



**peppermoney**

Social Bond Framework

**April 2022**

**Version 1.0**

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# 1. Introduction

## 1.1. Company overview

Pepper Money Limited (Pepper Money) is a leading Non-Bank Lender in the Australian and New Zealand Mortgage market and the Asset Finance market in Australia.

Founded in 2000, Pepper Money's mission has been **to help people succeed**. Pepper Money challenges the way loans are designed and distributed, focusing on **underserved and undervalued segments** – those parts of the market that are typically either too small or too cumbersome (or both) for traditional banks. Today, Pepper Money's business model provides a diversified base of revenue generated at multiple points across the customer relationship and includes loan origination, loan servicing and broker administration.

The three core segments which Pepper Money operates in are as follows:

- **Mortgages:** financing residential home loans and small balance commercial real estate loans;
- **Asset finance:** financing a range of asset types for consumer and commercial customers; and
- **Servicing and other:** independent loan servicing for mortgages and personal loans, and broker administration servicing.

Pepper Money's operating model combines risk-based credit underwriting expertise with customer focused operations, servicing, and collections management. Together these deliver strong performance in both the lending and servicing businesses across multiple asset classes from residential and commercial mortgages to consumer and commercial asset financing.

Pepper Money was listed on the Australian Securities Exchange (ASX: PPM) in May 2021. As of 31 December 2021, Pepper Money had A\$17.0<sup>1</sup> billion in assets under management having helped over 288,900 customers since 2014<sup>2</sup>.

Pepper Money has been built on financial inclusion. Discovering new ways to finance ambition means that Pepper Money can help individuals, families and businesses access financial loan products that meet their needs – delivered within the framework of responsible lending.<sup>3</sup> Financial inclusion facilitates their daily life and helps them plan for everything from long-term goals to unexpected emergencies. As customers of Pepper Money, people feel empowered to use other financial services, such as insurance or wealth management, to invest in education, start or expand a business, manage risk, and weather financial shocks, which can improve the overall quality of their lives.

As a people-focused lender, Pepper Money specialises in flexible loan solutions based on specific credit assessment. It enables the business to support many borrowers who fall outside the credit criteria of the banks. Pepper Money lives its mission: **to help people succeed**.

## 1.2. Corporate sustainability

Pepper Money has built strong foundations of supporting the community, embedding good corporate governance, and lending responsibly to its customers. Pepper Money is on the path to continue to strengthen its Environmental, Social and Governance (ESG) framework to provide a quantifiable guide for its employees and stakeholders on the standards Pepper Money seeks to uphold.

In accordance with Global Reporting Initiative (GRI), Pepper Money has engaged with internal and external stakeholders to inform its identification of ESG opportunities and risks that have the most

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<sup>1</sup> Closing Total Asset Under Management as at 31 December 2021.

<sup>2</sup> Cumulative number of customers helped from 2014 to 31 December 2021.

<sup>3</sup> All Pepper Money Loans are written under the *National Consumer Credit Protection Act 2009* (NCCP).

potential to impact its ability to create sustainable value for shareholders and other stakeholders. Strategic risks were considered alongside regulatory developments, peer reviews and industry trends.

## Environmental

Pepper Money has an internal focus on sustainability which was underscored by the relocation of its head office nearly six years ago to the 177 Pacific office tower in North Sydney. Built in 2016, this building uses state-of-the-art technology and design to naturally cool the podium and shade the exterior to minimise extreme heat. The addition of low-temperature Variable Air Volume (VAV), rainwater recycling and low embodied energy in materials has ensured a 6 Star NABERS energy rating. Other credentials include a 5 Star Green Star Office-As-Built rating, a 5 Star Green Star Office Design rating, and a 5 Star NABERS water rating.

Within the North Sydney office and the new, soon to be occupied Paramatta office, Pepper Money is looking to improve its energy performance and engage employees in behavioural change to positively care for the environment. For example, The Pepper Money offices use low energy lighting that turns off after a set period of not detecting movement. Pepper Money actively encourages employees to minimise waste in addition to providing recycling stations throughout its offices and has substantially moved towards a paperless office. Pepper Money is currently formulating quantifiable targets to help accelerate these important initiatives.

