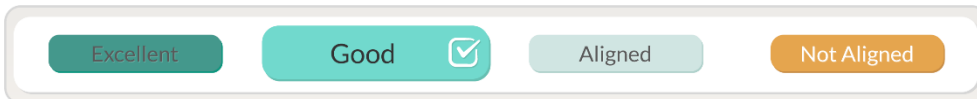




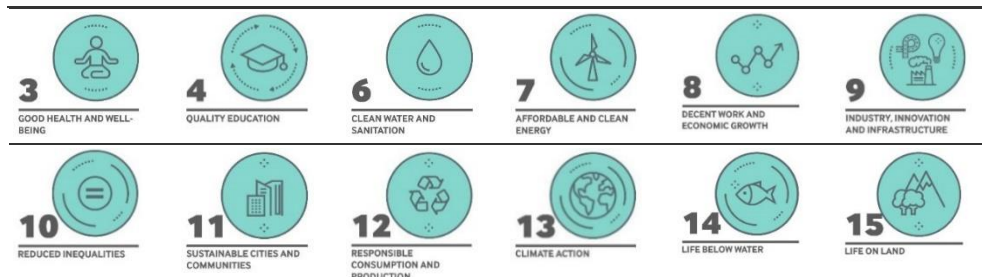
The Hong Kong Mortgage Corporation Limited

Second-Party Opinion – Social, Green and Sustainability Financing Framework



Pillar	Alignment	Key Drivers
Use of Proceeds	Good	<ul style="list-style-type: none">The Hong Kong Mortgage Corporation Limited's (HKMC) green use of proceeds (UoP) categories describe projects with clear environmental benefits that contribute to climate change mitigation, pollution prevention, climate change adaptation and ecosystem restoration objectives.The social UoP categories describe projects with clear social benefits, such as employment, access to essential services and infrastructure, and affordable housing.
Use of Proceeds – Other Information	Good	<ul style="list-style-type: none">We expect HKMC to disclose the expected ratio of refinancing to financing in separate third-party pre-issuance second-party opinion reports for infrastructure loans and in post-issuance reporting for other instruments. The lookback period for refinancing opex is three years, which is in line with standard market practice.The framework contains a list of exclusions for some environmentally and socially controversial activities.
Evaluation and Selection	Excellent	<ul style="list-style-type: none">The framework clearly defines a multi-layered process that involves members with relevant skillsets, diverse departments and HKMC's ESG committee.
Management of Proceeds	Good	<ul style="list-style-type: none">HKMC will track proceeds through a register, with monitoring to remove and replace ineligible projects.Unallocated proceeds will be temporarily held in cash or short-term liquid instruments, in line with standard market practice.
Reporting and Transparency	Good	<ul style="list-style-type: none">Allocation reporting will be provided on an annual basis for each instrument and at least until full allocation. Impact reporting may be provided, depending on data availability.HKMC may obtain post-issuance verification as appropriate; we view having a full commitment in the framework as best practice.

Relevant UN Sustainable Development Goals



Framework Type	Sustainability
Alignment	<ul style="list-style-type: none">✓ Green Bond Principles 2025 (ICMA)✓ Social Bond Principles 2025 (ICMA)✓ Sustainability Bond Guidelines 2021 (ICMA)
Date assigned	8 August 2025
See Appendix B for definitions.	

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Use of Proceeds Summary – ICMA Categories

Green	Renewable energy
	Clean transportation
	Pollution prevention and control
	Sustainable water and wastewater management
	Green buildings
	Energy efficiency
	Climate change adaptation
	Environmentally sustainable management of living natural resources and land use
Social	Employment generation
	Access to essential services
	Affordable housing
	Affordable basic infrastructure

Source: HKMC social, green and sustainability financing framework (August 2025)

Framework Highlights

We consider HKMC’s social, green and sustainability financing framework to be aligned with the ICMA Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (collectively known as “the sustainable finance principles”). Our opinion is that alignment is ‘Good’.

Under the framework, HKMC can issue green, social, sustainability and asset-backed securities through public issuances and private placements. Asset-backed securities can be secured in whole or in part by eligible green and/or social projects. The scope of our Second-Party Opinion (SPO) covers the main body of the framework and appendices I and II, which concern the issuance of UoP bonds.

Our SPO does not cover the appendix on “Additional Undertakings for Sustainability-Linked Loans Financing Bonds”, as it concerns the issuance of sustainability-linked loan financing bonds, which have to be assessed separately on alignment against the ICMA Guidelines for Sustainability-Linked Loan financing Bonds. HKMC intends to seek a separate SPO for each sustainability-linked loan financing bond issuance.

The framework and information provided by the issuer address the relevant pillars from the ICMA GBP and SBP, including information on the UoP, project evaluation and selection process, management of proceeds, and reporting.

Proceeds from the UoP bonds issued under this framework can be allocated to 14 UoP categories, most of which are aligned with the indicative project categories recommended by the ICMA. The green construction materials UoP is not included in the ICMA GBP, but we expect it to be aligned with the ICMA GBP.

The nine green UoP categories have the potential to contribute to positive environmental impacts, such as climate change mitigation through the development of renewable energy, green buildings, low- and zero-emissions transportation and energy-efficiency improvements; pollution prevention through waste, water and wastewater management projects; climate change adaption through monitoring and mitigation; and ecosystem restoration through sustainable forest management. The green UoP categories include projects that correspond to eligible activities under the EU taxonomy, the Hong Kong taxonomy and the Climate Bonds Initiative (CBI) taxonomy.

The five social UoP categories describe projects that we expect to support socially beneficial outcomes, such as employment generation, improved housing security, and access to essential infrastructure and services. The social UoP categories are targeted at specific target populations, such as the elderly and those living in remote or under-served areas, and one UoP category may also benefit the general public.

The ICMA recommends that eligible projects are clearly described in the legal documentation for transactions. We have only reviewed the framework for this SPO and did not review any transaction legal documents or marketing materials.

The framework outlines a clearly defined list of excluded activities that prohibits environmentally and socially harmful and controversial activities. This provides assurance to investors that the proceeds from issuances under this framework will not be used for projects that are not in line with the sustainability aims of the framework. However, the exclusions do not provide for a complete exclusion of all fossil fuel-related activities.

Source: Sustainable Fitch, HKMC social, green and sustainability financing framework (August 2025)

Entity Highlights

HKMC was established in 1997 and is wholly owned by the Government of the Hong Kong Special Administrative Region. HKMC has three wholly owned subsidiaries: HKMC Insurance Limited, HKMC Annuity Limited and HKMC Mortgage Management Limited.

HKMC's core mission is to promote the stability of the banking sector, wider home ownership, and the development of the local debt market and the retirement planning market. It operates across three business segments: asset purchase and servicing, general insurance, and long-term insurance.

HKMC's asset purchase and servicing segment manages loan acquisition, which is financed by debt securities issuance. The issuer's outstanding balance of loans at end-2024 was HKD95.5 billion (about USD12.3 billion), including loans under 100% guarantee schemes such as the SME financing guarantee and dedicated loan guarantee schemes from the Hong Kong government (HKD82.8 billion), infrastructure loans (HKD7.2 billion) and residential mortgages (HKD2.8 billion).

The general insurance segment provides mortgage insurance, reverse mortgages, policy reverse mortgages and SME financing guarantees. Net premiums written for general insurance totalled HKD892 million at end-2024. The issuer's risk-in-force exposures from the mortgage insurance programme and the reverse mortgage programme at end-2024 were HKD103.3 billion and HKD21.4 billion, respectively. The mortgage insurance programme provides insurance coverage for mortgage loans, which reduces the downpayment burden on prospective homeowners, making home ownership more affordable.

The long-term insurance segment provides annuity products, with net premiums written of HKD4.4 billion at end-2024.

HKMC offers retirement planning products under its HKMC Retire 3 initiative, including reverse mortgages, policy reverse mortgages and annuity plans, that support long-term financial planning. These products provide a stable source of income for those in their retirement years. HKMC also supports the Hong Kong government's initiatives to assist SMEs through government-guaranteed loans, enhancing SME access to financing for their working capital and operational needs.

HKMC's ESG strategy comprises three ESG pillars informed by 13 material ESG topics mapped to the UN Sustainable Development Goals (SDGs). These pillars are focused on the operational aspects of its business activities and represent its commitment in terms of social contributions, community support, corporate governance, staff well-being and environmental performance.

As of end-2024, HKMC had issued three social bonds, in 2022, 2023 and 2024. Its latest issuance in October 2024 was about the equivalent of HKD23.8 billion and was the largest social bond issuance in APAC at that time. The issuer also issued two infrastructure loan-backed securities, in 2023 and 2024. The total issuance size was about USD828 million, and the securities were backed by a mix of green and social infrastructure assets for sustainability tranches of USD100 million and USD107 million, respectively.

