

# **“Second-party Opinion” on Chong Hing Bank Limited Green, Social, Blue and Sustainability Deposit Framework**

**by Hong Kong Quality Assurance Agency (HKQAA)**

Prepared by:



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## 1. Introduction

Chong Hing Bank Limited (“Chong Hing Bank”) has developed “Chong Hing Bank Green, Social, Blue and Sustainability Deposit Framework (“the Framework”) in June 2025, in which subject matters, including Use of Proceeds, Project Evaluation and Selection Process, Management of Proceeds and Reporting were described. Under the Framework, the Bank intends to launch Blue Deposit, Blue Certificate of deposit, Green Deposit, Green Certificate of Deposit, Social Deposit, Sustainability Deposit, Social Certificate of Deposit, and Sustainability Certificate of Deposit, while setting out underlying eligible qualifying environmental and/ or social themes and activities.

The Bank has engaged Hong Kong Quality Assurance Agency (“HKQAA”) to provide a second-party opinion on the application of the Framework for structuring, issuance and management of the Bank’s Blue Deposit, Blue Certificate of deposit, Green Deposit, Green Certificate of Deposit, Social Deposit, Sustainability Deposit, Social Certificate of Deposit, and Sustainability Certificate of Deposit. In this engagement, HKQAA requested and reviewed a broad set of documentation in order to put the Framework into perspective. Internal procedures, investment policies, and terms and conditions of Blue Deposit, Blue Certificate of deposit, Green Deposit, Green Certificate of Deposit, Social Deposit, Sustainability Deposit, Social Certificate of Deposit, and Sustainability Certificate of Deposit were studied.

As there were no standards or principles developed for Blue Deposit, Blue Certificate of deposit, Green Deposit, Green Certificate of Deposit, Social Deposit, Sustainability Deposit, Social Certificate of Deposit, and Sustainability Certificate of Deposit, considering the similarities in the intention and structuring of these deposits with social bonds and sustainability bonds, the International Capital Market Association (“ICMA”) Green Bond Principles 2025, Social Bond Principles 2025, Sustainability Bond Guidelines 2021, and the International Finance Corporation (“IFC”) Guidelines for Blue Finance Guidance for financing the Blue Economy 2022 were selected as the guiding reference for commenting on the Framework. Due to the fact that Green Loan would be selected to build a green asset portfolio, Social Loan would be selected to build a social asset portfolio, Green and social loan would be selected to build a sustainability asset portfolio, and Blue Loan will be selected to build a blue asset portfolio, Green Loan Principles 2025 and Social Loan Principles 2025 by the Asia Pacific Loan Market Association (“APLMA”), Loan Syndications and Trading Association (“LSTA”), and Loan Market Association (“LMA”) were also used as a secondary reference for commenting on the Framework when Social loans and Sustainability loans are involved.

Through this engagement, alignment of the Framework with the core components of Green Bond Principles 2025, Social Bond Principles 2025, Sustainability Bond Guidelines 2021, Green Loan Principles 2025, Social Loan Principles 2025, and the International Finance Corporation (“IFC”) Guidelines for Blue Finance Guidance for financing the Blue Economy 2022 are opined. This document contains HKQAA’s opinion on the Framework under the context of the Bank’s Blue Deposit, Blue Certificate of deposit, Green Deposit, Green Certificate of Deposit, Social Deposit, Sustainability Deposit, Social Certificate of Deposit, and Sustainability Certificate of Deposit, it should be read in conjunction with the Framework.

## 2. Context of Social/Sustainability Deposit and Social/Sustainability Certificate of Deposit

The Chief Executive of the bank emphasized that Environmental, Social and Governance (“ESG”) was considered one of the Bank’s important development strategies, and related policies and key performance indicators will be integrated into its operations, products and services. Support low carbon transformation financing, Incorporate climate risks into portfolio, Promote sustainable operations, Enhance reporting transparency will be the four pillars of bank’s sustainable strategic statement ahead in its 2024 ESG Report.

According to the ESG Report, the Bank supports low-carbon transitioning and brings long-term and sustainable value and returns for stakeholders by approving green loans that assist customers to transform into a more climate resilient and sustainable enterprise.