## Electric Vehicle Lending

Pepper Money is a leading originator of electronic vehicles in Australia financing 11%<sup>4</sup> of all fully Electric Vehicles sold in 2021. Since starting its Electric Vehicle financing program, Pepper Money has facilitated more than 3,800 tonnes reduction of greenhouse gas emissions.<sup>5</sup> As the only finance company on the Electric Vehicle Council of Australia, Pepper Money is actively working with Council members to provide innovative customer solutions and cement its place at the forefront of this rapidly growing segment.

Pepper Money was awarded Canstar's inaugural Green Excellence Award in April 2022 for its Electric Vehicle Loan.<sup>6</sup> In addition to a low interest rate for borrowers who purchase an electric vehicle (EV), Pepper Money also provided borrowers with several additional services to support them during their journey as an EV owner such as free public EV charging for up to 12,000 km over the course of a year.

## Green Bonds<sup>7</sup>

Pepper Money has been built on discovering new ways to finance its ambition with a mission to help people succeed. In line with this mission, Pepper Money is actively assisting customers to achieve a lower carbon footprint through the construction and purchase of more energy efficient and low carbon homes, funded via accredited 'Green Bonds'.

Pepper Money was the first Australian non-bank to issue a Green Bond via its residential mortgage-backed securities (RMBS) securitisation program. Since the introduction of its first Green Bond in CY2018, Pepper Money has assisted families by funding properties that have saved over 28% in CO<sub>2</sub> emissions.<sup>8</sup>

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<sup>4</sup> 11% calculated as follows: Tesla sales 12,094 (source: EV Council: <https://www.abc.net.au/radio/programs/worldtoday/electric-vehicle-sales-in-australiatriple-in-2021/13734340>). Other non-Tesla Fully Electric Sales 5,149 (source: Federal Chamber of Automotive Industries: <https://www.whichcar.com.au/news/australia-electric-vehicle-sales-2021>). Total EV Sales 17,243. Financed by Pepper Money 1,853 or 11%.

<sup>5</sup> Based on calculations supplied by the Electric Vehicle Council of Australia.

<sup>6</sup> [Green Excellence Award 2022 | Canstar](#)

<sup>7</sup> Bonds aligned with the International Capital Markets Association's Green Bond Principles.

<sup>8</sup> Sustainability – Pepper Money Limited Annual Green Bond Review. Dated 28 February 2022.

## Re-forestation

To celebrate Pepper Money's 21<sup>st</sup> birthday in 2021, 21 trees for each Pepper Money employee were planted – equivalent to over 7 hectares of protected forest–. This environmental initiative covers the geographies that Pepper Money operates in, namely Australia, New Zealand, and the Philippines (where Pepper Money's shared service employees are based). This will absorb 24 tonnes of CO<sub>2</sub> per hectare per year over the first 20 years of growth.<sup>9</sup>

Pepper Money has also established a seedling nursery to help plant trees throughout Australia and New Zealand for many years to come.

## Social

Since 2000, Pepper Money has continued to deliver on its purpose of helping people succeed - typically those underserved and undervalued by traditional lenders. At the heart of Pepper Money are the core values of 'Can Do', 'Balanced' and 'Real'. Pepper Money's strategy is to be Australia and New Zealand's leading non-bank lender by living by its mission: **to help people succeed**.

### Supporting staff

Pepper Money is committed to attracting, engaging, and retaining high calibre, high performing employees.

Management endeavours to make Pepper Money a great place to work and in doing so provides employees a values-based and diverse environment, a leadership team that supports and inspires staff to strive for success and a culture that rewards and recognises strong performance and potential. Pepper Money has a wide range of benefits on offer including, but not limited to, flexible/hybrid work arrangements, learning and development opportunities, paid parental leave, and an employee recognition program.

Pepper Money also offers its employees an extensive wellness program. Each year, Pepper Money celebrates 'Wellness Week'. In 2021, more than half of Pepper Money's staff got involved (at no cost to them) and received flu shots, skin cancer checks, posture checks, general health checks and nutritional consultations. Pepper Money has an on-going support program available to all staff that runs throughout the year, including flexible working arrangements, independent counselling, free gym membership and corporate health insurance.

