



BAUHINIA ILBS 1 LIMITED

SECOND PARTY OPINION ON SUSTAINABILITY NOTES

UPDATED ELIGIBILITY ASSESSMENT DATED 21
FEBRUARY 2025

Document Title: Second Party Opinion on Bauhinia ILBS 1 Limited's Sustainability Notes

Prepared By: DNV Business Assurance Singapore Pte Ltd

Location: Singapore

Date: 21/02/2025

Project Number: 10546207

Identification: DNV-2025-ASR-10546207

TABLE OF CONTENTS

DNV'S INDEPENDENT ASSESSMENT	3
Scope and Objectives	3
Responsibilities of the Management of HKMC and DNV	4
Basis of DNV's Opinion	4
Work Undertaken	4
Findings and DNV's Opinion	5
Schedule 1. Description of Use of Proceeds and Asset Pool	7
Schedule 2. Eligibility Assessment Protocol	8

Disclaimer

Our assessment relies on the premise that the data and information provided by the client to us as part of our review procedures are provided in good faith. Because of the selected nature (sampling) and other inherent limitation of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not be detected. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied as per scope of work. DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Statement.

Statement of Competence and Independence

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17029:2019 - Conformity Assessment – General principles and requirements for validation and verification bodies, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV Code of Conduct during the assessment and maintain independence where required by relevant ethical requirements.

DNV'S INDEPENDENT ASSESSMENT

Scope and Objectives

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

The Issuer issued, amongst other classes of notes, Class A1-SU Notes (henceforth referred to as "Sustainability Notes") as Secured Sustainable Standard Bond.¹ The Sustainability Notes is in alignment with the stated Standards and Principles (collectively the "Principles & Standards"):

- International Capital Market Association ("ICMA") Green Bond Principles 2021 ("GBP") (with June 2022 Appendix I)
- ICMA Social Bond Principles 2021 ("SBP") (with June 2022 Appendix I)
- ICMA Sustainability Bond Guidelines 2021 ("SBG")

The Sustainability Notes qualifies as a Secured Sustainable Standard Bond under the aforementioned editions of the GBP, SBP and SBG.

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

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

DNV Business Assurance Singapore Pte Ltd (henceforth referred to as "DNV") has been commissioned by the Issuer to provide an updated eligibility assessment of the Sustainability Notes.

This SPO is an update to the original SPO, issued on 25 May 2023 by DNV. This SPO is intended only to build upon the existing SPO and should be referred to as the formal updated Opinion on the Sustainability Notes.

The update is an addition of another project category, as follows:

- **Access to Affordable Basic Infrastructure and Services – telecommunication tower investments**

for which DNV has provided its Opinion as an eligible project for Use of Proceeds (Schedule 2 below). It should be noted that the other pillars remain unchanged from the original SPO, issued on 25 May 2023.

Our methodology to achieve this is described under 'Work Undertaken' below. We were not commissioned to provide independent assurance or other audit activities. The scope of this DNV opinion is limited to the ICMA GBP, SBP and SBG.

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

Responsibilities of the Management of HKMC and DNV

Our statement represents an independent opinion and is intended to inform HKMC management and other interested stakeholders in the Sustainability Notes as to whether the established criteria have been met, based on the information provided to us. In our work we have relied on the information and the facts presented to us by HKMC. DNV is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by HKMC's management and used as a basis for this assessment were not correct or complete.

Basis of DNV's Opinion

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

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

Work Undertaken

Our work constituted a high-level review of the available information provided to us by HKMC. We have not performed an audit or other tests to check the veracity of the information provided to us. DNV notes that a detailed assessment of alignment has been included in the Social, Green and Sustainability Financing Framework ("Framework") Second Party Opinion ("SPO") provided to HKMC, by another services provider.

This updated eligibility assessment has been prepared to specifically focus on the Use of Proceeds aspects of the Sustainability Notes. The work undertaken to form our opinion included:

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

Our opinion as detailed below is a summary of these findings.