In addition to the Bank’s Investment Guideline for Debt Securities issued in December 2021, Sustainable Investment Policy has been prepared to define its investment preference in social and sustainability debt instruments. The policy applies to green, social, blue, and sustainability bonds which would be selected and pooled with selected green loans, social loans, and sustainability loans to form portfolio of green assets, social asset, and sustainability asset to support Green Deposit, Social Deposit and Sustainability Deposit, and Social Certificate of Deposit and Sustainability Certificate of Deposit. They were planned to be launched later this year as showcases of the Bank’s determination to take responsibility for the environment and society.

### 3. Framework Overview and Opinion

The Framework was developed as a guiding document for structuring deposits with four themes which include green, social, blue, and sustainability-themed deposits. Eligible green assets would be selected to form a green asset portfolio to support green-themed deposits. Similarly, social assets would be selected to form a social asset portfolio to support social-themed deposits, and eligible blue assets would be selected to form a blue asset portfolio to support blue-themed deposits. When both eligible green and social assets are selected to form a sustainability asset portfolio, a sustainability-themed deposit would be issued.

In the first section of the Framework ('I. Introduction'), a highlight of the Bank's history, its scale of operation and achievement as well as policy, approach and structure for sustainability were described, it was able to allow potential depositors to appreciate the long history of the Bank as well as the rationale behind the issuance of Green, Social, blue and Sustainability Deposits. The third to sixth sections of the framework ('III. Use of Proceeds', 'IV. Process for Project Evaluation and Selection', 'V. Management of Proceeds' and 'VI. Reporting'), eligibility criteria for assets to support the three themes of deposits, linkage to Sustainable Development Goals, tracking of proceeds, temporary allocation of proceeds and regular disclosures were detailed.

The bank's commitment to follow the core elements of Green Bond Principles 2025, Social Bond Principles 2025, Sustainability Bond Guidelines 2021, Green Loan Principles 2025, Social Loan Principles 2025, and the International Finance Corporation ("IFC") Guidelines for Blue Finance Guidance for financing the Blue Economy 2022 (applicable specifically to green loans, social loan, sustainability loan, and blue loan) was demonstrated in the last section of the Framework ('VII. External Review'). Further details on the alignment of the Bank's structuring and management practices for Blue Deposit, Blue Certificate of deposit, Green Deposit, Green Certificate of Deposit, Social Deposit, Sustainability Deposit, Social Certificate of Deposit, and Sustainability Certificate of Deposit were discussed in sections 3.1 to 3.4.

The terms and conditions of Blue Deposit, and Blue Certificate of Deposit given in Confirmation of Fixed Deposit and Disclosure and Risk Factors of Certificate of Deposits respectively were studied, and the terms and conditions can be fulfilled when the Framework is effectively executed.

#### 3.1 Use of Proceeds

According to the Bank's input, Green, Social, and Blue Deposit are deposits taken from clients, mostly a time deposit with a minimum tenor of 1 to 3 months, while Social Certificate of Deposit and Sustainability Certificate of Deposit or Blue Certificate of Deposit are deposits instrument under the existing CD program with a tenor ranging from 1 to 12 months.

All net proceeds of Blue Deposit, Blue Certificate of deposit, Green Deposit, Green Certificate of Deposit, Social Deposit, Sustainability Deposit, Social Certificate of Deposit, and Sustainability Certificate of Deposit are committed by the Bank to be used to finance and/or refinance eligible green, social, blue and sustainability assets which match with the eligible green, social, and/or blue

categories defined in section III of the Framework ('III. Use of Proceeds'). The exclusive nature of the use of proceeds to generate positive environmental and/or social benefits is opined as clearly addressed through the Framework which will be made available to the public by the Bank. The eligible green categories are matched with the categories of eligibility for Green Projects in Green Bond Principles, eight eligible green categories are given in the Framework:

1. Green buildings
2. Renewable energy
3. Energy efficiency
4. Pollution prevention and control
5. Clean transportation
6. Sustainable Water and Wastewater Management
7. Climate change adaptation
8. Terrestrial and aquatic biodiversity

The eligible social categories are matched with the categories of eligibility for Social Projects in Social Bond Principles, six eligible social categories are given in the Framework:

1. Affordable Housing
2. Affordable Basic Infrastructure and Services
3. Access to Essential Services
4. Employment Generation including through the Potential Effect of SME Financing and Microfinance
5. Socioeconomic Advancement and Empowerment
6. Food Security, Sustainable Food and Agriculture