Pepper Money also helps staff meet individual development goals by providing free learning and training solutions.

Annually, Pepper Money conducts an employee engagement survey. In last year's survey, the overall engagement score reached a record high with an average score of 91% for the culture of engagement.<sup>10</sup>

### Supporting customers

Australians are searching for new ways to finance their goals and Pepper Money's mission is to help customers succeed, whatever their needs and circumstances may be.

Pepper Money tailors a solution to each customer's situation. Pepper Money's highly trained lending team takes time to listen and advise customers under a framework that complies with responsible

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<sup>9</sup> Winrock International, FLR Carbon Storage Calculator – average measure over life of tree.

<sup>10</sup> Culture of engagement measures whether the organisation has a culture that motivates, empowers, challenges and respects employees.

lending obligations, as set out in the NCCP and that does not engage in misleading or deceptive conduct in marketing or selling<sup>11</sup>.

Pepper Money is committed to helping customers who are experiencing financial difficulty wherever possible. Customers are encouraged to directly contact Pepper Money to discuss available options and Pepper Money will also proactively contact its customers who may be experiencing financial difficulty. Options including repayment holidays, postponement of payments, loan variations, and redraw of funds are available on a non-detrimental basis to customers experiencing financial stress.

Pepper Money has been helping Australians achieve their lending goals since 2000 and offer a suite of flexible loan products, which has won Pepper Money several awards over the years, including Best Specialist Lender for the past nine years.<sup>12</sup>

### **Diversity and inclusion**

Pepper Money's Board has formally adopted a Diversity Policy, reflecting a commitment for accountability across the business to achieve diversity goals. To support its diverse nature, Pepper Money has launched Diversity and Inclusion strategic pillars called ACE (Allyship, Celebration and Education). These pillars define Pepper Money's diversity focus and will guide the business in future initiatives.

### **Charitable giving**

In every Pepper Money office, there is a strong tradition of charitable giving. Pepper Giving is a program that brings to life Pepper's community and charitable initiatives. The program is run by a group of passionate employees that volunteer their time to form the Pepper Giving Committee. Two initiatives, for example, run by the committee are 'Small g' (grants of up to A\$1,500 to employees seeking support for a charitable cause of their choice) and 'Big G' (a program where Pepper Money partners with charitable organisations to provide support and funding). The current two Big G partners are the Women's and Girls' Emergency Centre ([www.wagec.org.au](http://www.wagec.org.au)) and Chris O'Brien Lifehouse ([www.mylifehouse.org.au](http://www.mylifehouse.org.au)).

### **Community partnerships**

Pepper Money's commercial sponsorships align to the company's values and play an active role in supporting respective communities. That's why Pepper Money has been a Co-Principal Club and Community Partner of the St Kilda Football Club since 2015 and 2020, respectively, and a Principal Partner of the Illawarra Hawks since 2021.

However, this isn't just about a name on the jersey. Pepper Money gets behind these teams and helps their local communities succeed through providing community enablement programs and financial grants that align to the clubs' social code.

## **Governance**

### **Risk management**

Pepper Money's approach to risk management is governed by an overarching risk management framework (RMF) which promotes increased risk awareness throughout Pepper Money and facilitates better operational and strategic decision making. It also promotes a strong risk culture and ensures that operations are consistent with the nature and level of risk that Pepper Money is willing to accept, both now and in line with any expected changes in the legislative and regulatory environment.

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<sup>11</sup> Prohibited under the Australian Consumer Law and the Australian Securities & Investments Commission (ASIC) Act.

<sup>12</sup> Australian Lending Awards.

