹⁷ inclusion in education. Projects may include providing loans to public or private primary, secondary, tertiary and vocational education institutes. HKMC has confirmed that all education services will be accessible to all regardless of their ability to pay through the provision of subsidies and financial aid.¹⁸
 - Emergency medical response and disease control services for the general public. Emergency medical response refers to the services offered for serious injuries or illnesses that require immediate medical care services, and disease control services refer to pandemic-related services. HKMC has confirmed that the affordability of emergency medical response and disease control services will be ensured by: (i) the provision of subsidies,¹⁹ (ii) universal healthcare scheme or public insurance is in place in the jurisdiction for public healthcare services,²⁰ or (iii) for private healthcare services,²¹ tariffs are offered at a rate not substantially different from public services and ensure minimal out-of-pocket expenses for patients.
 - Sustainalytics considers providing access to healthcare and education as bringing positive social benefits and in line with market practice.

¹¹ The Special 100% Loan Guarantee aims to alleviate the financial burden of paying employee wages and rents by enterprises that are suffering from reduced income and to help minimize enterprises' shut-downs and layoffs. HKMC, "SME Financing Guarantee Scheme", at: https://www.hkmc.com.hk/eng/our_business/sme_financing_guarantee_scheme.html

¹² Trade and Industry Department, "Small and medium enterprises (SMEs)", at: https://www.success.tid.gov.hk/english/aboutus/what_are_sme.html

¹³ HKMC has confirmed to Sustainalytics that the subsidies will be provided by the federal and/or local government healthcare bureau (or equivalent) and relevant authorities, as well as multilateral development banks (MDBs).

¹⁴ For public healthcare services in countries which do not have universal healthcare or public insurance scheme in place, minimal out-of-pocket expenses for patients are ensured.

¹⁵ HKMC has confirmed to Sustainalytics that private healthcare services will only be financed in regions with a universal healthcare system.

¹⁶ Out-of-pocket expense refers to the extra cost that a patient needs to pay on top of the amount covered by public medical insurance.

¹⁷ HKMC defines target minorities as people living below the poverty line defined by the local government, excluded and/or marginalized populations and/or communities, people with disabilities, migrants and/or displaced persons, underserved people with a lack of quality access to essential goods and services, and women and sexual and gender minorities.

¹⁸ HKMC has confirmed to Sustainalytics that the subsidies and financial aid will be provided by education institutions, federal governments, local government authorities, local sponsors and MDBs.

¹⁹ HKMC has confirmed to Sustainalytics that the subsidies will be provided by the federal and/or local government healthcare bureau (or equivalent) and relevant authorities, as well as MDBs.

²⁰ For public healthcare services in countries which do not have universal healthcare or public insurance scheme in place, minimal out-of-pocket expenses for patients are ensured.

²¹ HKMC has confirmed to Sustainalytics that private healthcare services will only be financed in regions with a universal healthcare system.

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- Under the Affordable Housing category, HKMC may finance affordable housing for low and moderate-income²² groups in Hong Kong by following various local affordable housing schemes in Hong Kong. Sustainalytics notes that the unit price of the subsidised housing project is less than the average market price. However, the household income threshold of the subsidised housing project is more than 100% of the median household income in Hong Kong. While Sustainalytics considers it to be market practice to target lower-income households for projects related to affordable housing, Sustainalytics also notes that Hong Kong has one of the most expensive housing markets in the world. As such, Sustainalytics recognizes the potential positive impacts of expanding housing options for middle-income households in high-cost markets.
- Under the Access to Affordable Basic Infrastructure and Services category, HKMC may finance or refinance loans, bonds or projects in regions²³ with significantly inadequate or no access to electric power transmission and distribution assets, roads, rails or ports, water infrastructure, telecommunication projects and hygiene infrastructure to the following criteria:
 - Eligible electric power transmission and distribution projects for providing power to areas with no access or substantially inadequate access to electricity. HKMC intends to identify eligible projects especially for developing regions where the quality of electricity, such as adequacy and stability, are below the world median²⁴ and lower than the average rate of access to electricity based on the statistics published by local government authorities of the country and region. Examples include the transmission infrastructure project in a region of India where severe power deficits and outage issues are observed.
 - Roads, rails or ports that increase access for people in remote areas in developing countries. HKMC intends to identify eligible projects where there is no or substantially inadequate access to transportation.²⁵ HKMC has confirmed that ports being financed are intended to provide ferry access at affordable costs²⁶ for people in remote areas.
 - Water infrastructure to provide stable freshwater supply to underserved populations,²⁷ such as water pipes, collection and recycling facilities. Project examples include water supply such as water pipes, collection and recycling facilities, and sanitation projects in areas with no access or substantially inadequate access to drinking water. HKMC has confirmed to Sustainalytics that when a water tariff is applied to the financed projects, the affordability of water resources will be ensured through subsidies provided by the local government and MDBs.
 - Telecommunication projects to promote digital inclusion in unconnected or underserved communities.²⁸ HKMC has confirmed that the projects will target unconnected or underserved communities.²⁹ Example projects may include fibre network development projects in areas of India where populations have no access or substantially inadequate access to the internet.