The eligible blue categories are matched with the categories of eligibility for blue Projects in the International Finance Corporation ("IFC") Guidelines for Blue Finance Guidance for financing the Blue Economy 2022, five eligible blue categories are given in the Framework:

1. Water Sanitation
2. Sustainable shipping and port logistics sectors
3. Fisheries, aquaculture and seafood value chain
4. Marine ecosystem restoration
5. Ocean-friendly chemicals and plastic-related sectors

Eligible criteria for each of the categories as well as the linkage to Sustainable Development Goals ("SDGs") are specified by the Bank to allow depositors and stakeholders to understand the expected environmental and social benefits. The approach is opined as typical and acceptable.

The Bank's eligible green, social, blue, and sustainability assets will have occurred not more than 7 years prior to the issuance date of the relevant deposit date, hence, a look back period of green, social, blue, and sustainability investment is specified. This look back period may be in addition to the look back period of green bonds/social bonds/blue bonds/sustainability bonds or green loans/social loans/sustainability loans/blue loans, e.g. if an eligible green/social/blue project was refinanced by a green/social/blue bond immediately after issuance with a look back period of 3 years, and the

green/social/blue bond is selected as an eligible green/social/blue assets 24 months period after the issuance of the green/social/blue bond, the total look back period will then be 5 years. As clarification of the expected look-back period for refinanced eligible green and social projects is recommended by Green Bond Principles 2025 and Social Bond Principles 2025 while no specific limit on the look-back period is specified. The clarification given by the Framework is opined as acceptable.

Compliance with ICMA Green bond principle 2025, Social Bond Principles 2025, Sustainability Bond Guidelines 2021, and the International Finance Corporation (“IFC”) Guidelines for Blue Finance Guidance for financing the Blue Economy 2022 referred to in the Framework is applicable to investments in green, social, blue and sustainability bonds, it is opined as typical and acceptable.

Exclusions given in the Framework are opined as typical and acceptable.

### 3.2 Project Evaluation and Selection Process

The evaluation and selection process specified in the Framework is supplemented by an internal procedure. The level of details given in the Framework is opined as typical and acceptable.

On the other hand, guidance will be given to staff who are assigned to evaluate and nominate green, social, blue, and sustainability assets. As per the Bank's input, its staff will pay attention to the following features of green, social, blue and sustainability assets:

1. Type and issuer of bonds
2. Type of loans
3. Outstanding amount
4. External review
5. Remaining tenor
6. Availability of information on social and/or environmental benefits and compliance with applicable regulatory requirements.

The practice is opined as acceptable.

### 3.3 Management of Proceeds

The approach of management of proceeds exhibits sufficient asset control. The Procedure Manual demonstrates the management of proceeds is properly structured by dividing it into three stages, namely planning for use of proceeds, record keeping in the internal management system, and the use of unallocated proceeds. The practice is opined as typical and acceptable.

The proceeds from each deposit instrument will be internally managed and governed by the Treasury and Markets and Corporate Banking Division with oversight by the Working Group. It also fulfils the core component of encouraged practice of tracking the allocation of proceeds to eligible green, social, blue, and sustainability assets within its internal management system including descriptions of the projects, the regions in which the projects are located, and the amount of proceeds allocated to the projects to maintain transparency and to promote the integrity of the deposit instrument. The practice is opined as typical and acceptable.

The Framework also provides sufficient details on the management of proceeds and asset control regarding refinancing and proceeds reallocation. If all or a proportion of the proceeds be used for refinancing, where the Bank will provide an estimate of the share of financing versus refinancing. The practice is opined as typical and acceptable.

The 12-month flexibility allowed for full allocation of net proceeds, it is not a concern even for the term of deposit which is 1 to 3 months, since the maximum allowable period for temporary allocation of proceeds to non-green, non-social, non-blue, and non-sustainability assets will be up to 1/3 of the deposit term. The practice is opined as acceptable when it is communicated to depositors through the Framework which will be made available to the public.



### **3.4 Reporting**

The Bank will make and keep readily available up-to-date information on the use of proceeds to be renewed annually via the ESG report. Information such as the allocation of proceeds and expected environmental and/or social impact will be provided. Proceeds allocation reporting is opined as typical and acceptable.