HKMC, as a public sector entity, has committed to support the Hong Kong government's carbon neutrality commitments and climate action plan that will lead Hong Kong towards the goal of carbon neutrality before 2050. In alignment with that goal, HKMC has a decarbonisation target to achieve carbon neutrality by 2050, as well as an interim target to reduce its GHG emissions intensity by 36% by 2035, compared to 2023. HKMC also recognises the importance of climate risk management in its business and manages this through its ESG risk management framework. The issuer prepares its sustainability disclosures with reference to the International Sustainability Standards Board's IFRS Sustainability Disclosure Standards.

Source: Sustainable Fitch, HKMC annual report 2024, HKMC social, green and sustainability financing framework (August 2025), HKMC website



Use of Proceeds – Eligible Projects

Alignment: Good

Company Material

Sustainable Fitch's View

Social eligible projects

Employment generation and social alleviation

- This UoP covers loans under the special 100% loan guarantee of the SME financing guarantee scheme, which aims to support local businesses affected by the Covid-19 pandemic. It targets local SMEs and other non-listed enterprises.
- This UoP also covers loans under the dedicated 100% loan guarantee schemes to support the resumption of business activities and services of the sectors covered under the scheme. It targets entities from specific sectors as determined by the government to require short-term funding support for the resumption of operations and business activities.
- This UoP also covers loans or projects that support a just and equitable transition, including but not limited to, activities to facilitate the transition away from fossil fuels in energy systems, investment in clean energy alternatives, and support for communities and workers affected by sustainable energy transition. It targets workers affected by the shift to a low-carbon economy, especially those in high-carbon sectors facing job losses or changes.
- SMEs are as defined by Hong Kong's Trade and Industry Department, which are any manufacturing business that employs fewer than 100 persons in Hong Kong or any non-manufacturing business that employs fewer than 50 persons in Hong Kong.
- We consider this UoP to be aligned with the employment generation category of the ICMA SBP.
- The special 100% loan guarantee scheme was introduced in Hong Kong's 2020–2021 budget to help address cashflow problems faced by SMEs during the Covid-19 pandemic. Eligible borrowers demonstrating a 30% reduction in sales turnover could access loans covering wages and rent for up to 27 months, capped at HKD9 million.
- SMEs are an important economic backbone in Hong Kong's economy. According to Hong Kong's Trade and Industry Department, there were about 360,000 SMEs in Hong Kong as of March 2025. These SMEs contribute to 43% of employment from the private sector, predominantly in the manufacturing and services sectors.
- Providing SMEs with access to credit promotes business continuity amid economic shocks from Covid-19, supporting SDG 8 (decent work and economic growth).
- The dedicated 100% guarantee scheme was introduced in Hong Kong's 2023–2024 budget to support post-pandemic recovery for travel agents and cross-boundary transport providers through 2024. It also aims to provide a supply-side incentive for taxi drivers to transition to electric taxis through 2028.
- Similarly, providing targeted financial support to these essential segments promotes sustainable economic growth and employment stability, supporting SDG 8.
- Electricity generation represents Hong Kong's largest source of emissions, accounting for 61% of total emissions in 2023, according to the government's 2023 emissions inventory, published in 2025. As the government pursues its carbon neutrality goal by 2050, this sector faces significant transition challenges that require substantial investments in workforce development.
- Workers will need upskilling and reskilling to ensure an equitable transition where the benefits of decarbonisation are shared across the society.
- The specific loan and project details are not included in the framework's criteria; however, we generally view the initiatives supporting such equitable transition to promote employment opportunities and inclusive economic growth, supporting SDG 8.



Access to essential financing and financial services for the elderly

- This UoP covers loans to support the reverse mortgage programme in Hong Kong.
- Only loans originated by HKMC Mortgage Management Limited, a wholly owned subsidiary of the HKMC, are eligible.
- Target population is the elderly aged 55 or above.
- We consider this UoP to be aligned with the access to essential services category of the ICMA SBP.
- Reverse mortgages can provide elderly homeowners in Hong Kong with the opportunity to unlock the value of their properties in order to access a regular cash flow or a lump-sum payout during the selected payment term.
- This supplementary income can help meet healthcare and other livelihood needs, especially for retirees who may not have other significant sources of income or ready access to loans or other means of formal financing.
- From this perspective, we view this UoP as potentially supporting SDG 10 (reduced inequalities) by promoting the economic inclusion of the elderly.
- However, there are also certain requirements and conditions under HKMC's reverse mortgage programme. For properties valued above HKD8 million, the maximum amount of specified property value for payout calculation is the sum of





HKD8 million and only 50% of the portion exceeding the HKD8 million (capped at HKD25 million).

- This cap can prioritise support for elderly homeowners with moderate property values – who are generally more in need of supplementary income – while also serving as a prudent risk mitigation measure for HKMC as the insurer of the programme. However, for properties valued above HKD8 million, it may result in payouts that do not reflect 100% of the property's value.
- Generally, properties must not be older than 50 years. However, we understand from the issuer that exceptions may be made for older properties on a case-by-case basis, provided they pass a building inspection at the formal application stage.
- The above-mentioned payout calculation mechanism may limit accessibility and financial benefits for some elderly homeowners.
- In general, housing is the primary component of household wealth with more than half of household assets invested in real estate, according to the OECD research.
- Hong Kong's home ownership rate was 51.2% in 2021, and individuals aged 60 and above accounted for 41.2% of homeowners, according to the Research Office of the Legislative Council Secretariat of Hong Kong.
- Property prices are high in Hong Kong; therefore, many elderly individuals may have significant wealth tied up in housing, resulting in substantial assets but limited liquid cash. Rising living and healthcare costs further strain the elderly, who frequently face cash flow challenges.
- However, selling property for liquidity is often not a preferred option due to high rental costs, the financial and emotional burdens of relocation, and practical difficulties in securing rental accommodation.
- In particular, some landlords are reluctant to rent to elderly tenants, as properties where a tenant has passed away are perceived to depreciate significantly in value.
- We expect HKMC's reverse mortgage programme will provide an alternative for elderly homeowners seeking to unlock the value of their property without having to move out from their accommodation, thereby supporting ageing in place.
- The regular payouts will help supplement retirement income and address liquidity needs, especially as we expect that the decline in labour force participation from those aged 50 and over in Hong Kong will lead to a decline in income from work.
- However, reverse mortgages entail risks to the borrowers, and safeguards are needed to ensure that borrowers will benefit in line with the intentions of the programme. The World Bank policy research has highlighted concerns about the financial literacy of elderly borrowers and consumer protection.
- For example, the complexity of reverse mortgages can expose elderly homeowners to potential risks of fraud or financial exploitation. In addition, multiple fees for origination, servicing and insurance premiums may significantly reduce the total funds available. Depending on how the reverse mortgage is designed, borrowers may face loan termination and thus lose their properties if they move to a care facility.
- HKMC's reverse mortgage programme incorporates several consumer protection features to address some of these concerns.
- For example, borrowers remain eligible even if they move to elderly or medical care, provided certain criteria are met. The



	<p>programme also requires potential borrowers to undergo a counselling session by an independent practising solicitor, and provides for a six-month cooling off period during which the borrowers are allowed to terminate their loans for any reason.</p> <ul style="list-style-type: none"> Family members are encouraged, but not required, to attend the counselling session, and other residents in the property are required to sign an undertaking before the drawdown of the loan; this helps ensure that all residents of the property are aware of the arrangement. We understand from the issuer that the mortgage insurance premiums, legal fees and counselling fees can be included in the reverse mortgage loan. The issuer confirmed that all fees are clearly disclosed upfront and the programme's insurance arrangement prevents borrowers from being held liable for any shortfall. Any surplus remaining after loan repayment will be returned to them. The ICMA SBP describe social projects as projects that directly aim to address or mitigate a specific social issue and/or seek to achieve positive social outcomes especially but not exclusively for a target population. The reverse mortgage programme has a clear aim to support elderly homeowners lacking sufficient cash to maintain quality of life after retirement; however, the current parameters of age and property ownership do not necessarily indicate a target population that lacks financial inclusion or less risky options for supplementary cash flow.
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Access to essential services

<ul style="list-style-type: none"> This UoP covers loans or bonds in infrastructure, projects, corporates, entities or facilities that provide essential services, such as: <ul style="list-style-type: none"> 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 to essential medical services; elderly care centres, residential care centres, care for the elderly, and disabled care centres; and schools or other education centres that expand access to education and/or for targeted minority inclusion, regardless of their ability to pay. The UoP targets the general public, as well as people living below the poverty line defined by local governments, marginalised populations or communities, people with disabilities, migrants or displaced persons, under-served populations with a lack of quality access to essential goods and services, and women and sexual and gender minorities. 	<ul style="list-style-type: none"> We consider this UoP to be aligned with the access to essential services category of the ICMA SBP. This UoP finances a diverse range of healthcare services, medical infrastructure and equipment for the general public, specialised care facilities targeted at the elderly and care centres for the disabled. This UoP enhances accessibility of affordable healthcare across the continuum of care from prevention and early detection to diagnosis, treatment, and palliative services, and projects under this UoP advance universal health coverage outcomes, supporting SDG 3 (good health and well-being). The UoP also finances education facilities for the general public, directly supporting SDG 4 (quality education). Education is recognised as a fundamental human right under the UN Universal Declaration of Human Rights and serves as the cornerstone of human society due to its critical role in advancing individual, societal and economic development. Projects under this UoP may target the general public, and a range of specific target populations. Further details on HKMC's intended approach to identifying and selecting target populations for the different kinds of potential projects would support transparency on the expected social outcomes.
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Affordable housing