²² Moderate income refers to the minimum income level required to purchase a reasonable-sized flat in the private property sector in Hong Kong, which is the methodology adopted by the Hong Kong Government to determine the maximum income level eligible to apply for government affordable housing schemes in Hong Kong.

²³ HKMC has confirmed with Sustainalytics that HKMC will follow its Compliance Guidelines in screening projects. The Compliance Guidelines cover the evaluation of anti-money laundering, counter-terrorist financing and sanctions risks of the countries.

²⁴ The World Bank, "Quality of Electricity Supply", at:

https://govdata360.worldbank.org/indicators/hf3350a8e%3Fcountry%3DBRA%26indicator%3D41280%26viz%3Dline_chart%26years%3D2007%2C2017?country=BRA&indicator=41281&viz=line_chart&years=2007,2017

²⁵ HKMC defines areas with substantially inadequate access as areas that have unpaved, ungraded narrow or non-weather-proof roads, such as mud roads, or roads with poor conditions such as potholes, cracked pavement, collapsing shoulders that render their use difficult or impossible. In the case of maritime transportation, HKMC considers areas with poor maritime infrastructure such that the ports project will improve travel time or travel capacity by at least 100%.

²⁶ HKMC has confirmed that affordability will be ensured through subsidy or at a rate well below the market rate based on local situation.

²⁷ Underserved is defined as people living in areas indicated as Extremely High and High under the Water Stress and Water Depletion categories as defined by the World Resources Institute using the Aqueduct tools. World Resources Institute, "Water Stress by Country", (2013), at: <https://www.wri.org/data/water-stress-country>

²⁸ HKMC has defined underserved communities as either (i) communities with access to at least mobile service by one operator with limited broadband capacity, but the backhaul or access capacity of the given site does not allow for quality internet access; or (ii) has access to 2G, 3G or limited 4G for mobile networks or copper for fixed networks.

²⁹ HKMC defines unconnected communities as communities with no telecommunication service provided (fixed or mobile) by any operator.