Examples of expected impact metrics are specified for each eligible green, social, and blue asset categories, impact reporting is opined as typical and acceptable.

The reporting methodology and assumptions used to report on the environmental and social benefits of the Eligible Projects will be publicly disclosed, and the practice is opined as typical and acceptable.

### **4. Conclusion**

The assessment team of HKQAA has determined that the Framework provides adequate information for depositors to appreciate eligible green, social and blue projects and project evaluation and selection process when disclosed. Furthermore, it provides guidance and sufficient internal control along with Procedure Manual and Sustainable Investment Policy for implementation and disclosure in a consistent manner. The framework is opined as in alignment with the core components of Green Bond Principles 2025, Social Bond Principles 2025, Sustainability Bond Guidelines 2021, Green Loan Principles 2025, Social Loan Principles 2025, and the International Finance Corporation (“IFC”) Guidelines for Blue Finance Guidance for financing the Blue Economy 2022.

## Appendix 1: Documents reviewed or referenced

No.	Author	Title
1	APLMA, LSTA, LMA	Green Loan Principles (March 2025)
2	ICMA	Green Bond Principles (June 2025)
3	ICMA	Social Bond Principles (June 2025)
4	ICMA	Sustainability Bond Guidelines (June 2021)
5	APLMA, LSTA, LMA	Social Loan Principles (March 2025)
6	International Finance Corporation (“IFC”)	Blue Finance Guidance for financing the Blue Economy 2022
7	Chong Hing Bank Limited	Procedure Manual
8	Chong Hing Bank Limited	Sustainable Investment Policy
9	Chong Hing Bank Limited	Chong Hing Bank Limited Certificate of Deposits – Summary of Terms and Conditions
10	Chong Hing Bank Limited	Disclosure and Risk Factors of CHB CD Programme
11	Chong Hing Bank Limited	Chong Hing Bank Green, Social, Blue, and Sustainability Deposit Framework (June 2025)
12	Chong Hing Bank Limited	Confirmation of Fixed Deposit (Social Deposit)
13	Chong Hing Bank Limited	Confirmation of Fixed Deposit (Sustainable Deposit)
14	Chong Hing Bank Limited	Confirmation of Fixed Deposit (Blue Deposit)

## Appendix 2: About role(s) of review providers as defined by the Green Loan Principles 2023 and Social Loan Principles 2023

- 1. Consultant review:** a borrower can seek advice from consultants and/or institutions with recognised expertise in environmental sustainability or other aspects of the administration of a green/social loan. “Second party opinions” may also fall into this category.
- 2. Verification:** a borrower can have its green/social loan, associated green/social loan framework, or underlying assets independently verified by qualified parties, such as auditors or independent ESG rating providers. In contrast to certification, verification may focus on alignment with internal standards or claims made by the borrower.
- 3. Certification:** a borrower may have its green/social loan or associated green/social loan framework certified against an external green/social assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties/certifiers.
- 4. Rating:** a borrower can have its green/social loan or associated green/social loan framework rated by qualified third parties, such as specialised research providers or rating agencies.

## Appendix 3: About role(s) of review providers as defined by the ICMA

**1. Second Party Opinion:** An institution with environmental/social/sustainability expertise that is independent from the issuer may provide a Second Party Opinion (either required or recommended pre-issuance as described in the respective Principles). The institution should be independent from the issuer's adviser for its green, social, sustainability and sustainability-linked bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second Party Opinion. Any concerns about the institution's independence should be disclosed to investors.

**2. Verification:** An issuer can (or "needs to" in the case of sustainability-linked bonds post-issuance) obtain independent verification against a designated set of criteria, typically pertaining to environmental/social/sustainability or KPI performance and sustainability targets for the SLBs.

**3. Certification:** An issuer can have its green, social, sustainability and sustainability-linked bond or associated green, social, sustainability and sustainability-linked bond framework or Use of Proceeds or Key Performance Indicators (KPIs) and Sustainability Performance targets (SPTs) certified against a recognised external green/social/sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.

**4. Green, Social, Sustainability and Sustainability-Linked Bond Scoring/Rating:** An issuer can have its green, social, sustainability and sustainability-linked bond associated framework or a key feature such as Use of Proceeds, selection of KPIs, calibration of the level of ambitiousness of SPTs, evaluated or assessed by third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology.