<ul style="list-style-type: none"> This UoP covers financing to support various local affordable housing schemes in Hong Kong in increasing home ownership. It targets the low- and medium-income population. 	<ul style="list-style-type: none"> We consider this UoP to be aligned with the affordable housing category of the ICMA SBP. HKMC confirmed during engagement that loans issued under this category will support subsidised home ownership housing schemes by the Hong Kong government, such as the sale of home ownership and white form secondary market schemes. Hong Kong has one of the most expensive housing markets in the world. Housing can be broadly categorised into three types: public rental housing, subsidised home ownership housing and private permanent housing.
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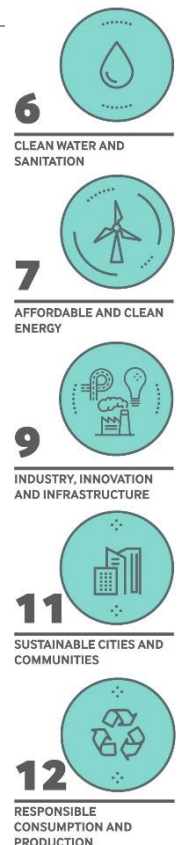




- Subsidised home ownership housing supported by this UoP targets homebuyers who are priced out of the private property market but do not qualify for public rental housing. This supports home ownership outcomes, contributing to SDG 11 (sustainable cities and communities).
- Subsidised home ownership housing is priced at discounted rates as compared to private permanent housing. Income and asset limits are set to identify the target population qualifying for this housing type.
- In 2024, the proposed average selling price of subsidised home ownership housing had an about 30% discount as compared to the private housing market. The income limit for a household of two or more persons is HKD60,000.
- The income limit is significantly higher than the median household income of HKD30,000; however, the median income of households benefitting from subsidised home ownership schemes is much lower than the set limit, at HKD38,400 in 1Q25, according to data from the Hong Kong Census and Statistics Department's website.
- This is also significantly lower than the 1Q25 median household income for private permanent housing, at HKD53,000; demonstrating how the schemes target the aforementioned segment of homebuyers who are priced out of the private permanent housing market.

Access to affordable basic infrastructure and services

- This UoP covers loans or bonds in infrastructure projects, corporate, entities or facilities that provide affordable basic infrastructure and services, such as:
 - electric power transmission and distribution assets for providing power to areas with no access or substantially inadequate access to electricity;
 - roads, rails or ports that increase access for people in remote areas in developing countries;
 - water treatment and supply infrastructure, such as waterworks, drinking water treatment plants, disinfection facilities and distribution network, storage facilities to provide stable freshwater supply to under-served populations in areas with absent or inadequate drinking water infrastructure;
 - telecommunication projects to promote digital inclusion in unconnected or under-served communities; and
 - hygiene infrastructure for the public, such as sewers, sewage treatment plants, and waste collection and disposal facilities.
- The UoP targets under-served communities with a lack of quality access to essential basic infrastructure and services.
- We consider this UoP to be aligned with the affordable basic infrastructure category of the ICMA SBP.
- According to the World Health Organization, about 666 million people globally still lacked access to electricity in 2023, despite major strides in global connectivity.
- Financing electricity power transmission and distribution assets targeted at under-served areas support SDG 7 (affordable and clean energy) by providing reliable and affordable energy to the under-served communities, bridging critical energy gaps that affect economic development and the quality of life.
- Financing roads, railways or ports directly advances SDG 11. In the remote areas in developing countries, enhanced connectivity can provide significant social benefits by increasing mobility and promoting access to economic and educational opportunities and essential services beyond their immediate communities.
- The eligibility criteria also specifically target projects with additionality, including upgrading deteriorated roadways to improve safety and usability. Port development projects must demonstrate at least 100% improvement in travel time or capacity; such criteria help ensure that the financing delivers meaningful accessibility improvements.
- According to the Asian Development Bank, about 2.1 billion people in APAC still lack access to water supply, especially in rural areas. Financing freshwater treatment and distribution infrastructure supports SDG 6 (clean water and sanitation) by expanding access to safe drinking water in under-served communities, addressing a fundamental human need.
- Research from the UN International Telecommunication Union indicates that about one-third of the world's population does not have access to internet services. Digital connectivity is often linked with other developmental indicators, as connectivity is typically lacking in developing and rural areas.
- Telecommunication projects under this UoP specifically target the unconnected or under-served areas lacking access to broadband and internet services, helping bridge the digital





	<p>divide that limits economic and other social opportunities, supporting SDG 9 (industry, innovation and infrastructure).</p> <ul style="list-style-type: none"> • Hygiene infrastructure and waste management facilities represent essential components of sustainable community development. These systems deliver significant social health benefits by preventing disease transmission from wastewater contamination and improper waste disposal. • By ensuring proper sanitation and resource management, such projects directly support SDGs 6 and 12 (responsible consumption and production), enhancing community well-being.
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Green eligible projects

Renewable energy

<ul style="list-style-type: none"> • This UoP covers loans or bonds intended to support renewable energy, including power generation, development, manufacturing, construction, operation and maintenance of technologies and components related to: <ul style="list-style-type: none"> – solar energy (PV and concentrated solar power); – wind energy (onshore and offshore); – geothermal energy with direct emissions threshold of no more than 100gCO₂/kWh; – hydropower; – tidal power; – green hydrogen produced using renewable energy, along with its derivatives such as ammonia and methanol; and – bioenergy with life-cycle GHG emissions of electricity no more than 100gCO₂/kWh. • For storage, transmission and distribution systems, eligibility is determined as follows: <ul style="list-style-type: none"> – systems carrying more than 90% electricity from renewable sources; – systems carrying less than 90% renewable energy but on a decarbonisation trajectory, with over 67% of newly enabled generation capacity below 100gCO₂e/kWh over a rolling five-year period; or – systems with less than 90% renewables, where the renewable percentage is expected to increase, a pro rata approach for financing will be applied. • Hydropower should meet either of the following criteria: <ul style="list-style-type: none"> – small-scale less than 25MW or run-of-river; – life-cycle carbon emissions less than 100gCO₂e/kWh; or – power density greater than 5W/sqm. • Bioenergy should meet following criteria: <ul style="list-style-type: none"> – life-cycle GHG emissions no more than 100gCO₂e/kWh; and – feedstock can be from waste or non-waste and should be sourced sustainably. 	<ul style="list-style-type: none"> • We expect this UoP to align with the renewable energy category of the sustainable finance principles. • Renewable energy accounted for 30% of the global power sector in 2023, according to the International Energy Agency (IEA). The IEA highlights that renewable energy use must increase by around 15% annually from 2024 to 2030 in order to achieve net-zero emissions by 2050. Therefore, investing in renewable energy is crucial for driving this growth and contributing to SDG 7. • We view the solar, wind and tidal power generation projects to make significant and direct contributions to climate change mitigation. These projects generally align with international taxonomies. • Electricity generation from geothermal can contribute to climate change mitigation by providing renewable and stable baseload power. We consider the geothermal projects as aligning with the CBI taxonomy's technical criteria of having direct GHG emissions below 100gCO₂/kWh. • Hydropower's life-cycle GHG emissions and power density criteria align with international taxonomies, such as the EU taxonomy for climate change mitigation and the CBI taxonomy. • These taxonomies include extra criteria such as the verification of life-cycle GHG emissions, to mitigate potential environmental downsides associated with hydropower. These requirements provide additional assurance of the positive impact of financing. • Green hydrogen refers to hydrogen produced from water electrolysis using electricity from renewable energy sources. We view financing of green hydrogen development as contributing to the diversification of energy sources. • Hydrogen produced using renewable energy can still incur life-cycle emissions during transportation. Therefore, science-based taxonomies such as the EU taxonomy require a minimum level of GHG emissions savings compared to a fossil fuel benchmark to ensure the positive environmental impact of green hydrogen. • Bioenergy is derived from organic materials such as plants, trees, agricultural residues and organic waste. Therefore, biomass sustainability is crucial in determining bioenergy's renewability. • However, the framework does not include information on specific feedstocks and how to achieve sustainable sourcing to address risks such as deforestation and land-use change. This information would aid in ensuring the positive environmental impact of bioenergy. • Storage, transmission and distribution systems for electricity from renewable sources play a significant role in climate change mitigation by increasing renewable energy penetration in existing grids while improving stability and addressing intermittency challenges.
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- We expect the framework's first criterion for storage, transmission and distribution systems to contribute to reducing reliance on fossil fuels and help in transitioning to a cleaner energy mix.
- We expect the second criterion to decrease GHG emissions through a decarbonisation trajectory and the incorporation of renewables or low-emissions energy technologies. This approach also aligns with the requirements of international taxonomies, such as the EU taxonomy substantial contribution criteria (SCC) for climate change mitigation.
- HKMC will adopt a pro-rata approach for the third criterion. This approach results in higher emissions compared to a scenario where 90% or more of the electricity is from renewable sources.