Findings and DNV's Opinion

DNV's findings on the alignment with Principles & Standards are listed below:

1. Use of Proceeds [Updated 21 February 2025]

The Issuer used the proceeds of the Sustainability Notes to finance and refinance new/existing Green and Social projects and assets.

These includes the following eligible Green project categories:

- Renewable Energy – solar energy projects
- Renewable Energy – wind energy projects
- Renewable Energy – hybrid projects (wind + solar)
- Renewable Energy – run-of-river hydro projects

These includes the following eligible Social project categories:

- Access to Essential Services – education asset investments
- Access to Affordable Basic Infrastructure and Services – telecommunication tower investments

DNV has reviewed evidence that demonstrates that the Green and Social projects and assets for the issuance of Sustainability Notes meet the eligibility criteria specified in the Framework.

2. Process for Project Evaluation and Selection

The raised proceeds were allocated to finance and refinance the assets as set out under Use of Proceeds. DNV has reviewed evidence that demonstrates that HKMC regularly assesses opportunities for improvement and devises action plans and initiatives to mitigate negative environmental and social impacts from its operations.

3. Management of Proceeds

The HKMC as the collateral manager of the Issuer, has established and maintained an independent allocation register to record and track the allocation of the proceeds from the issuance of Sustainability Notes. The full amount of the proceeds was deposited in the accounts of the Issuer, and not commingled with general accounts of HKMC, and an amount equal to the net proceeds was earmarked for allocation to the eligible loan portfolio. HKMC continues to review the outstanding balance of the Sustainability Notes as part of its allocation reporting at least on an annual basis.

4. Reporting

HKMC has confirmed that it will continue to report on its website the following:

- i) The total amount of proceeds allocated to Eligible Loans;
- ii) Description of selected allocated Eligible Loans;
- iii) The balance of unallocated proceeds (if any);
- iv) The amount or the percentage of new financing and refinancing; and
- v) Impact Reporting to a range of metrics as available and as selected.

Based on the limited assurance procedures conducted, nothing has come to our attention that causes us to believe that the Sustainability Notes is not, in all material respects, in accordance with the requirements of the associated eligible green/social project category within the Principles & Standards.



For DNV Business Assurance Singapore Pte Ltd

Singapore / 21 February 2025

Jerus D'Silva
Quality Reviewer

Vigilia Ang
Lead Verifier

Schedule 1. Description of Use of Proceeds and Asset Pool

Green Use of Proceeds		GBP Asset Category		USD (million)	
Solar Energy Projects		Renewable Energy		17.50	
Wind Energy Projects		Renewable Energy		11.00	
Hybrid Projects (Wind + Solar)		Renewable Energy		23.60	
Run-of-River Hydro Projects		Renewable Energy		4.81	
Social Use of Proceeds	SBP Asset Category	Social Benefit	Target Population	USD (million)	
Education Asset Investments	Access to Essential Services	Access to education	Women in UAE	60.11	
Telecommunication Tower Investments	Access to Affordable Basic Infrastructure and Services	Access to digital communication	Unconnected or underserved communities in Indonesia and India	6.78	
Total				123.81	

Schedule 2. Eligibility Assessment Protocol

1. Use of Proceeds Alignment

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

Ref	Criteria	Requirements	DNV Findings
1a	Type of Bond	<p>The Sustainability Notes must fall in one of the following categories, as defined by the Principles & Standards:</p> <ul style="list-style-type: none"> • Green/Social/Sustainability Use of Proceeds Bond • Green/Social/Sustainability Use of Proceeds Revenue Bond • Green/Social/Sustainability Project Bond • Secured Green/Social/Sustainability Bond <ul style="list-style-type: none"> ➢ Secured Green/Social/Sustainability Collateral Bond ➢ Secured Green/Social/Sustainability Standard Bond 	<p>The reviewed evidence confirms that the Sustainability Notes falls in the category: Secured Sustainability Bond (Secured Sustainability Standard Bond), as the Eligible Loans are not securing the Sustainability Notes alone, but rather the entire securitisation issuance. The Sustainability Notes form only one tranche out of the Issuer's securitisation transaction.</p> <p>The reviewed evidence confirms that the Sustainable Financing Instruments meet the criteria under the Principles & Standards, and DNV confirms that this process is well aligned with the Principles & Standards.</p>
1b	Project Categories	<p>The cornerstones of Sustainability Notes are the utilisation of the proceeds of the Sustainability Notes which should be appropriately described in the legal documentation for the security.</p>	<p>As identified by the Framework, the purpose of the Sustainability Notes is to use the proceeds for the financing or refinancing of the following:</p> <ul style="list-style-type: none"> • Renewable Energy • Access to Essential Services • Access to Affordable Basic Infrastructure and Services <p>Specifically, the Use of Proceeds for the Sustainability Notes are summarised in Schedule 1 above.</p>