## Appendix 4: Hong Kong Quality Assurance Agency (HKQAA)

### Local Excellence, Global Perspective

Established by Hong Kong Government in 1989, Hong Kong Quality Assurance Agency (HKQAA) is a non-profit public organisation committed to introducing international management standards, and promoting good management practices and sustainability in Greater China for decades. As one of the leading conformity assessment organisations in the region, HKQAA not only provides certification, assessment, registration, training and research services to help organisations enhance management performance and competitiveness but also develops a wide range of good management practices and related criteria to cope with increasingly diversified market demands and the growing need for sustainable development, fostering a better environment and bringing benefits to the community.

### Ample Experience in Fostering Sustainable Economy

In recent years, sustainability has become one of the key forces driving organisations towards prolonged success. To support and encourage them to walk the talk, HKQAA has developed diverse services and obtained ample experience in the field of social responsibility, environmental protection, sustainability and responsible investment:

- With the initial support of **The Hongkong and Shanghai Banking Corporation Limited (HSBC)**, HKQAA introduced the **CSR Index** to provide quantitative metrics to measure organisations' maturity level in practicing their social responsibilities in 2008;
- HKQAA has been **the only Hong Kong organisation accredited as the Designated Operational Entity (DOE)** by the Executive Board of the Clean Development Mechanism (CDM) under the United Nations Framework Convention on Climate Change (UNFCCC) to deliver CDM validation and verification services since 2011;
- HKQAA has been providing assessment and rating services on companies' sustainability performance for the **Hang Seng Corporate Sustainability Index Series** since 2014;
- Since 2017, our expert has been nominated by the **Innovation and Technology Commission of the HKSAR Government** and the **China National Institute of Standardization** respectively to directly take part in the technical committee of ISO/ TC 207/SC 4 and the working group of **ISO/TC 207/SC 4/ WG 7** to develop **ISO 14030 Green bonds – Environmental performance of nominated projects and assets**;
- Since 2018, HKQAA has been admitted as an **Observer of the Green Bond Principles (GBP) under the International Capital Market Association (ICMA)**;
- Since 2018, HKQAA has become an **approved verifier under the Climate Bonds Standard**.
- Since 2018, the HKQAA expert was nominated by the **Innovation and Technology Commission of the HKSAR Government** to participate in the **ISO Technical Committee, Sustainable Finance (ISO/TC 322)** for the development of sustainable finance-related standards.

Contact HKQAA

Website: <http://www.hkqaa.org>

## Appendix 5: Methodologies and Limitations

### Level of Assurance and Methodology

The process applied in this assessment was based on the International Standard on Assurance Engagements 3000 (Revised) – “Assurance Engagement Other Than Audits or Reviews of Historical Financial Information” issued by the International Auditing and Assurance Standards Board (ISAE 3000). Our evidence-gathering process was designed to obtain a limited level of assurance as set out in ISAE 3000 for the purpose of provision of opinion.

Our assessment procedure, performed to support our opinion, covered reviewing relevant documentation, interviewing responsible personnel with accountability for preparing the framework contents and verifying the selected representative sample of project, data and information. Raw data and supporting evidence of the selected samples were also examined during the assessment process.

### Independence

Chong Hing Bank Limited (“Chong Hing Bank”) is responsible for the collection and presentation of the information presented. HKQAA does not involve in calculating, compiling, or developing the Framework. Our assessment activities are independent from Chong Hing Bank Limited (“Chong Hing Bank”).

### Limitations

There are inherent limitations in performing assurance as follows. Assurance engagements are based on selective testing of the information and data being examined and it is possible that fraud, error or non-compliance may occur and not be detected. The assurance did not provide assurance on information outside the defined reporting boundary and period. There are additional inherent risks associated with assurance over non-financial information including reporting which requires information to be assured against source data compiled using definitions and estimation methods that are developed by the reporting entity. Finally, adherence to ISAE 3000 is subjective and will be interpreted differently by different stakeholder groups.

The information contained in this document is not intended to provide professional advice, constitute any express or implied advice or recommendation by HKQAA for any investments and should not be relied upon in those regards. Persons intending to use any information obtained from this document are advised to obtain appropriate professional advice. Our assurance was limited to the Framework and did not include statutory financial statements, financial statements and economic performance. Our assurance is limited to policies and procedures in place as of 31 July, 2025.

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