

# Second-Party Opinion

## Pepper Group Green Bond

### Evaluation Summary

Sustainalytics is of the opinion that the Pepper Green Bond Framework, updated in January 2019, is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018. This assessment is based on the following:



**USE OF PROCEEDS** The eligible category for the use of proceeds, green mortgages, is aligned with those recognized by the Green Bond Principles. Sustainalytics considers that the mortgage loans will finance green buildings in Australia and advance the UN Sustainable Development Goals.



**PROJECT EVALUATION / SELECTION** The selection of eligible green mortgages will be completed by Pepper's dedicated Green Bond Investment Committee (GBIC), composed of members from Group Treasury (Group Treasurer, Group Head of Corporate Treasury and Group Head of Debt Capital Markets), with specialist support from teams in Human Resources and Legal. Pepper's approach to the process for project evaluation and selection is seen as aligned with current market practices.



**MANAGEMENT OF PROCEEDS** Pepper will manage and earmark proceeds through a portfolio approach, in which all loans meet the eligibility criteria. Proceeds will be segregated and tracked using internal information systems. The unallocated proceeds may be invested in accordance with Pepper's investment guidelines. Sustainalytics assesses this approach as being in line with market practices.



**REPORTING** Pepper intends to issue an annual Green Bonds report which will be verified by an external third party. The report will contain relevant information on allocation which, in Sustainalytics' view, is in line with market practices. Additionally, where possible, Pepper will disclose qualitative and/or quantitative environmental impact reporting. Sustainalytics encourages Pepper to develop potential key performance indicators and report on quantitative metrics where possible.

<b>Evaluation date</b>	February, 2019
<b>Issuer Location</b>	Sydney, Australia

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## Introduction

Pepper Group ("Pepper", or the "Issuer") was founded in Sydney, Australia in 2001 and operates as a residential mortgage and consumer lender, and loan servicer across nine countries globally.

Pepper has updated the Pepper Green Bond Framework (the "Framework") in January 2019 under which it will issue green bonds and use the proceeds to finance, or refinance, green mortgages.<sup>1</sup> The Framework defines eligibility criteria as new or existing mortgage loans that comply with the following respective state requirements in Australia:

1. New South Wales (NSW): houses in the Sydney Local Government Area and in other areas of New South Wales approved after 1<sup>st</sup> January 2007;
2. Victoria: houses and apartments approved under NCC BCA 2011, as introduced on 1<sup>st</sup> May 2011, where construction was completed after 1<sup>st</sup> January 2012 with a 6-star NatHERS provision;
3. Tasmania: houses and apartments approved under NCC BCA 2013, as introduced on 1<sup>st</sup> May 2013, where construction was completed after 1<sup>st</sup> January 2014;
4. Queensland: houses and apartments approved under the NCC BCA 2010, where construction was completed after 1<sup>st</sup> January 2011, with a 6-star NatHERS equivalent;
5. South Australia: houses and apartments approved under the NCC BCA 2010, where construction was completed after 1<sup>st</sup> January 2011, with a 6-star NatHERS provision.,
6. Western Australia, Australian Capital Territory and the Northern Territory: must satisfy the eligibility requirements of New South Wales.

Pepper engaged Sustainalytics to review the Pepper Green Bond Framework and provide a second-party opinion on the alignment of the Framework with the Green Bond Principles 2018 (the "GBP"), as administered by the International Capital Market Association (the "ICMA"),<sup>2</sup> and on the Framework's environmental credentials. This Framework has been published in a separate document.<sup>3</sup>

As part of the engagement, Sustainalytics held conversations with various members of Pepper's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of Pepper's green bond. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Pepper Green Bond Framework and should be read in conjunction with that framework.

<sup>1</sup> Sustainalytics had provided a second-party opinion on the September, 2018 version of the Pepper Green Bond Framework: <https://www.sustainalytics.com/wp-content/uploads/2018/11/Pepper-Second-Party-Opinion-Sustainalytics.pdf>

<sup>2</sup> ICMA's Green Bond Principles 2018 <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

<sup>3</sup> <https://www.pepper.com.au/debt-investors>

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Pepper Green Bond Framework

#### Summary

Sustainalytics is of the opinion that the January 2019 updated Pepper Green Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018. Sustainalytics highlights the following elements of Pepper's green bond framework:

- Use of Proceeds:
  - Green Buildings are recognized by the Green Bond Principles as a project category with clear environmental benefits. Sustainalytics views Pepper's intended allocation of bond proceeds to a loan portfolio for green mortgages in Australia as impactful (for additional information on impact, please consult Section 3).
  - The Framework defines eligibility criteria for green mortgages for properties using building codes from five states (New South Wales [NSW], Victoria, Tasmania, Queensland, and South Australia).
    - Building codes in three states (NSW, Victoria, and Tasmania) were assessed by the Climate Bonds Initiative (CBI) and met the Low Carbon Buildings criteria when accompanied by certain third-party standards (BASIX, NatHers, NCC BCA), thereby ensuring that the buildings are in the top 15% of the market in terms of building energy performance and meet the net-zero carbon emissions trajectory (a.k.a. emissions hurdle rate) by 2050.<sup>4</sup> In Sustainalytics' opinion, by listing compliance with these state requirements as eligibility criteria for its use of proceeds, Pepper meets recognized market practice in the context of low-carbon buildings in the Australian market. Additionally, Pepper's January 2019 Framework updates include more recent completion years of construction, which Sustainalytics believes will incrementally drive Pepper's green mortgage customers towards the most environmentally efficient housing stock.
    - Pepper has developed eligibility criteria for five states where building codes for those states have not been assessed by CBI. Two states, Queensland and South Australia, rely on the construction year of completion (1 January 2011) as well as a 6-star NatHERS energy equivalence rating. Additionally, the Framework relies on NSW's CBI-approved building codes as an eligibility proxy for properties in three states: Western Australia, Australian Capital Territory and the Northern Territory. Sustainalytics recognizes possible limitations in this approach considering that building codes are typically specific to a region and tailored for the region's unique climate. Thus, applying the same building codes across different regions may not lead to the same energy efficiency improvement because of variation in climate. However, Sustainalytics also acknowledges current market limitations in using building codes to achieve the top 15% of the market in terms of building performance since the building codes in these five states have not yet received an approval from CBI. Sustainalytics is of the opinion that the completion year of construction of the residential buildings may act as a safeguard for ensuring that proceeds are only allocated to buildings which are compliant with more recent local building codes and thus meet higher environmental standards. Additionally, a 6-star NatHERS energy equivalence rating for Queensland and South Australia ensures thermal efficiency of the building's envelop including its roof, walls, windows and floors. As such, Sustainalytics views positively Pepper's eligibility criteria for Queensland and South Australia as well as its use of NSW's building code as a proxy for Western Australia, Australian Capital Territory and the Northern Territory to result in the selection of top-performing buildings in terms of energy performance.

<sup>4</sup> Climate Bonds Initiative, Location Specific Criteria for Residential Buildings: <https://www.climatebonds.net/standard/buildings/residential/calculator>

- **Project Evaluation and Selection Process:**
  - Pepper has a dedicated Green Bond Investment Committee (“GBIC”) which is comprised of members drawn from Group Treasury (Group Treasurer, Group Head of Corporate Treasury and Group Head of Debt Capital Markets), with specialist support from teams in Human Resources and Legal. Eligible assets are approved for inclusion by the Group Treasurer and Group Head of Debt Capital Markets.
  - Pepper’s evaluation and selection process, which includes approval by senior executives, is in line with market practices.
- **Management of Proceeds:**
  - Proceeds from the green bond will be managed and tracked through a portfolio approach, where the balance of green mortgage loans that constitute the portfolio will be greater than the balance of the issuer’s green bond proceeds.
  - Pepper will track and report eligible assets earmarked for inclusion in a Pepper Green Bond eligible portfolio through its internal information systems.
  - Though the proceeds are expected to be immediately allocated, Pepper will invest any unallocated proceeds in accordance with its investment guidelines.
  - The segregation and tracking of green bond proceeds using internal systems is in line with current market practices.
- **Reporting:**
  - Pepper has committed to reporting on its website an annual Green Bond report which will be verified by an external third-party.
  - Allocation reporting will include net proceeds raised from each green bond, aggregate of funds drawn against each green bond portfolio, and balance of unallocated proceeds and details of temporary investments. Additionally, Pepper has communicated to Sustainalytics that the distribution to new financing vs refinancing properties will also be disclosed at the time of each securitisation. Pepper’s allocation reporting is in line with market practice.
  - Where possible, Pepper will disclose qualitative and/or quantitative environmental impact reporting. Sustainalytics encourages Pepper to develop potential key performance indicators and report on quantitative metrics where possible.

