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# GREEN BOND FRAMEWORK

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Firstmac Limited



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## 1. Firstmac Limited – company background

Firstmac is a Non-ADI Financial Institution operating as a home loan lender, loan servicer and fund manager. The Company provides loans for the purchase and refinance of residential property, catering to both the owner occupier and investor markets. Since the mid-1990s, Firstmac has played an integral part in the evolution of the home loan market into a more competitive environment.

Firstmac's primary objective is the provision of prime home loan funding, loan servicing and portfolio management services to the Australian home loan market. Firstmac currently services a customer base of 50,050 borrowers domiciled in all states and territories and manages a loan portfolio of approximately \$13billion.

Firstmac is one of the leading RMBS (Residential Mortgage Backed Securities) issuers in Australia, having issued approximately \$31 billion in RMBS securities both domestically and offshore since 2003. Firstmac provides residential mortgage financing at a retail level through a separate online broker business loans.com.au Pty Ltd. Firstmac also provides more than 8,000 mortgage managers, brokers and aggregator groups operating Australia wide with home loan products.

The Group has always focused on product innovation, flexibility and choice. Our success in the marketplace has been earned by tailoring home loans to suit the widest variety of borrowers - first home buyers, established borrowers looking to refinance, renovate or build, to luxury home buyers, investors and the self-employed. We offer a complete suite of sophisticated tailored home loans that incorporate telephone and internet account access, Debit card and ATM access, and offset facilities - in short, all the transactional functionality expected of a quality bank product.

Firstmac has a reputation for innovation, earned through the consistent emphasis of harnessing the best of new technology to streamline internal processes, enhance the customer experience, and pioneer the online lending space. Firstmac sources a large part of its loans through the online broker business loans.com.au. As a result, Firstmac does not carry the financial burden of maintaining a branch network and passes those savings on to customers in the form of lower interest rates.

Firstmac remains committed to providing a competitive and quality alternative to the traditional banks in the residential home loan market. This commitment is supported by a substantial infrastructure investment, an experienced and committed team of people and a conservative treasury management policy. This is further underpinned by the strong strategic industry relationships that Firstmac maintains, and the loyalty of its customer base. Firstmac is seeking to expand consumer choice through not only competitive finance but also through environmentally friendly products, including price signalling for reduced car emissions. Firstmac is now expanding this successful product approach into home lending by promoting the improvement and enhancement of sustainable housing. Once again we will be price signalling.

## 2. Green bond rationale

Our key interest remains to ensure we can continue to participate and contribute in a meaningful way to the growth of a competitive and stable home loan market where we are able to provide consumers with quality service and product choice at the lowest possible price. In summary, an industry that reflects:

- ❖ Healthy and fair competition including banks and non-banks alike,
- ❖ Best practice, regulated and educated finance intermediaries,
- ❖ Quality, efficiency, professionalism, and integrity of mortgage broking services,
- ❖ Promotion of environmentally friendly and sustainable buildings and automobiles,
- ❖ A flexible, efficient and adaptive mortgage bond program, and
- ❖ Improved customer education.

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. Improving energy efficiency of Australian properties and therefore reducing Australian CO2 emissions is in-line with Firstmac's future objective, strategy and policy of environmental sustainability.

Firstmac's rationale for issuing green bonds is to provide at market or cheaper borrowing costs for their customers who are environmentally conscious. From a reputational point of view Firstmac is positioning itself as a first-in-class, forward looking lender that is taking into account important aspects of environmental sustainability.

The central aim of Firstmac's green bond is to strengthen the Australian response to the threat of climate change by encouraging homebuyers to seek for more environmentally friendly housing and encouraging existing borrowers to improve the energy efficiency of their existing housing. Energy efficiency homes are expected to reduce customers' energy bills and increase overall comfort. This goes to Firstmac's business objectives to help customers and benefit the environment.

Additionally, Firstmac's green bond issuance aims to increase the ability of Firstmac to deal with the impacts of climate change, and at making finance flows consistent with a low greenhouse gas emissions and climate-resilient pathway. To reach these ambitious goals, appropriate mobilization and provision of financial resources, a Green Bond Framework is put in place, thus supporting the Paris Agreement objectives.

### 3. Green Bond Framework

For the purpose of issuing green bond(s), Firstmac has developed the this framework which addresses the four key core components of the Green Bond Principles 2018 (GBP): Use of Proceeds, Project Evaluation and Selection Process, Management of Proceeds, and reporting.

