

Firstmac Limited

PRE-ISSUANCE VERIFICATION LETTER

LOW CARBON BUILDINGS CRITERIA OF THE CLIMATE BONDS STANDARD

Type of engagement: Assurance Engagement

Period engagement was carried out: April 2021

Approved verifier: Sustainalytics

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Scope and Objectives

Firstmac Limited (Firstmac) has engaged Sustainalytics to review and verify that the Class A-1a tranche (“the tranche”) of Firstmac’s green bond meets the requirements under the Low Carbon Buildings criteria of the Climate Bonds Standard¹.

Firstmac is a provider of financial services, offering home and car loans, mortgage financing, and advisory services. Firstmac’s approach to sustainability is focused on offering sustainable products and promoting energy efficient and sustainable housing in Australia. The climate-related objective of the Firstmac green bond programme is to finance existing energy efficient buildings located in Australia and encourage borrowers to improve the energy efficiency of their newly built or existing properties, while improving energy efficiency of Australian properties and therefore reducing Australian CO₂ emissions.

Firstmac intends to use the proceeds raised under the Green Bond Framework to finance and/or refinance a loan portfolio of new and existing mortgages for energy efficient Australian residential buildings located in New South Wales, Victoria, and Tasmania.

Climate Bonds Standard Criteria

Pre-issuance requirements under Version 3.0²:

- Low Carbon Buildings
 - Location Specific Criteria for Residential Buildings
 - New South Wales: Houses constructed after July 2005
 - Victoria: Houses and apartments constructed after May 2011
 - Tasmania: Houses constructed after May 2013

Issuing Entity’s Responsibility

Firstmac was responsible for providing information and documents relating to:

- The details concerning the selection process for the Nominated Projects
- The details of the Nominated Projects
- The management systems for internal processes and controls for Nominated Projects, including: tracking of proceeds, managing unallocated proceeds and Earmarking funds to Nominated Projects
- The details of commitments for reporting prior to issuance, including: investment areas, management of unallocated proceeds and frequency of periodic Assurance Engagements

¹ Climate Bonds Standard, Location specific criteria for residential buildings, Criteria under the Climate Bonds Standard. See more, at: <https://www.climatebonds.net/standard/buildings/residential/calculator>

² Climate Bonds Standard, Climate Bonds Standard Version 3.0. See more, at: https://www.climatebonds.net/files/files/Climate%20Bonds_Standard_Version%203_0_December%202017.pdf

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of a tranche (Class A-1a) of Firstmac's green bond, issued to finance mortgage loans to finance or refinance new and existing residential buildings in New South Wales, Victoria, and Tasmania and provided an independent opinion informing Firstmac as to the conformance of the tranche of the green bond with the Pre-Issuance requirements and Low Carbon Buildings criteria of the Climate Bonds Standard.

Sustainalytics has relied on the information and the facts presented by Firstmac. Sustainalytics is not responsible if any aspect of the Nominated Projects referred to in this opinion including estimates, findings, opinions, or conclusions are incorrect. Thus, Sustainalytics shall not be held liable if any of the information or data provided by Firstmac's management and used as a basis for this assessment were not correct or complete.

Sustainalytics makes all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the bond.

Verifier's Responsibility

The work undertaken as part of this engagement included conversations with relevant Firstmac employees and review of relevant documentation to confirm the tranche of the green bond's conformance with the Climate Bonds Certification Pre-Issuance Requirements, which include:

- Conformance of Firstmac's green bond with the Climate Bonds Standard Version 3.0;
- Conformance with the Low Carbon Buildings Technical Criteria;
- Conformance with the Internal Processes & Controls requirements;
- Conformance with Reporting Prior to Issuance requirements

Basis of the Opinion

Sustainalytics conducted the verification in accordance with the Climate Bonds Standard Version 3.0 and with International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Information.

Sustainalytics planned and performed the verification by obtaining evidence and other information and explanations that Sustainalytics considers necessary to give limited assurance that the Class A-1a tranche of Firstmac's green bond meets the requirements of the Climate Bonds Standard. Upon reviewing evidence and other information, Sustainalytics is of the opinion that Firstmac will ensure compliance with Climate Bonds Standards requirements.