### **Alignment with Green Bond Principles 2018**

Sustainalytics has determined that Pepper’s green bond aligns to the four core components of the Green Bond Principles 2018. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

## **Section 2: Sustainability Strategy of the Issuer**

### **Contribution of framework to issuer’s sustainability strategy and targets**

In its Green Bond Framework Pepper states that part of its vision “to help people succeed” is to assist its Australian customers to achieve a lower-carbon footprint through the construction and purchase of more energy efficient and low-carbon homes. Pepper recognizes the long-term benefits of more environmentally friendly housing, and it states that it is active in the construction lending market in Australia and that it aims to facilitate the construction and purchase of more sustainable housing for consumers in Australia. However, Pepper does not publicly disclose its overarching sustainability approach and strategy. More specifically, the company has not publicly formalized policies or targets related to the environmental impact of the financial products and services it offers.

Though Sustainalytics acknowledges the environmental benefits of the projects included in Pepper Green Bond Framework, Sustainalytics encourages Pepper to formalize its sustainability commitment through targets that are publicly disclosed. Despite the absence of formal group-wide environmental policies or principles, Sustainalytics positively views Pepper’s green bond issuance as an initiative that effectively demonstrates Pepper’s commitment to support the selection and financing of green buildings.

### Well positioned to address common environmental and social risks associated with the projects

Pepper Money is a non-bank provider of unsecured and secured loans, offering home loans, personal loans and car loans. The company operates in targeted market segments across the prime, near prime and specialist lending spectrum, on a pricing for risk basis. Pepper's loan products seek to address demand created by borrowers who do not currently meet the tightening lending criteria or automated credit scoring models used by traditional bank and other prime lenders.

Like all lenders, the company is exposed to risks related to responsible lending. However, Pepper does not offer products such as cheque cashing, open ended credit or payday lending, which Sustainalytics considers would be a clear indication of predatory lending activities.

Pepper's loan book and lending assets increased materially between 2017 and 2018,<sup>5</sup> far outpacing credit growth in the banking sector of approximately 5%.<sup>6</sup> While this is understandable in the context of tightening credit requirements from major banks, Pepper's record mortgage volumes have largely been delivered through Pepper's increasing penetration of its three main distribution channels: mortgage brokers, white label partners and the direct-to-consumer channel.

On its website,<sup>7</sup> Pepper states that it is committed to responsible lending and to conducting business in an ethical manner. The company states that it ensures compliance with the National Consumer Credit Protection Act and associated regulations, as well as guidance published by the Australian Securities and Investment Commission (ASIC) and the Credit and Investments Ombudsman (CIO). Furthermore, Pepper does not appear to offer customers unfavourable or unrealistic terms for interest and repayment. For personal loans, the company charges rates of 9.9%-29.99%. According to CanStar, Australia's biggest financial comparison website, the average for the market is 16.58% with a maximum rate of 29.49% for unsecured loans.<sup>8</sup>

Certain gaps remain in Pepper's product governance systems, including a lack of continuous assessment and monitoring of the social impacts and risks of its product and service offering, as well as on public reporting/disclosure on such topics. However, Sustainalytics is of the opinion that Pepper's approach does not constitute predatory lending, that the company has adopted adequate commitments, and that it has established processes to ensure responsible lending practices which sufficiently mitigate related risks.

## Section 3: Impact of Use of Proceeds

### Contribution towards the achievement of Australia's climate targets

Australia emits approximately one per cent of global greenhouse gas (GHG) emissions, and yet has one of the highest per-capita levels, given its current reliance on fossil fuels as a primary energy source. According to the Australian Government Department of the Environment and Energy,<sup>9</sup> Australia's households are responsible for around 12% of the country's emissions. Emissions in the residential sector are generated from, among others, the use of natural gas, hydrofluorocarbons in refrigerators and air conditioners, and electricity consumption associated with appliances, heating, ventilation and air conditioning, lighting and hot water systems. Internationally, the Intergovernmental Panel on Climate Change (IPCC) notes that building codes and appliance standards, if well designed and implemented, have been among the most environmentally beneficial and cost-effective instruments for reducing GHGs.<sup>10</sup>