			The above-mentioned project categories meet the Eligible Green and Social Project Categories in the Principles & Standards. DNV confirms that this is well aligned with the Principles & Standards.
1c	Environmental and Social Benefits	All designated Green and Social Project categories should provide clear environmentally sustainable benefits, which, where feasible, will be quantified or assessed by the Issuer.	<p>DNV's assessment concluded that the Use of Proceeds of the Sustainability Notes present significant Environmental and Social benefits in line with Renewable Energy, Access to Essential Services and Access to Affordable Basic Infrastructure and Services.</p> <p>Green Project Category: Renewable Energy</p> <p>DNV confirms that Renewable Energy assets including solar and wind energy are considered green for the purposes of the GBP. DNV considers run-of-river hydro projects to present a low risk of GHG emissions relative to fossil fuels and an eligible source of renewable energy under the GBP.</p> <p>DNV confirms that the Use of Proceeds have been delivering meaningful environmental benefits.</p> <p>Social Project Category: Access to Essential Services</p> <p>Education Asset Investments These education project assets are confirmed by DNV to provide essential services to residents of UAE (Emiratis).</p> <p>The projects are located in Abu Dhabi and Dubai, and provide access to education to women in these two cities (target population), focused on supporting students whose financial conditions may prevent them from continuing their bachelors and higher education. These range from scholarships and monthly stipends to financial aid for bachelor programmes and purchasing educational devices, thus assisting with ensuring affordability.</p> <p>DNV considers that the benefit delivered for Access to Essential Services is well aligned with the SBP.</p> <p>Social Project Category: Access to Affordable Basic Infrastructure and Services</p> <p>Telecommunication Tower Investments</p>

			<p>The telecommunication projects are confirmed by DNV to provide access to basic infrastructure, specifically access to digital communication.</p> <p>The projects are located in India and Indonesia, which are generally under-developed with low internet penetration rates. Digital inclusion is considered as a key indicator of development of an information society. In particular, internet connection provides people with access to important information as well as offering necessary means to facilitate their daily life such as working remotely, making online appointments, and providing access to online services. The outbreak of coronavirus and subsequent lockdowns have deepened the society's reliance on digital technology.</p> <p>The telecommunication projects promote digital inclusion and are confirmed by DNV to provide access to basic infrastructure and services for unconnected or underserved communities in India and Indonesia. The infrastructure is noted by DNV to be critical to obtaining digital connectivity to residents in the areas, by improving their internet connection speed to meet the international minimum thresholds and/or the respective national broadband targets. Recognising the projects' importance in sustaining digital inclusion for communities, the telecommunication projects in the asset pool shall remain eligible under this category regardless of any possible increase of the background internet connection speed over the loan tenor.</p> <p>DNV considers that the social benefit derived from delivering access to basic infrastructure and services is well aligned with the SBP.</p> <p>DNV confirms that the Use of Proceeds associated with the Sustainability Notes are considered to deliver tangible green and social benefits and are well-aligned with the purpose and function of GBP and SBP.</p>
1d	Refinancing Share	In the event that a proportion of the proceeds may be used for refinancing, it is recommended that issuers provide an estimate of the share of financing vs. refinancing, and where appropriate, also clarify which investments or project portfolios may be refinanced.	At the time of issuance, 100% of the Eligible Loans backing the Sustainability Notes have been acquired.



About DNV

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