Clean transportation

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| <ul style="list-style-type: none"> • This UoP will cover loans or bonds to support clean transportation projects such as: <ul style="list-style-type: none"> – for passenger transportation: vehicles or rolling stock that have zero tailpipe CO₂ emissions such as those that are fully electric or are powered by hydrogen; – for freight transportation: road freight such as lorries and trucks and freight rail (trains) that are either fully electric or produce no more than 25gCO₂/tonne-km; – for aircraft leasing; activity that complies with the technical screening threshold as specified in the EU taxonomy; and – production and delivery of dedicated parts for clean transportation, such as rechargeable batteries, fuel cells, sustainable fuels or charging station networks. • This UoP excludes projects dedicated to transport fossil fuels. | <ul style="list-style-type: none"> • We expect this UoP to be aligned with the clean transportation category of the ICMA GBP. • Investments in zero-emissions transportation and related infrastructure support SDG 11, as they help decarbonise the transport sector and contribute to air quality improvements. Investing in hybrid vehicles also contributes to this SDG, although to a lesser extent than investments in zero-emissions vehicles. • The financing of the construction or acquisition of fully electric vehicles, as well as of related rechargeable batteries and infrastructure, is aligned with the aforementioned requirements and has a clear and direct contribution to climate change mitigation. • The framework's criteria for road freight vehicles and freight rail to be either fully electric or achieve emissions no more than 25gCO₂/tonne-km indicate a positive contribution to decarbonising freight transport and aligns with the criteria of the CBI taxonomy. As mentioned above, zero-emissions vehicles support climate change mitigation to a greater extent than low-emissions vehicles. It is positive that projects dedicated to the transport of fossil fuels will be excluded. • We expect financing aircraft rental or leasing to help mitigate the climate impact of aviation, which is a hard-to-abate activity. We view positively that the framework requires projects to align with the EU taxonomy SCC, which include satisfying zero direct (tailpipe) CO₂ emissions requirements or compliance with certified CO₂ metrics, sustainable aviation fuel use, or maximum take-off weight standards, depending on delivery or manufacturing timing. • The financing of production and delivery of dedicated parts for clean transport is critical to enable the scaling up of clean transportation modes. For example, fuel cells are critical components of electric vehicles. • We understand from the issuer that eligible sustainable fuels projects include, but are not limited to, biofuel, sustainable aviation fuels and green hydrogen. • We expect financing of sustainable fuels to contribute to the diversification of energy sources and decrease reliance on fossil fuels in the transportation sector. • The impact of sustainable fuels can vary depending on the type of fuel, and the extent of positive outcomes may vary, depending on the sustainability of feedstocks and level of emissions savings. International taxonomies therefore set requirements on aspects such as these to support positive environmental outcomes. |
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Pollution prevention and control

- This UoP covers loans and bonds aimed at supporting projects related to:
 - infrastructure for pollution prevention and control;
 - carbon capture technologies, including transportation, utilisation and/or storage; and
 - upgrading projects to achieve at least a 30% reduction in air pollutants and GHG emissions, discharges into water and land, and waste generation.
- Pollution prevention and control infrastructure includes:
 - remediation of contaminated land;
 - waste recycling, reuse and treatment;
 - waste-to-energy; and
 - landfill gas capture and utilisation.
- Waste management projects will follow the waste hierarchy, prioritising collection, sorting and recycling before energy recovery.
- Carbon capture technologies satisfy the following:
 - air capture targets carbon-intensive and hard-to-abate industrial sector, demonstrating a high carbon capture efficiency of 90%;
 - CO₂ transport activities that comply with the EU taxonomy's technical screening threshold;
 - 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; and
 - captured CO₂ will not be used for enhanced oil recovery.
- We expect this UoP to align with the pollution prevention and control category of the sustainable finance principles.
- The World Bank reported that over two billion tonnes of municipal solid waste are generated globally each year, with 23% remaining uncollected and 33% openly dumped. Additionally, waste is often disposed of through burning or in unregulated landfills, leading to pollution of land, water and air, contributing to environmental degradation.
- We expect the financing of waste management projects and infrastructure to encourage the proper collection, segregation, recycling and reuse of waste, thereby contributing to the transition to a circular economy. This supports SDGs 11 and 12.
- We understand from HKMC that eligible waste-to-energy projects could include processes such as anaerobic digestion, incineration, gasification and refuse-derived fuel, and these will be conducted following the higher waste hierarchy.
- We also understand from HKMC that any incineration will be for pre-sorted waste only, with plant efficiency of at least 25% and bottom ash with at least 75% recovery of metal from ash.
- Waste-to-energy activities help reduce pollution by processing waste that would otherwise end up in landfills, thereby preventing methane emissions and leachate. Additionally, they contribute to the circular economy by recovering energy from waste, which helps diversify energy sources.
- To ensure the activities' positive environmental impact, international taxonomies establish specific thresholds for waste-to-energy facilities.
- For anaerobic digestion, these taxonomies require a monitoring plan to minimise methane leakage or compliance with a specific methane emissions threshold, which the framework currently does not include.
- For other waste-to-energy facilities, such as incineration and gasification, the CBI taxonomy requires thresholds for plant efficiency, metal recovery from ash, and criteria for the average carbon intensity of electricity and/or heat over a plant's life.
- The framework does not set out such criteria for gasification facilities, and incineration facilities only satisfy the plant efficiency criterion.
- Landfill gas primarily consists of methane. We expect landfill gas capture to help reduce methane emissions. We also expect utilising landfill gas as an energy source to contribute to a circular economy for waste.
- However, improper management can lead to methane leakage during the capture and utilisation process, potentially offsetting some environmental benefits.
- International taxonomies set specific thresholds or requirements, such as landfill status, methane leakage monitoring and gas capture threshold to minimise potential environmental downsides. The framework's eligibility criteria do not include requirements on these aspects.
- The long-term pollution of land and aquatic ecosystems by waste is one of the main drivers of biodiversity loss. We expect cleanup and remediation activities of contaminated land to prevent further contamination. This supports SDGs 14 (life below water) and 15 (life on land).
- Further information, such as detailed description of initial ecological conditions, concrete conservation objectives, climate benefit analysis and audit plans, would be beneficial



11
SUSTAINABLE CITIES AND COMMUNITIES



12
RESPONSIBLE CONSUMPTION AND PRODUCTION



13
CLIMATE ACTION



14
LIFE BELOW WATER



15
LIFE ON LAND



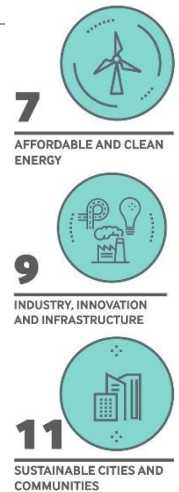
	<p>for a more accurate assessment of the positive impact of these projects.</p> <ul style="list-style-type: none"> • We understand from the issuer that the carbon capture, utilisation, and storage technologies or equipment financed under this UoP are at the installation and commercial deployment stages. We expect these projects to contribute to reducing GHG emissions in sectors that are difficult to decarbonise. • The 90% capture criterion supports a meaningful reduction in emissions compared to a business-as-usual approach. There are more stringent criteria in international taxonomies to assure positive environmental impact, such as capturing 100% of GHG emissions or disclosing verified life-cycle emissions. • The framework requires that the transport and storage of CO₂ emissions align with the EU taxonomy SCC, which includes a CO₂ leakage threshold and a system for leakage detection and monitoring. We view these requirements positively, as they mitigate environmental downsides of such activities. • We expect the upgrading of infrastructure to achieve at least a 30% reduction in air pollutants to enhance air quality, thereby aiding in climate change mitigation and supporting SDG 13 (climate action).
Sustainable water and wastewater management	
<ul style="list-style-type: none"> • This UoP covers loans and bonds to support sustainable water and wastewater management projects related to: <ul style="list-style-type: none"> – treatment and recycling of water or wastewater, including sewer networks and slurry or sludge treatment facilities; – water collection and treatment facilities aimed at enhancing treatment capacity or efficiency, improving water quality, and promoting recycling and reuse; and – improving water management efficiency by reducing leakage or improving usage, such as water pressure management systems, pump and pipe systems. 	<ul style="list-style-type: none"> • We expect this UoP to align with the sustainable water and wastewater management category of the sustainable finance principles. • According to the UN SDG report, 2.3 billion people lacked access to safely managed water in 2022. Additionally, the World Bank projects a 40% gap between global water demand and supply by 2030. • We consider this UoP to generate positive environmental impacts. Inadequate treatment of wastewater and industrial effluents can contaminate nearby water sources, leading to water scarcity and biodiversity loss. • Therefore, this UoP contributes to addressing these challenges by supporting sustainable water management and environmental protection. This supports SDG 6. • We expect water collection and treatment facilities to help secure a stable and clean water supply and conserve water resources, especially in areas with limited natural water sources. • We expect wastewater treatment or water recycling facilities to contribute to sustainable water use and conserving water resources. • Enhancing water infrastructure efficiency by reducing water leakage and installing pressure management, pump and pipe systems can improve water use efficiency and longevity of the infrastructure. • However, the framework's eligibility criteria for water infrastructure does not include quantitative thresholds that would help ensure the infrastructure's positive environmental impact. • International taxonomies, such as the CBI taxonomy and the EU taxonomy, establish specific thresholds such as water leakage levels, net energy consumption or GHG emissions.