- Hygiene infrastructure such as pandemic prevention and water sanitation facilities, including wastewater treatment facilities in regions where the public does not have access to water sanitation facilities.
 - Sustainalytics recognize the positive social impacts of such investment and considers this to be in line with market practice. Sustainalytics encourages HKMC to disclose project details, including the location, nature of the projects and the social impact of the projects financed where feasible, such as in annual reports.
- Under the Renewable Energy category, HKMC may finance the construction, acquisition or installation of electricity generation, storage, transmission and distribution systems from renewable energy sources, including solar, wind, geothermal, hydropower, green hydrogen made using renewable energy, and bioenergy. HKMC also intends to finance distributed assets, including circuit breakers, disconnectors, reactors, capacitors and transformers, that intend to reduce the curtailment of renewable energy into the grid. Sustainalytics considers the criteria for financing renewable energy projects to be aligned with market practice and notes the following:
- Regarding solar thermal projects, HKMC has confirmed that the reliance on non-renewable energy backups will be limited to 15% of the facility's electricity generation.
 - Regarding geothermal projects, HKMC has confirmed that the direct emissions threshold of the projects will be limited to 100 gCO₂/kWh or lower.
 - Hydropower projects contemplated under the Framework will be limited to those that meet at least one of the following conditions: (i) run-of-river without artificial reservoir or low-storage capacity; (ii) life cycle emissions under 100 gCO₂e/kWh or 50 gCO₂e/kWh for projects after 2019; or (iii) have a power density above 5 W/m² or 10 W/m² for projects after 2019. Additionally, HKMC is committed to ensuring the absence of significant risks and expected negative controversies associated with the projects financed and will require an environmental and social impact assessment by a credible body for all new hydro projects.
 - For transmission and distribution projects, HKMC intends to finance grids carrying more than 90% electricity from renewable sources or grids with less than 90% of renewable energy but on a decarbonisation trajectory and with more than 67% of the newly enabled generation capacity in the system below the generation threshold of 100 g CO₂e/kWh over a rolling five-year period. For grids that use less than 90% renewable electricity but the percentage of renewables is expected to increase, HKMC will follow a pro-rata approach to determine the green allocation.
 - Bioenergy projects that use both waste and non-waste as feedstock and have life cycle emissions below 100 gCO₂e/kWh.^{30,31}
- Under the Clean Transportation category, HKMC may finance the development, construction, acquisition and manufacturing of low-carbon transportation; dedicated parts for clean transportation, such as rechargeable batteries, fuel cells or ancillary facilities, including charging station networks, hydrogen refuelling stations, bicycle docking stations; and related infrastructure, such as new lines, line extensions, stations and signalling equipment as part of the rail network. Sustainalytics considers the criteria for financing Clean Transportation projects to be aligned with market practice and notes the following:
- Regarding low-carbon transportation, eligible projects will meet the following emissions thresholds: (i) passenger rail such as trams, light rail and metros that are either fully electric or with tailpipe emissions below 50 gCO₂/pkm until 2025; (ii) buses below 50 gCO₂e/pkm as per the WLTP test until 2025; and (iii) road freight that are either fully electric or below the emission threshold of 25 gCO₂/tkm.
- Under the Pollution Prevention and Control category, HKMC may finance the development, construction and acquisition of infrastructure related to waste treatment such as biowaste composting and anaerobic digestion, waste reuse³² and recycling, and waste-to-energy projects. Sustainalytics considers the criteria for financing Pollution Prevention and Control to be aligned with market practice and notes the following:

³⁰ Eligible feedstock includes forestry residues; biodegradable waste from households, offices, restaurants or food processing plants; residues from certified sustainable palm oil operations, such as palm kernel shells and palm oil mill effluents; and municipal waste with segregation treatment in place.

³¹ Eligible non-waste feedstock, which will be certified with credible schemes such as RSB and ISCC Plus, excludes palm oil and peat and will not be derived from lands with high biodiversity, that are in competition with food production or deplete carbon pools.

³² HKMC has confirmed that no significant amount of extra effort will be required to reuse the waste or the product.