The key components of the RMF applied to the management of Pepper Money's business include:

- **Risk governance:** Pepper Money has established risk governance through a comprehensive committee structure to support the management and mitigation of risk.
- **Three Lines of Accountability Model:** Pepper Money operates under the Three Lines of Accountability Model to ensure risks are identified and issues are escalated, with a clear separation of responsibilities of the First, Second and Third Line.
- **Culture, training, and awareness:** The Pepper Money Board operates with risk management as a key focus and has implemented a "tone from the top" approach, with the importance of risk culture driven from the Board to senior management and then across the organisation.
- **Policies and procedures:** Policies are key tools for ensuring that risks taken are consistent with Pepper Money's risk appetite, including adherence to law and regulations across the business. They are designed to influence and determine all major decisions and actions and all activities must take place within the boundaries set by them.
- **Risk escalation, monitoring and reporting:** Pepper Money has established risk monitoring procedures alongside a positive risk-informed culture. Risk reporting is designed to enhance improved decision making. In addition, Pepper Money uses data and system-driven analytics to undertake analysis of credit risk, stress testing modelling and concentration analysis, including a suite of automated reports and dashboards.
- **Risk management infrastructure:** Pepper Money employs several technology tools which facilitate the management of risk within the business. These tools sit across the First and Second Lines of Accountability and perform several functions.

Pepper Money's RMF supports the proactive management of operational risk and is aligned to the International Standard ISO 31000: 2018 'Risk Management Guidelines', which defines risk as 'the effect of uncertainty on objectives'. Pepper Money also follows the Australian Securities Exchange Corporate Governance Principles and Recommendations.

## Privacy

Pepper Money understands how important it is to protect customer personal information. Under its Privacy and Credit Reporting Policy, Pepper Money will only use personal information collected about a customer for the purposes for which it has been provided, where Pepper Money has customer consent to do so, or as otherwise required or authorised by law.

Pepper Money's commitment in respect of personal information is to abide by the Privacy Act 1988 (Cth) in Australia, and the Privacy Act 1993 (and from 1 December 2020 the Privacy Act 2020) in New Zealand, and any other relevant law.

## 2. Social Bonds

### 2.1 Introduction

The International Capital Markets Association (ICMA)<sup>13</sup> defines social bonds as “use of proceeds bonds that raise funds for new and existing projects with positive social outcomes”.

In June 2021, ICMA published an updated edition of its Social Bond Principles (SBP), which are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Social Bond market by clarifying the approach for issuance of a Social Bond.

The SBP recommend a clear process and disclosure for issuers, which investors and others may use to understand the characteristics of any given Social Bond.

### 2.2 Social Bond Framework

Aligned to the SBP, Pepper Money has developed a Social Bond Framework to issue Social Bonds and use the net proceeds to finance/refinance the purchase of existing Pepper Money originated owner-occupied<sup>14</sup> mortgage loans.

Under its Social Bond Framework, Pepper Money’s Social Bond program helps support Pepper Money’s business strategy and vision to provide clear and sustainable social benefits. The use of proceeds of any Pepper Money Social Bond are expected to contribute to access to essential financial services for underserved and undervalued Australians.

In addition to the transparency, accuracy and integrity of the information that will be disclosed and reported by Pepper Money to its stakeholders as required by the SBP, Pepper Money has adopted the SBP recommendation to appoint an external provider to assess through pre-issuance review the alignment of its Social Bond with the four components of the SBP as follows:

- use of proceeds;
- process for project evaluation and selection;
- management of proceeds; and
- reporting.

Each of these components is discussed in detail in the following sections.

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<sup>13</sup> <https://www.icmagroup.org/About-ICMA/>

<sup>14</sup> Owner-occupied refers to a property in which the person who holds the title (or owns the property) uses the property as their primary residence (home).



## 3. Use of proceeds

### 3.1 Objective

The positive social impact of a Pepper Money Eligible Social Project derives from its direct contribution to improving access to financial services and socio-economic empowerment, by using proprietary systems to make flexible loan solutions available to applicants who are not served by traditional banks.

### 3.2 Target population

Through Eligible Social Projects, Pepper Money is seeking to achieve positive social outcomes for a target population of Australians that lack access to essential financial services and experience inequitable access to and lack of control over assets. Pepper Money directly aims to address the positive social outcome of home ownership for borrowers who may have complexity in their income streams, gaps in their loan documentation or have adverse credit history. Traditionally, this cohort has been underserved by banks that rely on inflexible algorithmic loan application processing.

Pepper Money can provide financing solutions across all life stages because it employs a tailored approach that considers an individual's broader circumstances. Pepper Money wants to help borrowers find the right lending solution to support them in meeting their financial needs. For example, in 2021, Pepper Money was able to write a mortgage or provide a personal loan to around 30,000 self-employed and small businesses customers<sup>15</sup> – cohorts that typically struggle to access finance from traditional banks in Australia.