Green buildings

- This UoP will cover loans or bonds for green buildings that meet regional, national or internationally recognised standards or certifications for environmental performance, including, but not limited to: US LEED Gold or Platinum, BREEAM Very Good or Excellent, or any other green building or infrastructure certification comparable to the above standards.
- This UoP will also cover loans or bonds for infrastructure projects, corporates, entities or facilities for data centres that achieve a power usage effectiveness (PUE) of 1.4 or below, or meet the PUE levels specified by local regulatory standards designed to classify data centres as green.
- The UoP will also cover upgrades, retrofits or renovation works that result in achieving such a PUE value, except for loans to data centres that were committed by HKMC prior to the publication date of this framework.
- The prior loans could be considered eligible based on the previous framework criteria, which require a PUE level of 1.5 or below.
- In cases where local regulatory standards impose a PUE threshold lower than 1.4, the more stringent local standards will apply.
- We expect the investments in green building projects to be aligned with the green buildings category of the ICMA GBP.
- The investments contribute to SDGs 7, 9 and 11, as they improve energy and resource efficiency in the real estate industry, which accounted for 40% of global emissions in 2022, according to the IEA.
- We consider the green buildings to support climate change mitigation, as green building certifications such as LEED and BREEAM require buildings to fulfil environmental criteria in areas such as energy performance, water use and waste management.
- The Hong Kong taxonomy has additional requirements. Buildings certified under LEED are required to achieve a Gold rating, earn a minimum of nine points under the Energy Assessment Credits module, and demonstrate at least a 30% improvement in energy performance above the American Society of Heating, Refrigerating and Air-Conditioning Engineers standard.
- The certifications used as eligibility criteria are not necessarily comparable to the SCC in other international taxonomies, such as the EU taxonomy and the CBI taxonomy, which set requirements for buildings in line with the transition to a climate-neutral economy by 2050.
- Data centres are highly energy-intensive facilities, with their operational efficiency commonly measured by PUE that is defined as the ratio of the total energy consumed by the data centre to the energy delivered to computing equipment; a lower PUE indicates higher energy efficiency.
- Data centres located in colder climates typically achieve lower PUE values, as ambient temperatures reduce the energy required for cooling, even if the fundamental design of the cooling system is the same. This highlights the importance of considering local environmental factors when assessing the energy efficiency of data centres.
- The average data centre globally operates at a PUE of 1.56, according to the Uptime Institute's 2024 global data centre survey. Given that the framework has a PUE threshold lower than this global average, we view this as an environmentally positive measure, as it demonstrates a commitment to higher operational efficiency and reduced energy consumption.
- Meeting this criterion in warmer regions further underscores the issuer's contribution to climate change mitigation.
- These PUE thresholds are not necessarily comparable to the SCC in other international taxonomies, such as the EU taxonomy, which sets requirements for data centres based on factors such as energy efficiency management plans and the type of refrigerants used.



Energy efficiency

- This UoP covers loans and bonds to support energy-efficiency projects, such as:
 - upgrading networks and infrastructure to 5G from 3G or 4G;
 - replacing legacy or copper networks with fibre optics; and
 - energy-efficiency upgrade projects or provision of electrical and mechanical supplies that achieve at least a 30% improvement in energy efficiency.
- The energy-efficiency upgrade projects include heat exchangers, heat pumps, heat recovery steam generators and thermodynamic cycles such as adoption of the Organic Rankine Cycle.
- We expect this UoP to align with the energy efficiency category of the sustainable finance principles.
- Investments that enhance the energy efficiency of infrastructure contribute to SDGs 7 and 9 by decreasing energy consumption and thereby supporting reductions in the resulting GHG emissions.
- The telecommunications sector contributed to 0.4% of total global GHG emissions from energy in 2022, according to the 2024 World Bank and International Telecommunication Union joint report. The sector itself is not a major emitter; however, the APAC region accounts for 69% of the emissions.
- 5G technology is generally more energy efficient per data unit than 3G and 4G; however, total energy consumption





	<p>may increase due to more connected devices and base stations.</p> <ul style="list-style-type: none"> • We expect replacing copper networks with fibre optics to increase energy efficiency through decreasing signal loss and enabling longer-distance data transmission with less energy. • We understand from HKMC that energy efficiency may involve loans for upgrading infrastructure, such as power plants, to enhance energy efficiency. • We expect energy-efficiency equipment specified in the framework, such as heat exchangers, heat pumps, heat recovery steam generators and thermodynamic cycles in power plants, to improve energy efficiency by enhancing energy recovery and reducing waste heat. • International taxonomies, such as the EU taxonomy, set thresholds or requirements on aspects such as refrigerant limits to mitigate potential environmental downsides from these activities. • We consider the 30% energy savings criterion to be a meaningful threshold. In the context of building renovations, the EU taxonomy SCC set a threshold of having a reduction in primary energy demand of at least 30%. This threshold encompasses the entire energy supply chain and aims to reduce total energy consumption.
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Climate change adaptation

<ul style="list-style-type: none"> • This UoP covers loans or bonds for climate change adaptation projects, such as: <ul style="list-style-type: none"> – information support systems, including climate observation and early warning systems for extreme weather and climate events; and – infrastructure designed to provide protection against flooding, extreme weather events and climate change, such as heavy rain drainage systems, flood prevention measures, flood defences, stormwater management and other risk mitigation programmes. 	<ul style="list-style-type: none"> • We expect this UoP to be aligned with the climate change adaptation category of the ICMA GBP. • We expect these projects to contribute to SDG 13, as they can improve the region's resilience against physical risks arising from climate change. • Under other international taxonomies, such as the EU taxonomy, the climate change adaptation SCC require a substantial reduction in the most material physical climate risks identified through a robust and appropriate climate risk and vulnerability assessment. The assessment should use climate projections proportionate to the scale and lifespan of the activity. • Moreover, adaptation solutions are subject to specific requirements, such as favouring nature-based solutions, blue or green infrastructure; being consistent with adaptation strategies in a broader context; and being monitored against pre-defined indicators used to measure the effectiveness of the adaptation solutions. • HKMC has not explicitly designed the framework eligibility criteria to align with any green taxonomies and we understand that the issuer has no intention to seek such alignment.
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Environmentally sustainable management of living natural resources and land use


<ul style="list-style-type: none"> • This UoP covers loans or bonds in environmentally sustainable management of living natural resources and land use projects, such as: <ul style="list-style-type: none"> – 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 resources. • For afforestation and reforestation projects, native species must be given preference and a certified sustainable management plan, such as the Forest Stewardship Council or the Programme for the Endorsement of Forest Certification, is preferred. 	<ul style="list-style-type: none"> • We expect this UoP to be aligned with the environmentally sustainable management of living natural resources and land use category of the sustainable finance principles. • According to a 2020 report by the UN Environment Programme, deforestation occurred at a rate of around 10 million hectares annually from 2015 to 2020, primarily due to land conversion. • Forests are indisputably vital for biodiversity conservation, as they serve as natural habitats for terrestrial species. They also provide fundamental ecosystem services such as carbon sequestration, nutrient recycling and water purification. • Despite significant deforestation, the same report estimates global net loss of forest areas between 2010 to 2020 to be at
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	<p>a significantly lower rate of about 4.7 million hectares annually.</p> <ul style="list-style-type: none"> • Natural expansion and effective forest management initiatives, such as government-led afforestation and reforestation, have contributed to forest cover gains that have mitigated almost half of the losses caused by deforestation. • The financing of sustainable forestry projects, such as in afforestation and reforestation, is an important part of restoration efforts, directly supporting SDG 15. • The use of credible third-party certifications, such as the Forest Stewardship Council or the Programme for the Endorsement of Forest Certification, provides assurance on the sustainability outcomes of the projects financed under this UoP, as the projects are required to have forest management plans and place restrictions on land conversion. • Sustainable forestry, such as afforestation, reforestation and forest management, is included in science-based taxonomies such as the EU taxonomy to contribute to climate change mitigation. The taxonomy also stipulates additional screening criteria that help ensure that the projects are adequately managed to achieve positive environmental benefits, such as requiring a climate benefit analysis and regular verification.
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Green construction materials