- Regarding waste recycling, HKMC has confirmed to Sustainalytics that: (i) source segregation to separate out plastic and metals is carried out in the case of mixed waste; (ii) chemical recycling of plastic will be excluded; and (iii) e-waste recycling will be supported by a robust waste management process to mitigate associated risks. For more details, please refer to Section 2.
- Eligible waste-to-energy projects will be sourced from municipal waste³³ where the majority of recyclables will be segregated before energy conversion, and biomass waste that is aligned with the criteria under the Renewable Energy category in this Framework.
- Under the Sustainable Water and Wastewater Management category, HKMC may finance the development, construction and acquisition of sustainable water and wastewater management projects. Eligible projects³⁴ include centralized wastewater treatment or recycling systems, water collection and treatment plant facilities, and projects to reduce water leakage and improve water management efficiency such as water pressure management systems, pump systems and pipe systems. HKMC has confirmed that wastewater from fossil fuel operations will not be treated. Sustainalytics considers investments and expenditures under this category to be in line with market practice.
- Under the Green Buildings - Data Centres category, HKMC may finance the construction, refurbishment and maintenance of data centres with a design power usage effectiveness (PUE) below 1.5; or upgrade, retrofit or renovation works that result in the achievement of a PUE below 1.5. HKMC has confirmed to Sustainalytics that the project will be excluded from the eligible asset pool if the operational PUE (after reaching a stabilized leasing rate) deviates from the design PUE of below 1.5, which Sustainalytics considers to be aligned with market practice.
- Under the Energy Efficiency category, HKMC may finance projects contributing to energy efficiency improvements, including the following:
 - Modernisation of networks and supporting infrastructure such as the replacement of 3G or 4G with 5G or transformation of legacy networks with more efficient fibre networks.
 - Projects that result in an energy performance improvement by at least 15%, such as the installation of LED lighting. Sustainalytics considers investments and expenditures under this category to be in line with market practice.
- Sustainalytics notes that HKMC excludes using the proceeds from instruments issued under the Framework to finance activities within certain sectors, such as nuclear energy-related assets and projects, assets and projects dedicated to fossil fuels, assets and projects related to weapons, gambling and casinos, and business activities that are prohibited by laws and regulations in Hong Kong. In addition, projects under the Infrastructure Financing and Securitisation Division will be subject to the Environmental and Social Exclusion List of the Infrastructure Financing and Securitisation Division (Appendix I).³⁵
- Project Evaluation and Selection:
 - HKMC has established an internal working group that comprises senior representatives from various functions of the Group, including Treasury, SME Financing Guarantee Scheme Operations, Infrastructure Financing and Securitisation, Marketing and Business Development, and Risk Management. The internal working group will be responsible for the project evaluation and selection process in line with the Framework's eligibility criteria. Chaired by the CEO of HKMC, the HKMC ESG Committee is responsible for the final approval of the eligible projects. Members include the CEOs of HKMCA and HKMCI, and senior representatives of relevant departments of the Group.
 - The HKMC ESG Committee is also responsible for ensuring the risk management and internal control systems are in place for managing environmental and social risks commonly associated with the eligible projects. For projects potentially subject to medium or high ESG risks, HKMC

³³ HKMC has confirmed the exclusion of fats, oils and grease that come from garage or industry manufacturing plants and animal by-products where animals are killed only for the purpose of collecting fats.

³⁴ Eligible wastewater treatment projects exclude the treatment of wastewater from fossil fuel operations.

³⁵ HKMC, "The Hong Kong Mortgage Corporation Limited Social, Green and Sustainability Financing Framework", (2022), available: https://www.hkmc.com.hk/eng/investor_relations/sustainable_finance.html

- will engage in-house expertise or independent consultant(s) to conduct appropriate reviews and present relevant risk mitigation measures to the working group for consideration. Sustainalytics considers the Group's processes for managing environmental and social risks to be adequate. For more details, please see Section 2.
- Based on cross-functional oversight for project selection, Sustainalytics considers this process to be in line with market practice.
 - Management of Proceeds:
 - The Financial Control Department will track the allocation of proceeds through an independent allocation register.
 - HKMC intends to fully allocate net proceeds to the eligible projects within two years from issuance or draw-down of the sustainable financing instruments. Pending allocation, unallocated proceeds may be held in accordance with HKMC's internal liquidity management policy and managed in accordance with the Group's Responsible Investment, Lending and Business Decision-making Principles and the exclusionary list of the Framework.
 - Based on the presence of an independent tracking system and the management of the temporary use of net proceeds, Sustainalytics considers this process to be in line with market practice.
 - Reporting:
 - HKMC intends to report on the allocation and impact of net proceeds annually until full allocation. The report will be published as a stand-alone annual sustainable financing report and/or as a part of HKMC's annual report and made available on HKMC's website. Allocation reporting will include a list of all sustainable financing instruments issued in the reporting period and outstanding as of the reporting date, the share of financing and refinancing, the amount and percentage of proceeds allocated under eligible green and/or social categories, the description of selected allocated eligible projects, the remaining balance of unallocated proceeds, and the estimated percentage of financing and refinancing for each sustainable financing instrument.
 - Impact reporting may include several environmental and social indicators, such as number and type of beneficiaries or loans provided, number of projects built to benefit the targeted population, estimated annual renewable energy production in MWh, estimated annual GHG emissions avoided in tCO₂e or percentage, and designed or operational PUE achieved. For a full list of impact indicators, please refer to Appendix 1: Sustainability Bond/ Sustainability Bond Programme External Review Form.
 - Based on the frequency and accessibility of allocation and impact reporting, Sustainalytics considers this to be in line with market best practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that The Hong Kong Mortgage Corporation Limited Social, Green and Sustainability Financing Framework aligns with the four core components of the GBP and SBP. For detailed information, please refer to Appendix 1: Sustainability Bond/Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of HKMC