#### Self-employed borrowers

The way people work in Australia has substantially changed over the last 20 years. More people are working for themselves, doing more than one job, or working different sorts of hours.<sup>16</sup> In fact, real working life in Australia is varied - 17% of Australians are self-employed, with around 1 million being independent contractors, or nearly a third working part time.<sup>17</sup>

Research shows that 26% of Australians that were turned down for a loan were declined because of employment status.<sup>18</sup>

Given self-employed workers don't earn a set salary in the conventional sense, it can be more of a challenge for them to prove their ability to repay a mortgage. For those borrowers who are unable to meet a traditional bank's preference for full documentation loans, Pepper Money offers alternative documentation loans (Alt Doc), individually assessing each loan application thoroughly, carrying out just as much due diligence with its Alt Doc loans as it does with its Full Doc loans. It is not about providing less or a low amount of income documentation, but more about providing alternative documentation for evidence of income.

#### Credit impaired borrowers

It is estimated that up to one in five Australians have had marks on their credit history.<sup>19</sup> From a change in circumstances through to financial hardship, it can sometimes be difficult to get finances back on track. Many people with bad credit can be reluctant to apply for a home loan as they may

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<sup>15</sup> [Pepper Money Limited Annual Report 2021](#) .

<sup>16</sup> <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6202.0Mar%202017?OpenDocument>

<sup>17</sup> <https://selfemployedaustralia.com.au/independent-contractors-how-many/independent-contractors-how-many-in-australia>

<sup>18</sup> [The Lost Aussies: 3.6 million locked out of the financial system. Research Report. Pureprofile research, 2017](#)

<sup>19</sup> <https://www.australianlendingcentre.com.au/bad-credit-loans/>



become misinformed and told they won't be able to receive a loan. This can be made trickier when traditional banks make finance harder to come by after a default or blip on a customer's credit history.

Pepper Money has a range of near prime and specialist home loans specifically designed for people who have these sorts of problems.

## Eligible Social Projects

The table below summarises Pepper Money's Eligible Social Projects and their alignment to the SBP eligible categories and to the United Nation's Sustainable Development Goals (UN SDG).

### Eligibility criteria

SBP Eligible Category	Pepper Money Eligible Social Projects	UN SDG Alignment
<b>Access to essential services – financing and financial services</b>	Australian owner-occupied mortgage loans <sup>20</sup> to an underserved and undervalued population, typically made up of applicants: <ul style="list-style-type: none"> <li>with complex income situations such as self-employed (i.e., sole traders operating under an Australian Business Number) who are unable to provide the necessary financial information (for example, tax returns or a minimum of two years' worth of financial statements) for income verification purposes traditionally required by banks in Australia;</li> <li>who are credit impaired (any in the near prime or specialist cohort, including prior bankrupts).</li> </ul>	 Target 10.1 <sup>21</sup> Target 10.2 <sup>22</sup> Target 10.3 <sup>23</sup>
<b>Socioeconomic advancement and empowerment - equitable access to and control over assets</b>		 Target 11.1 <sup>24</sup>

The eligibility criteria under the SBP may change/expand over time.

<sup>20</sup> Only loans advanced in relation to owner-occupied principal residential properties.

<sup>21</sup> By 2030, progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average.

<sup>22</sup> 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

<sup>23</sup> Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard.

<sup>24</sup> By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.

## Exclusions

Pepper Money will not knowingly be involved in financing any of the following activities through the proceeds of any Social Bond:

- gambling, alcohol, smoking or drug related activities;
- weapons of warfare;
- predatory lending;
- fossil fuel production; or
- inhumane treatment of animals.

Any Social Bond proceeds will not be allocated to financing any projects or organisations that are involved in major ESG controversies as assessed by Pepper Money's chosen Social Bond assurance provider.

Pepper Money's current home lending criteria include a maximum loan principal of A\$2.5m<sup>25</sup>, and it is anticipated that the maximum principal amount of loans used to support the initial issuance of Social Bonds will be circa A\$1.25m. Further, Pepper Money will ensure that only loans advanced in relation to owner-occupied principal residential properties will be earmarked to support an issuance of Social Bonds – none will support the financing of investment properties or "second" homes.