<ul style="list-style-type: none"> • This UoP covers loans or bonds for the manufacturing of green construction materials that meet regional, national or internationally recognised standards or certifications for environmental performance. • These include the reinforcing bar and structural steel that have obtained the Hong Kong Construction Industry Council (CIC) Green Product Certification Gold or Platinum, with the condition that the product's carbon footprint is lower than the global average as indicated by the IEA or other criteria that are comparable to the above standards from international or regional organisations. 	<ul style="list-style-type: none"> • We expect this UoP to be aligned with the ICMA GBP, although it is not included in the indicative list of eligible categories. • We expect the investments in the manufacturing of steel with GHG emissions thresholds well below those of traditional steelmaking methods to contribute to SDG 13 by supporting the adoption of low-emissions production technologies in this hard-to-abate sector. • The steel industry accounts for around 8% of global CO₂ emissions. To achieve the IEA's Net Zero Emissions by 2050 Scenario, the IEA recommends measures such as hydrogen-based direct reduction, electric arc furnace technology, and carbon capture, utilisation and storage (CCUS). • The framework's criteria set a threshold using the IEA data, which indicate that the global average for GHG emissions intensity of steel production was 1.41tCO₂e per tonne of product in 2022. • The Hong Kong CIC scheme assigns certificate ratings based on a 100-point scoring system, of which 90 points are attributed to the carbon emissions intensity module. • Given the CIC scheme's scoring range, structural steel financed under this framework in line with the IEA 2022 data on emissions intensity will meet the CIC Green Product Certification Platinum standard at a minimum, while reinforcing bar will meet at least the Gold standard. • Under the CIC scheme, structural steel that meets the framework's criteria would receive a score of 90 under the carbon emissions intensity module, as the IEA threshold is below the CIC benchmark set for structural steel at this score (less than 1.42tCO₂e per tonne of product). • For reinforcing bar, products that meet the framework's criteria would receive a score of 80 under the module, as the IEA threshold is below the CIC benchmark set for this score. • According to the latest data from the World Steel Association, the global average carbon emissions intensity for steel produced using the blast furnace-basic oxygen furnace (BF-BOF) route in 2023 was 2.32tCO₂ per tonne of product. 	 <p>13 CLIMATE ACTION</p>
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- Adopting the latest IEA global average of 1.41tCO₂e per tonne of product implies that steel produced in line with the framework's criteria would most likely have already implemented some level of direct hydrogen reduction, electric arc furnace technology, or applied CCUS to the BF-BOF processes, in order to significantly reduce emissions intensity compared to traditional production methods.
- Other international taxonomies, such as the EU taxonomy, set the SCC with separate GHG emissions intensity limits for each of the carbon intensive production steps of BF-BOF (hot metal, sintered ore, coke and iron casting).
- The framework does not include thresholds for each individual step, but it has set a total GHG emissions intensity threshold for steel production that is lower than the aggregate emissions intensity of these steps in the EU taxonomy.
- The EU taxonomy SCC cover only direct emissions from steel production, whereas the Hong Kong CIC scheme also includes emissions from the transport of steel from manufacturing sites to Hong Kong.
- We understand from the issuer that there are currently no restrictions on the financing of new BF-BOF facilities. This may potentially limit the effectiveness of efforts to reduce the sector's overall carbon footprint, especially as new technologies are readily available and improving.
- The BF-BOF plants have a long lifespan and even with the application of CCUS, some emissions may remain. As such, the overall life-cycle emissions could still be higher than those from inherently lower-carbon processes such as electric arc furnace technology.
- The framework includes a provision for other standards and other kinds of construction materials. Further details on these would support transparency on the expected environmental impacts of this UoP.

Source: HKMC social, green and sustainability financing framework (August 2025)

Source: Sustainable Fitch



Use of Proceeds – Other Information

Company Material	Sustainable Fitch's View
<ul style="list-style-type: none"> According to the framework, loans to companies can also be eligible if at least 90% of their revenue is generated by the operation of one or more eligible activities. The remaining 10% of revenue is not generated from activities that cause significant environmental or social harm, subject to the review by the issuer's task force. The following assets shall not be eligible for the UoP of HKMC's sustainable financing instruments: <ul style="list-style-type: none"> assets and projects related to nuclear energy generation; weapons, gambling and casinos; and business activities that are prohibited by laws and regulations in Hong Kong. Appendix I of the framework contains the environmental and exclusion list for all projects financed by HKMC's infrastructure financing and securitisation division. 	<p>Alignment: Good</p> <ul style="list-style-type: none"> The framework does not specify the expected ratio of refinancing to financing. We understand from HKMC that the ratio will be disclosed during pre-issuance reporting for its infrastructure-loan backed issuances, and disclosed in post-issuance reporting for unsecured instruments. Disclosure of the expected ratio is recommended by the sustainable finance principles, as it provides transparency on the level of additionality of the sustainability instrument. We view a higher share of new financing to create greater additionality in terms of new sustainable projects enabled. The issuer clarified during engagement that the intended lookback period for opex is 36 months, which we view to be in line with market practice. HKMC does not have a lookback period for capex due to the long-term nature of the projects. For instance, the loans under the employment generation category provided under the guarantee schemes initiated by the Hong Kong government are long-lived by nature, by having a maximum repayment period of up to 10 years. Disclosure of the lookback period is recommended by the sustainable finance principles, as it provides transparency to investors on the age of the projects financed by the issuance. The framework excludes the financing of controversial activities with negative social impacts, including nuclear energy generation, weapons and gambling. In addition, HKMC's exclusionary policy included in appendix I of the framework also prevents the financing of some environmentally controversial activities such as coal mining and coal-fired power generation. Overall, we view the exclusions to be well defined, although best practice exclusionary practices are more stringent and exclude all fossil fuel-related activities. The framework allows the financing of entities that derive at least 90% of revenue from eligible sustainable activities under the framework. HKMC has committed to ensuring that the residual activities do not contribute to negative environmental or social impact, as these activities will be reviewed by the internal task force responsible for the selection and evaluation of projects eligible under the framework. We view this to be aligned with standard market practices when financing pure-player entities.
Source: HKMC social, green and sustainability financing framework (August 2025)	Source: Sustainable Fitch

Evaluation and Selection

Company Material	Sustainable Fitch's View
<ul style="list-style-type: none"> HKMC will establish an internal task force to lead the process of evaluating and selecting projects for each issuance of sustainable financing instruments under the framework. The task force shall, on an as-needed basis, consist of senior representatives from the following: <ul style="list-style-type: none"> compliance function; infrastructure financing and securitisation division; risk management department; treasury department; and any other departments or teams involved in the structuring and issuance of the relevant sustainable financing instrument. Frontline staff from HKMC's business lines will be responsible to identify and select potential assets by using the framework as the primary selection guideline. For projects potentially subject to medium or high ESG risks, HKMC will engage in-house expertise or independent consultants to conduct 	<p>Alignment: Excellent</p> <ul style="list-style-type: none"> We consider the project evaluation and selection process that is described in the framework to be clearly defined, in line with the requirements of the sustainable finance principles. HKMC has a multi-layered process with a segregation of responsibilities between the teams that select and approve the projects, which increases accountability. Representatives from relevant business lines are responsible for identifying eligible projects under the framework, while a dedicated task force comprising senior representatives from relevant departments is responsible for reviewing the selected projects. However, the framework's description indicates that the departments represented in the task force may change depending on the context. Further information on whether there are required representatives, or on how the composition is determined, would support transparency on the participants in the project selection process. Projects selected by the infrastructure financing and securitisation division are subject to an additional due diligence review to ensure that



Evaluation and Selection

Alignment: Excellent

Company Material

- appropriate reviews, and present relevant risk mitigation measures to the 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 the framework and the analysis on the expected environmental and social risks and impact relating to the potential assets.
 - Appendix II of the framework details the project selection and evaluation process of HKMC's infrastructure financing and securitisation division.

Source: HKMC social, green and sustainability financing framework (August 2025)

Sustainable Fitch's View

- eligible projects are aligned with internal environmental and social guidelines, including the environmental and social exclusion list in appendix I of the framework, as well as climate risk assessment checklists to assess the physical and transition risk of the infrastructure projects.
- The ESG committee, which includes C-suite members and senior management members, is responsible for the final approval of the eligible projects for financing.
 - We understand from HKMC that sustainability expertise is included in the project selection process, within the departments represented in the internal task force.