Contribution of Framework to HKMC's sustainability strategy

HKMC demonstrates a commitment to sustainability as identified in the Framework.³⁶ HKMC's environmental guiding principles include promoting sustainable businesses, investments and financing; minimizing environmental footprints; and raising awareness of environmental protection.³⁷ HKMC practises responsible investment, lending and business decision-making in its operations through measures such as adopting environmental and social due diligence and monitoring for its infrastructure loan projects and portfolio. In addition, HKMC's office building is certified with LEED Gold certification and the Group's offices use energy-

³⁶ HKMC, "The Hong Kong Mortgage Corporation Limited Social, Green and Sustainability Financing Framework", (2022), at: https://www.hkmc.com.hk/eng/investor_relations/sustainable_finance.html

³⁷ HKMC, "Environmental, Social and Governance Report", (2021), at: https://www.hkmc.com.hk/files/annual_report_file/32/867/07%20E_Environmental%2C%20Social%20and%20Governance%20Report.pdf

efficient lighting and air conditioning, limit paper use and promote recycling. In addition, HKMC supports Hong Kong's Climate Action Plan 2050.

HKMC provides guarantee programmes and initiatives such as the SME Financing Guarantee Scheme (SFGS) and the 100% Personal Loan Guarantee Scheme (PLGS), which have been offered during the COVID-19 pandemic to support local SMEs. As of December 2021, HKMCI has approved more than HKD 184.7 billion (USD 23.55 billion) in loans under various guarantee products, benefitting more than 45,000 local SMEs and 640,000 related employees. In addition, HKMC also supports home ownership by providing mortgage insurance programmes and fixed-rate mortgage schemes for potential home buyers who have limited resources for substantial down payments and alternative financing options. HKMC also provides multiple retirement products.³⁸

Sustainalytics is of the opinion that The Hong Kong Mortgage Corporation Limited Social, Green and Sustainability Financing Framework is aligned with the Group's overall sustainability strategy and initiatives.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are expected to have positive environmental and social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects could include issues involving land use and biodiversity loss associated with large-scale infrastructure development, emissions, effluents and waste management, occupational health and safety, and risk of increasing inequalities if social programmes are not appropriately targeted to beneficiaries.

Sustainalytics is of the opinion that HKMC is able to manage or mitigate potential risks through implementation of the following:

- To formulate and implement its ESG strategy, the Group established the ESG Committee (ESGC) in 2021 to lead the Group's sustainability efforts and oversee ESG management, including reviewing, approving and updating the Group's ESG strategy, policies and plans, monitoring the ESG trends and issues.³⁹
- To manage ESG risks arising from the eligible projects, the Group has adopted Responsible Investment, Lending and Business Decision-making Principles since 2021, which integrates ESG risk in its investment, lending and business decision-making.⁴⁰ For example, HKMC evaluates all the infrastructure projects against the internal Infrastructure Financing and Securitisation (IFS) Environmental & Social Guidelines and IFS Compliance Guidelines, which include international and local standards. For projects potentially subject to medium or high ESG risks, HKMC will engage in-house expertise or independent consultant(s) to conduct appropriate reviews and present relevant risk mitigation measures to the working group that leads the process of evaluating and selecting projects under the Framework for further consideration.⁴¹
- Hong Kong's Environmental Impact Assessment Ordinance covers designated projects that may have an adverse impact on the environment. Under the Hong Kong ordinance, Schedule 2 projects such as residential and industrial developments and major infrastructure works must follow the statutory EIA process and require environmental permits for their construction and operation. Schedule 3 projects require approved environmental impact assessment reports.
- Regarding occupational health and safety, HKMC has communicated to Sustainalytics that for infrastructure projects, the Group will conduct investigations on whether the projects or companies have health and safety policies in place or have any controversies around health and safety and human rights. HKMC follows the Equator Principles, which take into consideration internationally recognized guidance such as the IFC's General EHS Guidelines, ISO criteria and the UN Guiding Principles on Business and Human Rights
- To mitigate the risk of increasing inequalities if social programmes are not appropriately targeted to beneficiaries, HKMC has developed eligibility criteria for selecting the targeted SMEs, including

³⁸ HKMC, "The Hong Kong Mortgage Corporation Limited Social, Green and Sustainability Financing Framework", (2022), at: https://www.hkmc.com.hk/eng/investor_relations/sustainable_finance.html

³⁹ HKMC, "Environmental, Social and Governance Report", (2021), at:

https://www.hkmc.com.hk/files/annual_report_file/32/867/07%20E_Environmental%2C%20Social%20and%20Governance%20Report.pdf

⁴⁰ Ibid.