<sup>5</sup> Based on AUD 12 bn lending assets stated by Pepper in the green bond framework, vs AUD 8 bn in investor presentation H1 2017 (p.10) <https://www.asx.com.au/asxpdf/20170825/pdf/43lqrcfqrdmx5.pdf>

<sup>6</sup> <https://home.kpmg.com/content/dam/kpmg/au/pdf/2017/major-australian-banks-full-year-2017-results-analysis.pdf>

<sup>7</sup> <https://www.pepper.com.au/responsible-lending>

<sup>8</sup> <https://www.canstar.com.au/>

<sup>9</sup> <http://www.environment.gov.au/climate-change/individuals-and-households>

<sup>10</sup> [https://www.cityofsydney.nsw.gov.au/\\_data/assets/pdf\\_file/0020/241436/Energy-Efficiency-Master-Plan-low-res.pdf](https://www.cityofsydney.nsw.gov.au/_data/assets/pdf_file/0020/241436/Energy-Efficiency-Master-Plan-low-res.pdf)

As a signatory of the Paris Agreement, Australia has committed to reducing GHG emissions by 26-28% below 2005 levels by 2030.<sup>11</sup> However, the country is at risk of not meeting such target, given that Australia’s carbon emissions have shown an increasing trend in recent years.<sup>12</sup>

Considering this local context and the clear commitments established by the Australian government, Sustainalytics is of the opinion that the green mortgage criteria defined by Pepper are aligned with the Australian government's initiatives to improve energy efficiency, thus reducing GHG emissions, and contribute to the overall efforts to achieve this commitment. Mortgage loans or investments to finance or refinance new and existing energy efficient residential real estate can support to increase the availability of green property, therefore contributing to reducing emissions from the residential property sector. Additionally, the green mortgages selected represent the top 15% in terms of energy performance in the states of NSW, Victoria, and Tasmania, and are likely to demonstrate a significant improvement in performance in the other five states.

**Alignment with/contribution to SDGs**

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable Cities and Communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.

**Conclusion**

Pepper Group has updated the Pepper Green Bond Framework, under which it intends to issue green bonds to finance, or refinance, green mortgage loans complying with state-specific building code requirements in Australia. This category of financing is recognized as having positive environmental impacts.

The state-specific building codes for three states (NSW, Victoria, and Tasmania) were assessed by the Climate Bonds Initiative (CBI) and met the Low Carbon Buildings criteria when accompanied with certain third-party standards (BASIX, NatHers, NCC BCA), thereby ensuring that buildings are in the top 15% of the market in terms of building energy performance. Pepper has developed eligibility criteria for five states which have not yet received CBI assessment. Sustainalytics acknowledges that, the use of this proxy will not guarantee the selection of only the top 15% of the market in terms of building energy performance. However, until such local requirements are developed, Sustainalytics considers it appropriate to use eligibility criteria based on minimum building codes, completion year of construction and a 6-star NatHERS energy rating, as it is very likely to result in the selection of top-performing buildings in terms of energy performance.

Sustainalytics has reviewed the Pepper Green Bond Framework with respect to its alignment with the Green Bond Principles 2018 and is of the opinion that Pepper’s intended allocation of bond proceeds to a loan portfolio of green mortgages in Australia will be impactful, and that Pepper’s commitments regarding project selection, the management of proceeds, and reporting are in line with market practice. Overall, Sustainalytics is of the opinion that the January 2019 updated Pepper Green Bond Framework is credible, transparent, and aligned with the four core components of the Green Bond Principles, and that Pepper remains well-positioned to issue green bonds.

<sup>11</sup><http://www4.unfccc.int/submissions/INDC/Published%20Documents/Australia/1/Australias%20Intended%20Nationally%20Determined%20Contribution%20to%20a%20new%20Climate%20Change%20Agreement%20-%20August%202015.pdf>

<sup>12</sup> <https://www.theguardian.com/business/grogonomics/2018/jan/09/australias-emissions-are-rising-its-time-for-this-government-to-quick-pretending>

## Appendices

### Appendix 1: Green Bond / Green Bond Programme - External Review Form Section 1. Basic Information

<b>Issuer name:</b>	Pepper Group
<b>Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i></b>	Pepper Green Bond Framework (January 2019)
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	February 21, 2019
<b>Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i></b>	Updated Framework from September 2018.

### Section 2. Review overview

#### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF REVIEW PROVIDER

- |  |  |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification                                | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other <i>(please specify)</i> :             |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

#### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Executive Summary above.

### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

#### 1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible category for the use of proceeds (green mortgages) is aligned with those recognized by the Green Bond Principles. Sustainalytics considers that the mortgage loans will finance green buildings in Australia and advance the UN Sustainable Development Goals.

#### Use of proceeds categories as per GBP:

- |  |  |
|--|--|
| <input type="checkbox"/> Renewable energy  | <input type="checkbox"/> Energy efficiency   |
| <input type="checkbox"/> Pollution prevention and control  | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input type="checkbox"/> Clean transportation  |
| <input type="checkbox"/> Sustainable water and wastewater management   | <input type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                             | <input checked="" type="checkbox"/> Green buildings  |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other ( <i>please specify</i> ):  |

If applicable please specify the environmental taxonomy, if other than GBPs:

#### 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The selection of eligible green mortgages will be completed by Pepper's dedicated Green Bond Investment Committee (GBIC) composed of members from Group Treasury (Group Treasurer, Group Head of Corporate Treasury and Group Head of Debt Capital Markets), with specialist support from teams in Human Resources and Legal. Pepper's approach to the process for project evaluation and selection is seen as aligned with current market practices.

#### Evaluation and selection

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives            | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories    |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available                  | <input type="checkbox"/> Other ( <i>please specify</i> ):  |

#### Information on Responsibilities and Accountability

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other ( <i>please specify</i> ):  |   |

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Pepper will manage and earmark proceeds through a portfolio approach, in which all loans meet the eligibility criteria. Proceeds will be segregated and tracked using internal information systems. The unallocated proceeds may be invested in accordance with Pepper's investment guidelines. Sustainalytics assesses this approach as being in line with market practices.

#### Tracking of proceeds:

- |   |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner          |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other ( <i>please specify</i> ):   |

#### Additional disclosure:

- |  |   |
|--|---|
| <input type="checkbox"/> Allocations to future investments only                  | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements                  | <input type="checkbox"/> Allocation to a portfolio of disbursements                     |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other ( <i>please specify</i> ):                               |

### 4. REPORTING

Overall comment on section (if applicable):

Pepper intends to issue an annual Green Bonds report which will be verified by an external third-party. The report will contain relevant information on allocation which, in Sustainalytics' view, is in line with market practices. Additionally, where possible, Pepper will disclose qualitative and/or quantitative environmental impact reporting. Sustainalytics encourages Pepper to develop potential key performance indicators and report on quantitative metrics where possible.

**Use of proceeds reporting:**

- Project-by-project     On a project portfolio basis
- Linkage to individual bond(s)     Other (*please specify*):

**Information reported:**

- Allocated amounts     Green Bond financed share of total investment
- Other (*please specify*):

**Frequency:**

- Annual     Semi-annual
- Other (please specify):

**Impact reporting:**

- Project-by-project     On a project portfolio basis
- Linkage to individual bond(s)     Other (please specify):

**Frequency:**

- Annual     Semi-annual
- Other (please specify):

**Information reported (expected or ex-post):**

- GHG Emissions / Savings     Energy Savings
- Decrease in water use     Other ESG indicators (please specify):

### Means of Disclosure

- |  |   |
|--|---|
| <input type="checkbox"/> Information published in financial report   | <input type="checkbox"/> Information published in sustainability report |
| <input checked="" type="checkbox"/> Information published in ad hoc documents  | <input type="checkbox"/> Other (please specify):                        |
| <input checked="" type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): |   |

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS** (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

<https://www.pepper.com.au/debt-investors>

### SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- |  |  |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit                        | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other (please specify):                     |  |

Review provider(s):

Date of publication:

### ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. Second Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green 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. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green 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.
- iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

## Disclaimer

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The Opinion was drawn up with the aim to provide objective information on why the analyzed bond is considered sustainable and responsible, and is intended for investors in general, and not for a specific investor in particular. Consequently, this Opinion is for information purposes only and Sustainalytics will not accept any form of liability for the substance of the opinion and/or any liability for damage arising from the use of this Opinion and/or the information provided in it.

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The client is fully responsible for certifying and ensuring its commitments' compliance, implementation and monitoring.

## Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. Global Capital named Sustainalytics the "Most Impressive Second Party Opinion Provider in 2017". In 2018, the firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan for its contribution to the growth of the Japanese Green Bond Market.

For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

Or contact us [info@sustainalytics.com](mailto:info@sustainalytics.com)