Pepper Money is committed to using the proceeds of any Social Bond offering on Eligible Social Projects within a maximum three-year timeframe.

Pepper Money's policies, systems and processes ensures each loan is individually tracked from application and verifies all information relating to the asset through various independent and arm's length providers as part of the underwriting process. On an on-going basis, Pepper Money monitors these loans through a suite of internal and external reporting.

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<sup>25</sup> Pepper Near Prime mortgage maximum loan amount A\$2,500,000 up to 65% Loan-to-Value Ratio; Pepper Money Specialist mortgage maximum loan amount A\$2,500,000.

## 4. Process for project evaluation and selection

Pepper Money has established a Green, Social & Sustainability Bonds Investment Forum (GSSBIF), with senior representation from different business areas (Lending, Treasury, Finance, Risk, and Human Resources) of Pepper Money to provide input on green, social, sustainability, and sustainability-linked investment related matters.

The GSSBIF has oversight of the Social Bond Framework and responsibility for the:

- addition of new eligible categories and the selection of eligible assets;
- review of potential Social Projects; and
- final approval of eligible Social Projects.

Additional guidance is provided by a specialist Second-Party Opinion (SPO) service for Social Bonds.

A high-level overview of Pepper Money’s process for the evaluation and selection of eligible assets is set out below.

<b>Step 1.</b>	Pepper Money’s funding and analytics teams identify a pool of existing Pepper Money mortgages for earmarking against Pepper Money’s proposed Social Bond proceeds;
<b>Step 2.</b>	Assets are reviewed for compliance with the Social Bond Framework;
<b>Step 3.</b>	The GSSBIF discusses and considers eligible assets that may be included in a Pepper Money Social Bond portfolio;
<b>Step 4.</b>	Tracking and reporting on eligible assets and management of Social Bond proceeds are established. These assets are then approved for inclusion in the Social Project by the GSSBIF;
<b>Step 5.</b>	Updated opinion on the Social Bond Framework provided by an independent SPO service;
<b>Step 6.</b>	Pre-issuance review provided by an independent SPO service, including assessment of the asset pool;
<b>Step 7.</b>	Pepper Money issues a Social Bond; and
<b>Step 8.</b>	Annual Social Bond Review is completed at calendar year end, including independent verification for all outstanding Pepper Money Social Bonds.

### Management of risk

While the risk associated with Pepper Money’s Social Bond program is deemed to be low, Pepper Money is committed to the proactive management of risk, with specific reference to ESG. Pepper Money has developed policies and procedures for identifying, assessing, and managing risk in its financial activities. At Pepper Money, ESG is a subset of operational risk, regulatory and compliance risk, strategic risk and reputational and conduct risk.

Pepper Money attempts to minimise risk by providing a clear Social Bond Framework which is overseen by the GSSBIF. If any risks arise relating to the Eligible Social Project, the GSSBIF will take appropriate action according to Pepper Money policies. The GSSBIF ensures that only eligible assets that follow strict eligibility criteria are included in each Social Bond and that project costs are adequately covered.

## 5. Management of proceeds

Through its securitisation program, Pepper Money will group existing Pepper Money originated owner-occupied mortgage loans together that fit the Social Bond Framework eligibility criteria and fund them as social assets immediately after raising new funds via each new Social Bond in the public debt markets.

In the circumstance that proceeds of any Pepper Money Social Bond issuance are not immediately and fully applied directly to finance or refinance eligible mortgage lending, those proceeds will be invested in cash according to Pepper Money's internal investment policies. This is, however, considered to be remote given the nature of Pepper Money's securitisation program.

Pepper Money's funding and analytics teams will track, and report eligible assets earmarked for inclusion in a Pepper Money Social Bond eligible portfolio via internal systems. These systems will be used to verify monthly whether the net proceeds of all Pepper Money Social Bonds have been fully allocated against eligible assets. It is Pepper Money's intention to fully allocate the proceeds of any Social Bond immediately following each bond's settlement. In the unlikely event that this does not occur, Pepper Money is committed to allocating any outstanding proceeds to an eligible Social Project within three years of each bond's issue.