Conclusion

Firstmac intends to use the proceeds raised by the Class A-1a tranche of the green bond to finance and/or refinance loan portfolio of new and existing mortgages for energy efficient Australian residential buildings located in New South Wales, Victoria, and Tasmania, that meet the location specific criteria for residential buildings. See Schedule 1A: Detailed Findings.

Based on the limited assurance procedures conducted of the tranche of Firstmac's green bond under the Low Carbon Buildings criteria of the Climate Bonds Standard, nothing has come to Sustainalytics' attention that causes us to believe that, in all material aspects, the tranche of Firstmac's green bond is not in conformance with the Low Carbon Buildings of the Climate Bonds Standard's Pre-Issuance Requirements.

Schedule 1: Detailed Overview of Nominated Loan Portfolio

Details of the Nominated Loan Portfolio are provided below:

Eligibility Criteria	# of loans	Balance of loans (AUD million)
Houses constructed after July 2005 in New South Wales	553	237.71
Houses and apartments constructed after May 2011 in Victoria	860	320.98
Houses constructed after May 2013 in Tasmania	18	4.26
Total	1,431	562.95

Schedule 2A: Pre-Issuance General Requirements

1. Use of Proceeds	1.1	The Issuer shall document the Nominated Projects & Assets which are proposed to be associated with the Class A-1a tranche of the Bond and which have been assessed as likely to be Eligible Projects & Assets. The Issuer shall establish a list of Nominated Projects & Assets which can be kept up-to-date during the term of the Bond.
	1.2	The expected Net Proceeds of the tranche of the Bond shall be no greater than the Issuer's total investment exposure to the proposed Nominated Projects & Assets, or the relevant proportion of the total Market Value of the proposed Nominated Projects & Assets which are owned or funded by the Issuer.
	1.3	Nominated Projects & Assets shall not be nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments (such as social bonds or SDG bonds) unless it is demonstrated by the Issuer that:
	1.3.1	distinct portions of the Nominated Projects & Assets are being funded by different Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments; or,
2. Process for Evaluation and Selection of Projects & Assets	1.3.2	the existing Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument is being refinanced via another Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument.
	2.1	The Issuer shall establish, document and maintain a decision-making process which it uses to determine the eligibility of the Nominated Projects & Assets. The decision-making process shall include, without limitation:
	2.1.1	A statement on the climate-related objectives of the Bond;
	2.1.2	How the climate-related objectives of the Bond are positioned within the context of the Issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability;
	2.1.3	The Issuer's rationale for issuing the Bond;
	2.1.4	A process to determine whether the Nominated Projects & Assets meet the eligibility requirements specified in Part C of the Climate Bonds Standard.

	<i>Note to 2.1: A wide variety of climate-related objectives are possible. These can vary from increasing the installed capacity of low carbon assets, such as solar power facilities, to having a specific objective focused on the operations or indirect effects of the projects & assets, such as emissions reductions.</i> <i>The climate-related objectives of the Bond, as stated by the Issuer, have implications for the reporting requirements under the Climate Bonds Standard. See Clauses 2.3, 5.2, 5.8, 6.1.1 and 8.4.</i> 2.2 The Issuer should include under Clause 2.1 further aspects of the decision-making process, including: 2.2.1 related eligibility criteria, including, if applicable, exclusion criteria or any other process, applied to identify and manage potentially material environmental, social or governance risks associated with the Nominated Projects & Assets; 2.2.2 any green standards or certifications referenced in the selection of Nominated Projects & Assets. 2.3 The Issuer shall assess that all proposed Nominated Projects & Assets to be associated with the Bond meet the documented objectives as stated under Clause 2.1.1 and are likely to conform to the relevant eligibility requirements under Part C of the Climate Bonds Standard.
3. Management of Proceeds	3.1 The systems, policies and processes to be used for management of the Net Proceeds shall be documented by the Issuer and disclosed to the Verifier, and shall include arrangements for the following activities: 3.1.1 Tracking of proceeds: The Net Proceeds of the Bond can be credited to a sub-account, moved to a sub-portfolio, or otherwise tracked by the Issuer in an appropriate manner and documented. 3.1.2 Managing unallocated proceeds: The balance of unallocated Net Proceeds can be managed as per the requirements in Clause 7.3. 3.1.3 Earmarking funds to Nominated Projects & Assets: An earmarking process can be used to manage and account for funding to the Nominated Projects & Assets and enables estimation of the share of the Net Proceeds being used for financing and refinancing.
4. Reporting	4.1 The Issuer shall prepare a Green Bond Framework and make it publicly available prior to Issuance or at the time of Issuance. The Green Bond Framework shall include, without limitation: 4.1.1 Confirmation that the tranche of the Bond issued under the Green Bond Framework are aligned with the Climate Bonds Standard. This may include statements of alignment with other applicable standards, such as the EU Green Bond Standard, the ASEAN Green Bond Standard, Chinese domestic regulations, Japanese Green Bond Guidelines, etc.; 4.1.2 A summary of the expected use of proceeds, as defined under Clause 1.1, and the expected contribution of the relevant sectors or sub-sectors to the rapid transition required to achieve the goals of the Paris Climate Agreement; 4.1.3 A description of the decision-making process, as defined under Clause 2.1, with particular reference to the requirements in Clause 2.1.2; 4.1.4 Information on the methodology and assumptions to be used for: confirming, where required by relevant Sector Eligibility Criteria, the characteristics or performance of Nominated Projects & Assets required to conform to the relevant eligibility requirements under Part C