⁴¹ HKMC, "The Hong Kong Mortgage Corporation Limited Social, Green and Sustainability Financing Framework", (2022), at:

https://www.hkmc.com.hk/eng/investor_relations/sustainable_finance.html

alignment with the government definition of SMEs, minimum period of operation⁴² and evidence of sales turnover reduction.⁴³

Based on these policies, standards and assessments, Sustainalytics is of the opinion that HKMC has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All ten use of proceeds categories are aligned with those recognized by GBP and SBP. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

Importance of financing SMEs in Hong Kong

Hong Kong has approximately 350,000 SMEs, which account for more than 98% of the total number of enterprises and about 46% of total employment in the HKSAR.⁴⁴ In 2020, the pandemic led to an all-time high unemployment rate of 7.2% in Hong Kong, with SMEs being the hardest-hit sector.⁴⁵ Given that SMEs are a significant driver of job creation and face challenges stemming from limited access to financing, low levels of financial inclusion, little expenditure on R&D⁴⁶ and the effects of the pandemic, the Hong Kong SAR government provides financial support to SMEs through various channels,⁴⁷ including government funding schemes and loan guarantee programmes, such as the SME Financing Guarantee Scheme.⁴⁸

Based on the above context, Sustainalytics is of the opinion that HKMC's financing of SMEs that are affected by natural disasters and COVID-19 could provide additional financial resources to SMEs in Hong Kong and contribute to preserving employment and business continuity.

Importance of affordable housing in Hong Kong

Hong Kong has consistently ranked as the world's least affordable housing market in the past decade.⁴⁹ In Hong Kong, median income households spend approximately 20 years of their earnings to buy a 60 m² flat at an average cost of USD 1.24 million.⁵⁰ Renting is an equally expensive option, resulting in high demand for subdivided units (SDUs) within converted flats, which are cramped living spaces with an average size of only 11 m².⁵¹ As of 2016, nearly 200,000 people lived in SDUs, subject to exploitation in the absence of rent control and tenancy security protection.⁵² Many buildings are being illegally converted into SDUs, which violates hygiene and fire safety codes and results in numerous fatal fire incidents.⁵³ Furthermore, Hong Kong's homeless population increased by 22% between 2019 to 2020, reaching more than 1,400 people who cannot afford even the cheapest SDUs on the market.⁵⁴

To address the chronic shortage in affordable housing, the Hong Kong government announced in 2021 that it would construct 330,000 public housing units over the next decade and address the public housing demand

⁴² HKMC has communicated to Sustainalytics that the applicants must have been operating for at least three months in Hong Kong as of 31 March 2022.

⁴³ HKMC has communicated to Sustainalytics that the applicants must have suffered at least a 30% decline in sales turnover in any month since February 2020 ("Affected Period") compared with the monthly average of any preceding quarter from January 2019 to March 2022 ("Reference Period"), provided that the Affected Period must not be earlier than the Reference Period

⁴⁴ Government of the Hong Kong Special Administration Region, "Around 350,000 SMEs in Hong Kong", (2022), at:

<https://www.cedb.gov.hk/en/business-environment/sme-support.html>

⁴⁵ Reuters, "Hong Kong's Dec-Feb jobless rate at highest since 2004", (2021), at: <https://www.reuters.com/article/hongkong-economy-unemployment-idUSL1N2LE0ID>

⁴⁶ Asian Development Bank, "Major Challenges Facing Small and Medium-sized Enterprises in Asia and Solutions for Mitigating Them", (2016), at: <https://www.adb.org/publications/major-challenges-facing-small-and-medium-sized-enterprises-asia-and-solutions>

⁴⁷ SME Link, "Government Funding Schemes", at: <https://www.smelink.gov.hk/en/web/sme-portal/government-funding-schemes.html>

⁴⁸ Ibid.