#### 3.1. Use of Proceeds

The proceeds of Firstmac's green bond issuance will be allocated towards the financing or refinancing of assets which comply with the Green Mortgage Eligibility Criteria.

**Green Mortgage Eligibility Criteria (Nominated Project & Assets):** Mortgage loans or investments to finance or refinance new and existing residential real estate complying with the respective State requirements:

1. New South Wales, where house construction was completed after 1st January 2005 will be deemed to be eligible;
2. Victoria, where house and apartment construction was completed after 1st January 2012 will be deemed to be eligible;
3. Tasmania, where house construction was completed after 1st January 2014 will be deemed to be eligible;
4. All States, houses and apartments that have achieved a minimum NatHERS rating of 7.0 or better.

Points 1, 2 and 3 of the Green Mortgage Eligibility Criteria are deemed to be compliant with CBI low carbon buildings proxies for Australian Residential buildings.

The initial subscribers of Firstmac green bond may conduct an operation review including a sample audit on the Eligible Assets securitised in the transaction. The initial subscribers may also request any Non-qualifying Mortgages to be remedied or removed from the trust.

#### 3.2. Project Evaluation and Selection Process

Members of Firstmac's Funding and Treasury Department ("Advisory Group") is responsible for evaluating and selecting mortgages used in green bond issuance to ensure compliancy

with Green Mortgage Eligibility Criteria set out on section 1. Use of Proceeds. Advisory Group is overseen by Firstmac's CFO.

### 3.3. Reporting

Prior to issuance, the investors will have access to loan-by-loan data of the underlying eligible assets. Firstmac will publish a monthly report providing information regarding the assets securitised in each transaction including composition of the mortgages in terms of the Green Mortgage Eligibility Criteria. This information will be available through standard Firstmac investor reporting channels.

Along with monthly reporting on each reporting date, Firstmac intends to provide Update Report to reaffirm conformance with the Climate Bonds Standard (as applicable on issuance date) while the green bond remains outstanding. Update Report includes 1) allocation reporting confirming the outstanding loan amount allocated towards Nominated Projects & Assets and unallocated proceeds and 2) eligibility reporting confirming the outstanding loan amount allocated towards each Nominated Projects & Assets sub-category (State specific requirements listed on eligibility criteria section).

Firstmac intends to disclose an estimated CO2 emission reduction amount for all or portion of the issued debt instruments following the green bond issuance via a press release on or around the issuance date of the Green Bond and may elect to disclose further estimates during the life of the green bond.

### 3.4. Management of proceeds

Firstmac will track eligible assets earmarked for inclusion in the green bond via an internal information system that ensures the net proceeds of all green bonds have been allocated against eligible assets. Any unallocated proceeds may be invested in accordance with authorised investments as defined on Firstmac green bond offering documents. Unallocated proceeds may only occur when issuing non-CBI compliant bonds (non-CBI compliant bonds are debt instruments that only comply with Green Mortgage Eligibility Criteria points 4). All proceeds will be allocated immediately towards eligible assets or authorised investments on each settlement date.

Firstmac's green bond programme has an exclusion criteria for Non-qualifying Mortgages that is applied to identify and manage potentially material environmental, social or governance risks associated with the Nominated Projects & Assets. Non-qualifying Mortgages are defined as mortgages that do not meet the Green Mortgage definition.

Each lending decision is governed by Firstmac Residential Lending Policy (the "Policy"). The Policy is designed to assess affordability and serviceability of each lending decision. I.e. the Policy restricts lending to borrowers that are deemed to be applying for a loan product that they potentially cannot repay and/or would expose the borrower to unreasonable indebtedness. Standard serviceability calculations are used, including living expenses, and all ongoing commitments/expenses, together with stressed interest rates to assess servicing capacity of the applicant. Throughout the lending process Firstmac's staff monitors and flags any social risks to avoid lending to vulnerable borrowers. Under the Anti-Money Laundering and Terrorist Financing Act 2006 (Cth) ("AML/CTF Act"), Firstmac must identify certain information collected about an individual's identity before it provides them with services and products.

Similar to Project Evaluation and Selection Process the Advisory Group is responsible for management of the proceeds and ensures proceeds are allocated as described on the framework.

Firstmac estimates, that throughout the life of the green bond, approximately half of the proceeds of Firstmac Green Bond issuance are used for financing and refinancing of newly completed low carbon construction projects. Other half of the proceeds is used for financing and refinancing of existing low carbon buildings and apartments.