Source: Sustainable Fitch

Management of Proceeds

Alignment: Good

Company Material

- HKMC's financial control department will establish an independent allocation 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.
- HKMC intends to fully allocate the net proceeds to eligible assets within two years from issuance of the relevant sustainable financing instruments.
- Any balance of net proceeds pending allocation to the eligible assets will be held in accordance with HKMC's internal liquidity management policy and managed in accordance with HKMC's responsible investment, lending and business decision-making principles and the exclusionary criteria of the framework.
- Any balance of proceeds not allocated to eligible assets may be temporarily invested in traditional 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 to eligible projects.
- Post-allocation, the 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 standalone 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-efforts basis by other eligible assets. Any such substitution of assets will be subject to prior review and approval by the ESG committee.

Source: HKMC social, green and sustainability financing framework (August 2025)

Sustainable Fitch's View

- We consider the management of proceeds, as described in the framework, to be in line with the requirements of the sustainable finance principles.
- We understand from the framework's commitments and engagement with the issuer that net proceeds are tracked via earmarking for unsecured use of proceeds instruments. Proceeds allocated to infrastructure loan-backed securities are fully allocated to a pre-determined portfolio of infrastructure loans earmarked to be eligible for securitisation under the framework; as a result, there will not be unallocated proceeds for such issuances.
- Using a virtual register to earmark and track the allocation of proceeds is common market practice, but we view the use of dedicated accounts to provide greater assurance that the proceeds will be used in line with the framework and not be commingled with other general-purpose funds.
- Temporarily unallocated proceeds for unsecured issuances will be held in cash or invested in short-term liquid instruments, including sustainable bonds. We consider investing unallocated funds solely in instruments that align with the sustainability goals of the framework to be best practice, as this would ensure unallocated proceeds support positive environmental and social outcomes.
- HKMC has committed to post-allocation monitoring to replace projects that no longer meet eligibility criteria with new projects.
- We understand from the framework commitments and engagement with the issuer that allocation is reviewed annually for unsecured issuances under the framework. The issuer has committed to substituting ineligible assets as soon as practicable.
- Infrastructure loans eligible for securitisation will be identified prior to the issuance of infrastructure-loan-backed securities and disclosed in a pre-issuance report. During engagement, the issuer has committed to substituting ineligible assets as soon as practicable, subject to the terms and conditions of the securitisations.

Source: Sustainable Fitch

Reporting and Transparency

Alignment: Good

Company Material

- HKMC will report on the allocation of net proceeds of each sustainable financing instrument and, where available, the environmental and/or social impact indicators on an annual basis until the proceeds have been

Sustainable Fitch's View

- We consider the reporting and verification commitments described in the framework to be in line with the requirements of the sustainable finance principles.



Reporting and Transparency

Alignment: Good

Company Material

- fully allocated and update the market if there are any material changes to the respective assets on a timely basis.
- Allocation reporting will comprise a list of all sustainable financing instruments issued in the reporting period and outstanding as at the reporting date. For each sustainable financing instrument, the report will include:
 - amount and percentage of proceeds allocated under eligible green and social asset categories;
 - 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
 - for each sustainable securitisation and asset-backed securities: the amount of the pool of eligible assets allocated to each sustainable securitisation or asset-backed securities, and key information such as amount and percentage allocated under the eligible green or social asset, the number of loans and impact (if applicable).
- Subject to the availability of data and feasibility, impact reporting will include the relevant indicators recommended under the ICMA Handbook – Harmonised Framework for Impact Reporting and the associated impact calculation methodologies and standards. A list of example indicators is set out in the framework.
- For private placements, HKMC will disclose aggregate information on the allocation of proceeds and provide relevant information on the environmental and/or social impacts eligible assets similar to the approach for bonds and asset-backed securities outlined above. However, these disclosures are subject to the terms of the underlying agreements in respect of the eligible assets or the sustainable financing instruments.
- HKMC may engage with an independent third party to conduct post-issuance verification annually on the allocation of proceeds and impact reporting, until the full allocation of any outstanding sustainable financing instruments.

Source: HKMC social, green and sustainability financing framework (August 2025)

Sustainable Fitch's View

- HKMC has committed in the framework to report on the allocation of proceeds on an annual basis until full allocation, and in the case of material developments. This information will be reported at the bond-level for each UoP category, and the issuer will also report on the amount of unallocated proceeds. HKMC has clarified to us that it has additional commitments for its social bond issuances and infrastructure loan-backed securities, as detailed below.
- HKMC has clarified that it has committed to providing project-level allocation reporting for its social bond issuances. In addition, allocation reporting of infrastructure loan-backed securities will be provided on a quarterly basis and in the case of material developments.
- Reporting on an at least annual basis and in the case of material developments until full allocation is in line with best practice. In terms of granularity, we consider best practice in allocation reporting to provide project-level reporting for all issuances, as it provides the highest degree of transparency and granularity to investors.
- The issuer may also provide impact reporting at the bond level, if the data are available. The impact indicators listed in the framework are specific and measurable, and we view the commitment to report according to recommendations of the ICMA Handbook – Harmonised Framework for Impact Reporting positively.
- We consider that best practice is to have a firm commitment to provide project-level reporting, as it provides the highest degree of transparency and granularity to investors.
- HKMC may obtain post-issuance verification as appropriate for issuances financed under the framework. We consider having an unconditional commitment to obtain external verification on the allocation of proceeds on an annual basis as best practice in line with recommendations of the sustainable finance principles.
- In addition to verifying the allocation of funds, we consider having technical verification of impact data to be best practice, as it provides assurance on the measurement and reporting of environmental and social impact. The issuer has indicated during engagement that past allocation and impact reports have been verified by a third party.

Source: Sustainable Fitch



Asset / Collateral - Projects	
Alignment: Good	
Company Material	Sustainable Fitch's View
<ul style="list-style-type: none">For each sustainable securitisation, the issuer or the issuer of the asset-backed securities will clearly specify the approach adopted in the marketing materials and transaction documentation for each issuance and will adopt one of the following approaches.<ul style="list-style-type: none">Secured sustainable collateral bond: a secured bond where the net proceeds will be exclusively applied to finance or refinance the green and/or social projects, loans or transactions 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 projects, loans or transactions 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 UoP, the respective securitisation (or a specific class or tranche thereof) will bear a green, social or sustainability label.	<ul style="list-style-type: none">This section reflects our assessment of the sustainability features of the issuer's approach for securitised instruments issued under this framework. The purpose of the section is to provide transparency on whether the securitisation approach supports additional sustainability qualities of the framework and does not affect the overall alignment of the framework.According to HKMC, the sustainability tranche of securitised transactions only constituted less than 10% of the total volume of issuances under the previous version of this framework.Issuances under this framework may be structured as secured sustainable collateral bonds or secured sustainable standard bonds aligned with the definitions set out in the ICMA GBP and SBP.The investor will have recourse against the specific green or social assets securing the bond in the case of a secured collateral bond where net proceeds are used to finance or refinance eligible projects that secure the bond. In the case of a sustainable standard bond, the pool assets securing the bond may comprise a mix of sustainable and non-sustainable assets.HKMC will engage an external reviewer to conduct a pre-issuance eligibility assessment on the nominated project and asset pool for any sustainable securitisations issued under this framework. The external review on the sustainable securitisations will be available on HKMC's website.The issuer has committed to overcollateralisation of sustainable assets throughout the issuances' lifetime subject to the terms and conditions of the issuances, which allows substitution of assets in the case where assets become ineligible under the framework. Past issuances under an earlier version of the framework were overcollateralised by at least 20%.
Source: HKMC social, green and sustainability financing framework (August 2025)	Source: Sustainable Fitch



Relevant UN Sustainable Development Goals

- **3.8:** Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.



- **4.2:** By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education.

- **4.3:** By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.

- **4.4:** By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.

- **4.5:** By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations.



- **6.1:** By 2030, achieve universal and equitable access to safe and affordable drinking water for all.

- **6.2:** By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations.

- **6.3:** By 2030, improve water quality by reducing pollution, eliminating dumping and minimising release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.

- **6.4:** By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.



- **7.1:** By 2030, ensure universal access to affordable, reliable and modern energy services.

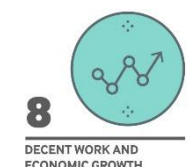
- **7.2:** By 2030, increase substantially the share of renewable energy in the global energy mix.

- **7.3:** By 2030, double the global rate of improvement in energy efficiency.



- **8.3:** Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

- **8.10:** Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.



- **9.4:** By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

- **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.



- **10.2:** By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.





Relevant UN Sustainable Development Goals

- **11.1:** By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.
- **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.
- **11.6:** By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.
- **12.5:** By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.



11
SUSTAINABLE CITIES AND
COMMUNITIES



12
RESPONSIBLE
CONSUMPTION AND
PRODUCTION

- **13.1:** Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.
- **13.3:** Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.



13
CLIMATE ACTION

- **14.1:** By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution.



14
LIFE BELOW WATER

- **15.1:** By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements.
- **15.2:** By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.
- **15.3:** By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world.