⁴⁹ Bloomberg, "Hong Kong Homes Ranked Least Affordable for 11th Year", (2021), at: <https://www.bloomberg.com/news/articles/2021-02-23/hong-kong-homes-ranked-world-s-least-affordable-for-11th-year>

⁵⁰ East Asia Forum, "Solving Hong Kong's housing affordability problem", (2020), at: <https://www.eastasiaforum.org/2020/05/01/solving-hong-kongs-housing-affordability-problem/>

⁵¹ The Chinese University of Hong Kong, "Average monthly rent per square foot for subdivided flats in Hong Kong 'shockingly' higher than that for private housing, survey finds", (2021), at: <https://urbanstudies.cuhk.edu.hk/news/view/average-monthly-rent-per-square-foot-for-subdivided-flats-in-hong-kong-shockingly-higher-than-that-for-private-housing-survey-finds>

⁵² CNA, "Commentary: Too many Hong Kong residents want affordable housing but there are too few flats", (2020), at:

<https://www.channelnewsasia.com/commentary/hong-kong-affordable-housing-lantau-vision-tomorrow-carrie-lam-935566>

⁵³ Ibid.

⁵⁴ Impact HK, "Homelessness in Hong Kong", at <https://impacthk.org/about/homeslessness-in-hk/>

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of low- and moderate-income groups.⁵⁵ As of June 2021, there were more than 153,600 general applications for public rental housing, with an average waiting time of approximately six years between application and allocation.⁵⁶

Given the above context, Sustainalytics is of the opinion that affordable housing projects financed under the Framework are impactful and could help increase the number of affordable housing units available to low-income populations and contribute to tackling Hong Kong's affordable housing problem.

Alignment with/contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The bonds issued under the Hong Kong Mortgage Corporation Limited Social, Green and Sustainability Financing Framework advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Social Alleviation: SME	8. Decent work and economic growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
	9. Industries, Innovation, and Infrastructure	9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets
Access to Essential Services	3. Good Health and Wellbeing	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services and access to safe, effective, quality and affordable essential medicines and vaccines for all
	4. Quality Education	4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and Goal-4 effective learning outcomes
Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Access to Affordable Basic Infrastructure and Services	7. Affordable and clean energy	7.1 By 2030, ensure universal access to affordable, reliable and modern energy services
	9. Industry, Innovation and Infrastructure	9.c Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020
	11. Sustainable cities and communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in

⁵⁵ Hong Kong Housing Authority, "Special Analysis of the Situation of Housing General Applicants for Public Rental Housing as at end-June 2021", (2021), at <https://www.housingauthority.gov.hk/en/flat-application/allocation-status/index.html>

⁵⁶ Ibid.

		vulnerable situations, women, children, persons with disabilities and older persons
Renewable Energy	7. Affordable and clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Pollution Prevention and Control	12. Ensure sustainable consumption and production patterns	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all 6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Green Buildings - Data Centres	11. Sustainable Cities and Communities	11.c Support least developed countries, including through financial and technical assistance, in building sustainable and resilient buildings utilizing local materials
Energy Efficiency	7. Affordable and clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency

Conclusion

The Hong Kong Mortgage Corporation Limited has developed The Hong Kong Mortgage Corporation Limited Social, Green and Sustainability Financing Framework, under which it may issue green, social and/or sustainability bonds and other debt instruments and use the proceeds to finance projects in the eligible categories – Social Alleviation: SME, Access to Essential Services, Affordable Housing, Access to Affordable Basic Infrastructure and Services, Renewable Energy, Clean Transportation, Pollution Prevention and Control, Sustainable Water and Wastewater Management, Green Buildings - Data Centres and Energy Efficiency. Sustainalytics considers that the projects funded using proceeds from the instruments issued under the Framework are expected to contribute to the low-carbon transition and sustainable development.