	of the Climate Bonds Standard; and any other additional impact metrics that the issuer will define. 4.1.5 A summary of the approach to the management of unallocated Net Proceeds in accordance with Clause 3.1; 4.1.6 The intended approach to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding; 4.1.7 The list of proposed Nominated Projects & Assets associated with the tranche of the Bond and the investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall. Where there are limits on the amount of detail that can be made available about specific Nominated Projects & Assets, information shall be presented on the investment areas which the Nominated Projects & Assets fall into, as provided in Clause 9.1, and the Issuer shall provide an explanation of why detail on Nominated Projects & Assets is limited; 4.1.8 Where a proportion of the Net Proceeds are used for refinancing, an estimate of the share of the Net Proceeds used for financing and refinancing, and the relevant Nominated Projects & Assets or investment areas which may be refinanced. This may also include the expected look-back period for refinanced Nominated Projects & Assets. <i>Note: Issuers are encouraged to disclose as much information as possible with respect to Nominated Projects & Assets. However, in many cases it is not possible for the Issuer to disclose detailed information about specific projects & assets prior to the issuance of the Bond. This limitation may be due to confidentiality arrangements with owners of projects & assets, the dynamic nature of the project portfolio, competitive considerations, or other legal provisions which limit the disclosure of detailed information.</i> 4.2 The Issuer shall include in the Disclosure Documentation: 4.2.1 The investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall; 4.2.2 The intended types of temporary investment instruments for the management of unallocated Net Proceeds in accordance with Clause 7.3; 4.2.3 The Verifier engaged by the Issuer for the mandatory verification engagements; 4.2.4 The intended approach to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding, including the location of the published documents; 4.2.5 The Climate Bonds Initiative Disclaimer provided in the Certification Agreement. <i>Note to 4.2.4: Issuers are encouraged to provide their Update Reports through existing reporting channels for the bond markets, such as the Electronic Municipal Market Access (EMMA) website for the US Municipality sector.</i>
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Schedule 2B: Conformance to the Pre-Issuance Requirements