15
LIFE ON LAND

Source: Sustainable Fitch, UN



Appendix A: Principles and Guidelines

Type of Instrument: Sustainability		
Four Pillars		
1) Use of Proceeds (UoP)		Yes
2) Project Evaluation & Selection		Yes
3) Management of Proceeds		Yes
4) Reporting		Yes
Independent External Review Provider		
Second-party opinion		Yes
Verification		No
Certification		No
Scoring/Rating		No
Other		n.a.
1) Use of Proceeds (UoP) – based on expected or actual instrument allocation		
UoP as per Green Bond Principles (GBP)		
Renewable energy		Yes
Energy efficiency		Yes
Pollution prevention and control		Yes
Environmentally sustainable management of living natural resources and land use		Yes
Terrestrial and aquatic biodiversity conservation		No
Clean transportation		Yes
Sustainable water and wastewater management		Yes
Climate change adaptation		Yes
Certified eco-efficient and/or circular economy adapted products, production technologies and processes		No
Green buildings		Yes
Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP	Green construction materials	
Other		n.a.
Use of Proceeds as per Social Bond Principles (SBP)		
Affordable basic infrastructure		Yes
Access to essential services		Yes
Affordable housing		Yes
Employment generation (through SME financing and microfinancing)		Yes
Food security		No
Socioeconomic advancement and empowerment		No
Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP	Access to essential financing and financial services for the elderly	
Other		
Target Populations		
Living below the poverty line		Yes
Excluded and/or marginalised populations and/or communities		Yes
People with disabilities		Yes
Migrants and/or displaced persons		Yes
Undereducated		Yes
Under-served, owing to a lack of quality access to essential goods and services		Yes
Unemployed and/or workers affected by climate transition		Yes



Type of Instrument: Sustainability

Women and/or sexual and gender minorities	Yes
Aging populations and vulnerable youth	Yes
Other vulnerable groups, including as a result of natural disasters, climate change, and/or climate transition projects that cause or exacerbate socioeconomic inequity	Yes
Other	SMEs

2) Project Evaluation & Selection

Evaluation & Selection

Credentials on the issuer's social and green objectives	Yes
Documented process to determine that projects fit within defined categories	Yes
Defined and transparent criteria for projects eligible for sustainability bond proceeds	Yes
Documented process to identify and manage potential ESG risks associated with the project	Yes
Summary criteria for project evaluation and selection publicly available	Yes
Other	n.a.

Evaluation & Selection/Responsibility & Accountability

Evaluation/selection criteria subject to external advice or verification	No
In-house assessment	Yes
Other	n.a.

3) Management of Proceeds

Tracking of Proceeds

Sustainability bond proceeds segregated or tracked by the issuer in an appropriate manner	Yes
Disclosure of intended types of temporary investment instruments for unallocated proceeds	Yes
Other	n.a.

Additional Disclosure

Allocations to future investments only	No
Allocations to both existing and future investments	Yes
Allocation to individual disbursements	Yes
Allocation to a portfolio of disbursements	Yes
Disclosure of portfolio balance of unallocated proceeds	Yes
Other	n.a.

4) Reporting

UoP Reporting

Project-by-project	No
On a project portfolio basis	Yes
Linkage to individual bond(s)	Yes
Other	n.a.

UoP Reporting/Information Reported

Allocated amounts	Yes
Sustainability bond-financed share of total investment	No
Other	n.a.

UoP Reporting/Frequency

Annual	Yes
Semi-annual	Yes



Type of Instrument: Sustainability

Other	n.a.
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Impact Reporting

Project-by-project	No
On a project portfolio basis	Yes
Linkage to individual bond(s)	Yes
Other	n.a.

Impact Reporting/Information Reported (exp. ex-post)

GHG emissions/savings	Yes
Energy savings	Yes
Decrease in water use	Yes
Number of beneficiaries	Yes
Target populations	Yes
Other ESG indicators	Area of forest managed, volume of wastewater treated, etc. The framework includes a full list.

Impact Reporting/Frequency

Annual	Yes
Semi-annual	Yes
Other	n.a.

Means of Disclosure

Information published in financial report	Yes
Information published in ad hoc documents	Yes
Information published in sustainability report	No
Reporting reviewed	No
Other	n.a.

Note: n.a. – not applicable.
Source: Sustainable Fitch, ICMA

Appendix B: Definitions

Term	Definition
Debt types	
Green	Proceeds will be used for green projects and/or environmental-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Green Bond Principles or other principles, guidelines or taxonomies.
Social	Proceeds will be used for social projects and/or social-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Social Bond Principles or other principles, guidelines or taxonomies.
Sustainability	Proceeds will be used for a mix of green and social projects and/or environmental and social-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Sustainability Bond Guidelines or other principles, guidelines, taxonomies.
Sustainability-linked	Financial and/or structural features are linked to the achievement of pre-defined sustainability objectives. Such features may be aligned with ICMA Sustainability-linked Bond Principles or other principles, guidelines or taxonomies. The instrument is often referred to as an SLB (sustainability-linked bond) or SLL (sustainability-linked loan).
Conventional	Proceeds are not destined for any green, social or sustainability project or activity, and the financial or structural features are not linked to any sustainability objective.
Other	Any other type of financing instrument or a combination of the above instruments.
Standards	
ICMA	International Capital Market Association. In the Second-Party Opinion we refer to alignment with ICMA's Bond Principles: a series of principles and guidelines for green, social, sustainability and sustainability-linked bonds.
LMA, LSTA and APLMA	Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA) and Asia Pacific Loan Market Association (APLMA). In the Second-Party Opinion we refer to alignment with Sustainable Finance Loan Principles: a series of principles and guidelines for green, social and sustainability-linked loans.
EU Green Bond Standard	A set of voluntary standards created by the EU to "enhance the effectiveness, transparency, accountability, comparability and credibility of the green bond market".

Source: Sustainable Fitch, ICMA, UN, EU Technical Expert Group

Appendix C: Second-Party Opinion Methodology

Second-Party Opinion

Second-Party Opinions (SPO) are a way for issuers to obtain an independent external review on their green, social, sustainability and sustainability-linked instruments.

As per the ICMA Guidelines for External Reviewers, an SPO entails an assessment of the alignment of the issuer's green, social, sustainability or sustainability-linked bond or loan issuance, framework or programme with the relevant principles. For these purposes, "alignment" should refer to all core components of the relevant principles.

Sustainable Fitch analysts vary the analysis based on the type of instruments, to consider whether there are defined uses of proceeds or KPIs and sustainability performance targets. The analysis is done on a standalone basis, separate to the entity.

Analytical Process

The analysis considers all available relevant information (ESG and financial). The reports transparently display the sources of information analysed for each section and provide a line-by-line commentary on the sub-factors analysed. The ESG analysts working on an SPO will also engage directly with the issuer to acquire any additional relevant information not already in the public domain or in instrument-related documentation.

An important part of the analysis is the assessment of the E and S aspects of the use of proceeds. In addition to the alignment with ICMA Principle and Guidelines, the analysis may also refer to major taxonomies (eg the EU taxonomy for E aspects, and the UN Sustainable Development Goals for S aspects).

Once the analyst has completed the analysis, with commentary for the related SPO, it is submitted to the approval committee, which reviews it for accuracy and consistency. Based on issuer preference and mandate, an SPO can be monitored (annually or more frequently, if new information becomes available) or on a point-in-time basis.

Scale and Definitions

ESG Framework	
Excellent	Sustainable finance framework and/or debt instrument structure is fully aligned to all relevant core international principles and guidelines. Practices inherent to the structure meet excellent levels of rigour and transparency in all respects and are well in excess of the standards commonly followed by the market.
Good	Sustainable finance framework and/or debt instrument structure is fully aligned to all relevant core international principles and guidelines. Practices inherent to the structure meet good levels of rigour and transparency; in some instances, they go beyond the standards commonly followed by the market.
Aligned	Sustainable finance framework and/or debt instrument structure is aligned to all relevant core international principles and guidelines. Practices inherent to the structure meet the minimum standards in terms of rigour and transparency commonly followed by the market.
Not Aligned	Sustainable finance framework and/or debt instrument structure is not aligned to relevant core international principles and guidelines. Practices inherent to the structure fall short of common market practice.

Source: Sustainable Fitch



SOLICITATION STATUS

The Second-Party Opinion was solicited and assigned or maintained by Sustainable Fitch at the request of the entity.

A Sustainable Fitch Analytical Product provides an assessment of the Environmental, Social and/or Governance qualities of an issuer and/or its financial instruments or securities. Sustainable Fitch Analytical Products include without limitation ratings, scores, second-party opinions and other assessments, opinions and data-related products, among other Analytical Products. A Sustainable Fitch Analytical Product is not a credit rating. Analytical Products are provided by Sustainable Fitch, a Fitch Solutions company, and an affiliate of Fitch Ratings. Sustainable Fitch has established specific policies and procedures intended to avoid creating conflicts of interest and compromising the independence or integrity of Fitch Ratings' credit rating activities and Sustainable Fitch's Analytical Product generation activities. For a description of the methodology, limitations and disclaimers relating to Sustainable Fitch's Analytical Products, please use this link: www.sustainablefitch.com.

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