The Hong Kong Mortgage Corporation Limited Social, Green and Sustainability Financing Framework outlines a process for tracking, allocating and managing proceeds, and makes commitments for the Hong Kong Mortgage Corporation Limited to report on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that The Hong Kong Mortgage Corporation Limited Social, Green and Sustainability Financing Framework is aligned with the overall sustainability strategy of the Group and that the use of proceeds categories are expected to contribute to the advancement of the UN Sustainable Development Goals 3, 4, 6, 7, 8, 9, 11 and 12. Additionally, Sustainalytics is of the opinion that The Hong Kong Mortgage Corporation Limited has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that The Hong Kong Mortgage Corporation Limited is well positioned to issue sustainability bonds and that the Hong Kong Mortgage Corporation Limited Social, Green and Sustainability Financing Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles and Social Bond Principles¹.

Appendix

Appendix 1: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	The Hong Kong Mortgage Corporation Limited
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	The Hong Kong Mortgage Corporation Limited Social, Green and Sustainability Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	September 20, 2022
Publication date of review publication:	
Original publication date [please fill this out for updates]:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories⁵⁷ for the use of proceeds are aligned with those recognized by the Sustainability Bond Guidelines Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental and social impacts in Hong Kong and invested regions and advance the UN Sustainable Development Goals, specifically SDGs 3,4,6,7,8,9,11, and 12.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green Buildings - Data Centres |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |

⁵⁷ The eligible social and green categories are: Social Alleviation: SME, Access to Essential Services, Affordable Housing, Access to Affordable Basic Infrastructure and Services, Renewable Energy, Clean Transportation, Pollution Prevention and Control, Sustainable Water and Wastewater Management, Green Buildings - Data Centres, Energy Efficiency

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- | | |
|---|--|
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input checked="" type="checkbox"/> Other (please specify):
Social Alleviation: SME |
|---|--|

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The Hong Kong Mortgage Corporation has established an internal working group that will be responsible for the project evaluation and selection process in line with the Framework's eligibility criteria. The Hong Kong Mortgage Corporation ESG Committee is responsible for the final approval of the eligible projects and ensuring the risk management and internal control systems are in place for managing environmental and social risks associated with the eligible projects. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.

Evaluation and selection

- | | |
|---|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

The Hong Kong Mortgage Corporation's Financial Control Department will track the allocation of proceeds through an independent allocation register. Pending allocation, unallocated proceeds may be held in accordance with The Hong Kong Mortgage Corporation's internal liquidity management policy and managed in accordance with The Hong Kong Mortgage Corporation's Responsible Investment, Lending and Business Decision-making Principles and the exclusionary list of the Framework. Sustainalytics views the management of proceeds as aligned with market practice.

Tracking of proceeds:

- Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner

- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Additional disclosure:

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

The Hong Kong Mortgage Corporation intends to report on the allocation and impact of net proceeds in a report made available through The Hong Kong Mortgage Corporation's website annually until full allocation. Allocation reporting will include a list of all sustainable financing instruments, the share of financing and refinancing, the amount and percentage of proceeds allocated under the eligible categories and the remaining balance of unallocated proceeds. In addition, The Hong Kong Mortgage Corporation is also committed to reporting on relevant impact metrics. Sustainalytics views The Hong Kong Mortgage Corporation's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (please specify):

Information reported:

- Allocated amounts
- Sustainability Bond financed share of total investment
- Other (please specify):
 - Description of selected allocated Eligible Assets as examples
 - Remaining balance of unallocated proceeds for each Sustainable Financing Instrument outstanding
 - Estimated percentage of financing and refinancing of Eligible Assets

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Frequency:

- Annual Semi-annual
 Other (please specify):

Impact reporting:

- Project-by-project On a project portfolio basis
 Linkage to individual bond(s) Other (please specify):

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |
| <input type="checkbox"/> Target populations | <input checked="" type="checkbox"/> Other ESG indicators (please specify): |
| | Installed capacity in MW |
| | Amount of waste reduced |
| | Amount of annual energy generated |
| | Volume of wastewater treated / reused / reduced (in m3 or %) |
| | Number of essential services facilities financed, jobs supported |
| | Increase in electrification rates |
| | Increase in digital penetration rates |
| | Number of affordable housing financing granted |

Frequency:

- Annual Semi-annual
 Other (please specify):

Means of Disclosure

- Information published in financial report Information published in sustainability report
 Information published in ad hoc documents Other (please specify):
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**
Type(s) of Review provided:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):
Date of publication:
ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.

Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.

Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.

Green, Social and Sustainability Bond Scoring/Rating: An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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For more information, visit www.sustainalytics.com

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