Procedure Performed	Factual Findings	Error or Exceptions Identified
1. Use of Proceeds	1.1 Firstmac has developed a pool of proposed Nominated Projects & Assets which comply with the Low Carbon Buildings sector criteria of the Climate Bonds Standard. Firstmac intends to keep this pool updated with all the financed projects that fall within the scope of the Class A-1A tranche of Firstmac's green bond program and Framework. The proposed Nominated Projects and Assets include: • New South Wales: Houses constructed after July 2005 • Victoria: Houses and apartments constructed after May 2011 • Tasmania: Houses constructed after May 2014 1.2 Firstmac's management confirms that the net proceeds of the CBI verified tranche of the bond (Class A-1a) will not be greater than the total investment exposure to the proposed Nominated Projects & Assets. 1.3 Firstmac's management confirms that the Nominated Projects & Assets will not be nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instrument, green bonds, green loans or other labelled instruments unless it is demonstrated by Firstmac that distinct portions of the Nominated Projects & Assets are being funded by different instruments or that the existing instrument is being refinanced via another labelled instrument.	None
2. Process for Evaluation and Selection of Projects & Assets	2.1.1. The Firstmac Limited Green Bond Framework states that the intention of the green bonds is to finance mortgages for new and existing energy efficient buildings located in Australia, overall improving energy efficiency of Australian properties and reducing Australian CO₂ emissions. 2.2.1. Firstmac's environmental objectives are summarized in the Firstmac Limited Green Bond Framework. 2.1.2. Firstmac's rationale for issuing green bonds is to provide at market or cheaper borrowing costs for their customers who are environmentally conscious. 2.1.3. The Framework includes a process for project evaluation and selection, which is the responsibility of Firstmac's Advisory Group. The Advisory Group consists of members of Firstmac's Treasury and Funding Department and is overseen by Firstmac's Chief Financial Officer (CFO). 2.2.2. Firstmac has sufficient measures in place to manage and mitigate environmental and social risks that are commonly associated with the eligible category. 2.2.3. N/A 2.2.4. Firstmac's Advisory Group will verify that all proposed Nominated Projects & Assets under the Class A-1a tranche	None

	conform to the Climate Bonds Taxonomy and Low Carbon Buildings sector criteria.	
3. Management of Proceeds	3.1.1 The Firstmac Limited Green Bond Framework outlines a process by which proceeds will be tracked. 3.1.2 The bond net proceeds will be fully allocated at issue date. 3.1.3 The Firstmac Limited Green Bond Framework details the process Firstmac will use to allocate and manage green bonds proceeds. Firstmac estimated that 100% of the bond proceeds will be allocated for refinancing.	None
Reporting Prior to Issuance	4.1.1. Bonds issued under the Firstmac Limited Green Bond Framework are intended to align with the Climate Bonds Standard. 4.1.2. The Firstmac Limited Green Bond Framework indicates that green bond proceeds will be used, as defined under Clause 1.1, and the expected contribution of the relevant sectors or sub-sectors to the rapid transition required to achieve the goals of the Paris Climate Agreement. 4.1.3. The Firstmac Limited Green Bond Framework provides detail on the annual review and update report process, as part of which subscribers to the bond can conduct an operation review including a sample audit on the eligible assets securitized. 4.1.4. Firstmac's Nominated Projects & Assets will conform with the Low Carbon Buildings sector criteria. Firstmac may report on impact metrics, including estimated CO₂ emissions reduction. 4.1.5. Firstmac will manage unallocated proceeds in accordance with Clause 3.1 4.1.6. Firstmac will make a loan-by-loan database of the underlying assets including information on the composition of the mortgages in terms of eligibility criteria available for its investors, and a monthly Update Report reaffirming conformance with the Climate Bond Standards. 4.1.7. Firstmac's Nominated Projects & Assets fall under Low Carbon Buildings sector criteria. Firstmac will report on the investment areas which the Nominated Projects & Assets fall into, the outstanding loan amount allocated towards eligible projects and assets, unallocated proceeds, and the outstanding loan amount allocated towards each nominated project and assets sub-category. 4.1.8. Firstmac has estimated that 100% of the bond proceeds to be verified by CBI will be used for refinancing activities. 4.2.1. Firstmac's Nominated Projects & Assets will conform with the Low Carbon Buildings sector criteria. 4.2.2. The intended types of temporary investment instruments for the management of unallocated Net Proceeds are in accordance with Clause 7.3 of the Climate Bonds Standard. 4.2.3. Firstmac has confirmed that an approved third party verifier will conduct periodic assurance within a year to reaffirm conformance of the bond with the Low Carbon Buildings criteria of the Climate Bonds Standard.	None

	4.2.4. Firstmac will make a monthly Update Report publicly available. 4.2.5. Sustainalytics notes that under the terms of its certification, Firstmac must include the CBI Disclaimer provided in the Certification Agreement in disclosure documentation.	
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The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.

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