Pepper Money's internal systems are updated monthly and track information on all Social Bond eligible assets earmarked against each Pepper Money Social Bond.

## 6. Reporting

It is Pepper Money's intention to fully allocate the proceeds of any Social Bond immediately following each bond's settlement. In this context, Pepper Money is committed to creating, and keeping, up to date information on the use of proceeds to be renewed annually and in line with market standards until each Social Bond matures, and on a timely basis in the case of material developments. In the unlikely circumstance that bond proceeds remain unallocated, Pepper Money will make, and keep, readily available up to date information on the use of proceeds to be renewed annually until full allocation.

### External reporting

Reporting, to be published on the Pepper Money website at [www.pepper.com.au/investors/debt-investors](http://www.pepper.com.au/investors/debt-investors), will include:

- **SPO** – to be prepared by a third-party SPO service and made available from May 2022
- **Annual review** – to be prepared by a third-party provider and made available from 2023

### SPO

For all Pepper Money Social Bonds issued, Pepper Money will procure an independent SPO service to provide investors with assurance that any issuance under this Framework complies with this Framework and the SBP. These reports will be made available on the Pepper Money website at [www.pepper.com.au/investors/debt-investors](http://www.pepper.com.au/investors/debt-investors)

### Annual review

In the future, Pepper Money will publish on an annual basis, an independent review for all outstanding Pepper Money Social Bonds. These reports will be made available on the Pepper Money website at [www.pepper.com.au/investors/debt-investors](http://www.pepper.com.au/investors/debt-investors).

The GSSBIF will review and approve each annual Pepper Money Social Bond report prior to it being posted to the Pepper Money website.

This reporting will typically include:

- Net proceeds raised from each Pepper Money Social Bond;
- Aggregate of funds drawn against each Pepper Money Social Bond eligible portfolio;
- Any unallocated Pepper Money Social Bond proceeds and details of any temporary investments; and
- Confirmation that the use of proceeds complies with the Social Bond Framework.

### Internal reporting

#### Allocation reporting and stratification analysis

Pepper Money will monitor the use of proceeds to ensure they remain allocated to the eligible assets and will maintain and update internal reporting which will include the following details on an aggregate basis:

- the proceeds of each Social Bond issuance; and,
- the drawn funding against eligible assets included within the earmarked Social Bond portfolios.

From 2023, Pepper Money intends to publish on its website, [www.pepper.com.au/investors/debt-investors](http://www.pepper.com.au/investors/debt-investors), an annual report on the allocation and impact of Social Bond proceeds and portfolio stratification.

## Impact reporting

Pepper Money is aligned to the guidelines for impact reporting as set out by the SBP, as amended from time to time.

The disclosure of information in the Annual Review related to the use of proceeds, impact reporting, borrowers and assets financed will be made subject to Pepper Money's confidentiality obligations and the availability of information in the preparation of the annual Pepper Money Social Bond review.

Where possible, quantitative and/or qualitative reporting of the social impacts resulting from loans financed by Pepper Money's Social Bond proceeds will include the following impact indicators:

- number of loans included in portfolio;
- number of beneficiaries;
- aggregate principal balance of loans included in portfolio;
- average principal balance of loans included in portfolio;
- smallest/largest loan balance in portfolio;
- average property value securing loans included in portfolio;
- weighted average interest rate in portfolio;
- proportion of self-employed borrowers;
- breakdown of loans in portfolio by location of property, loan to value ratio and principal outstanding at the reporting date; and
- confirmation that all loans are secured by owner-occupied residential properties (and none of the loans are for investment purposes)

Subject to the availability of information, Pepper Money will utilise the impact reporting guidelines detailed in ICMA's [\*Working Towards a Harmonized Framework for Impact Reporting for Social Bonds\*](#).

## 7. Contact details

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## 8. Disclaimer

The information contained in this Social Bond Framework is provided by Pepper Money Limited (“Pepper Money”) and is subject to change without notice. After the date of this Social Bond Framework, Pepper Money does not assume any obligation to update or revise its contents or any of the statements or opinions contained herein, regardless of whether such statements and opinions are impacted by future events, newly available information or otherwise.

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