

Green Bond Framework for flexigroup Green ABS Notes

FlexiGroup Limited's green ABS notes (the **Green ABS Notes**) will be used for re-financing solar receivables (including residential solar PV systems and supporting infrastructure including inverters, transformers, energy storage systems and control systems plus solar hot water systems) originally funded via bank-provided warehouse facilities held by FlexiGroup Limited (**flexigroup**), via term securitisations in the Australian asset backed securitisation market.

These solar receivables form part of larger portfolios of consumer receivables originated by Certegy Ezi-Pay Pty Ltd (**Certegy**), a wholly owned subsidiary of flexigroup. The underlying collateral backing Flexi ABS Trust term securitisations comprise portfolios of consumer receivables for financing home improvement products (including solar PV), jewellery, medical services and other small ticket goods with a maximum term of 60 months.

flexigroup's Green ABS Notes will meet the requirements for certification under the current version of the Climate Bonds Standard (Version 3.0). The climate-related objectives of flexigroup's Green ABS Notes are to provide for the funding of renewable energy. The underlying solar receivable assets will directly contribute to climate change mitigation by avoiding (or reducing) greenhouse gas emissions by generating renewable energy, reducing energy demand, improving energy efficiency or utilising renewable energy sources.

The initial flexigroup Green ABS Notes were issued as part of a term securitisation transaction for the Flexi ABS Trust 2016-1 which was the sixth securitisation of consumer receivables originated by Certegy. The A\$247m collateral pool of consumer receivables included approximately 38% (or A\$93 million) of solar consumer receivables for financing of residential solar PV systems and other solar equipment (solar hot water systems, solar air-conditioning systems, batteries, inverters etc). Of this A\$93m approximately 87%, or A\$81m, were identified as solar PV products (i.e. household solar PV systems) and were linked to the Flexi ABS Trust 2016-1 Class A2-G Notes (the Green ABS Notes). In 2017 the Climate Bonds Initiative published updated sector criteria for Solar (Version 2.1) which allow for a broader range of solar PV related assets to be earmarked against Climate Bond certified bonds and in 2020 the Climate Bonds Initiative published a further updated Climate Bonds Standard (Version 3.0) which provides for improved disclosure and reporting.

Subsequent to the Flexi ABS Trust 2016-1 issuance, Green ABS Notes were issued in four further transactions (Flexi ABS Trust 2017-1, Flexi ABS Trust 2018-1, Flexi ABS Trust 2019-1 and Flexi ABS Trust 2019-2).

Outstanding Flexi ABS Trust Green ABS Notes (as at 31 August 2020)

Transaction	Green ABS Notes	Issue Amount	Pricing Date	Final Maturity Date	ISIN:
Flexi ABS Trust 2018-1 (A\$300m)	Class A2-G	A\$66m	3 May 2018	June 2023	AU3FN0041976
	Class B-G	A\$15.3m	3 May 2018	June 2023	AU3FN0041984

Flexi ABS Trust 2019-1 (A\$300m)	Class A2-G	A\$54.9m	21 March 2019	July 2024	AU3FN0046876
	Class B-G	A\$19.2m	21 March 2019	July 2024	AU3FN0046884
	Class C-G	A\$16.8m	21 March 2019	July 2024	AU3FN0046892
Flexi ABS Trust 2019-2 (A\$265m)	Class A1-G	A\$47.70m	21 November 2019	April 2025	AU3FN0051678
	Class B-G	A\$21.46m	21 November 2019	April 2025	AU3FN0051686
	Class C-G	A\$18.29m	21 November 2019	April 2025	AU3FN0051694
	Class D-G	A\$10.86m	21 November 2019	April 2025	AU3FN0051702
	Class E-G	A\$4.51m	21 November 2019	April 2025	AU3FN0051710

The Flexi ABS Trust 2016-1 transaction was called in July 2018 and the Flex ABS Trust 2017-1 transaction was called in July 2019 and in each case, all outstanding notes (including the Green ABS Notes) were redeemed in full. It is intended that the Flexi ABS Trust 2018-1 transaction will be called in October 2020 and that all outstanding notes (including the Green ABS Notes) will be redeemed in full.

1. Use of Proceeds

The cornerstone of a “green bond” is the use of proceeds. The proceeds of each flexigroup Green ABS Note will be used to re-finance assets that are consistent with delivering a low carbon and climate resilient economy. flexigroup Green ABS Note proceeds will be earmarked against portfolios of existing household consumer receivables which meet Climate Bonds Standard certification requirements, including sector criteria for solar.

Specifically, these include consumer receivables for financing of rooftop solar PV systems for residential solar PV systems and other solar equipment (solar hot water systems, solar air-conditioning systems, batteries, inverters etc) for Australian households.

2. Selection of Eligible Projects and Assets

The selection of portfolios of eligible assets for each flexigroup Green ABS Note will be performed by a team from flexigroup. Guidance and advice will be sought from DNV GL, the independent green bond Verification Agent retained by flexigroup, and the advisory team at the Climate Bonds Initiative, as necessary.

flexigroup, via its wholly owned subsidiary Certegy, originates, services and monitors the portfolios of consumer solar receivables which are originated via a network of over 360 accredited merchants across Australia. As part of this process, Certegy scrutinises applications received from merchants and consumers to ensure they meet their origination requirements, including those for financing of solar PV or other solar equipment. The solar industry sector is Certegy's most heavily scrutinised industry sector.

A broad sample of Certegy customers who finance rooftop solar PV systems and other solar equipment are contacted by Certegy after installation to confirm installation, home ownership, deposits paid and sound sales and service techniques have been provided by the merchants. These are noted in Certegy's core systems under the customer's records.

For the Flexi ABS Trust 2016-1 and Flexi ABS Trust 2017-1 transactions, only solar receivables which were identified under Certegy's "Solar" Industry category and then as either of "Solar", "Solar PV" or "Solar System" in the Product Category of each Customer Application/Contract (i.e. rooftop Solar PV systems) were linked to the flexigroup Green ABS Notes. For the Flexi ABS Trust 2018-1, Flexi ABS Trust 2019-1 and Flexi ABS Trust 2019-2 transactions (and subsequent transactions) solar receivables which meet the updated Climate Bonds Standard sector criteria for Solar (Version 2.1) will be earmarked, including residential solar PV systems and other solar equipment (solar hot water systems, solar air-conditioning systems, batteries, inverters etc).

3. Management of Proceeds

flexigroup is an established and reputable consumer and SME financing and leasing company with operations in Australia, New Zealand and Ireland. It is also an established issuer of ABS backed by portfolios of consumer and commercial receivables. Through its in-house servicing/origination capabilities, flexigroup is able to sort, analyse and extract reporting on the underlying consumer contracts that back the Solar PV receivables that will meet Climate Bonds Standard eligibility requirements for each securitisation transaction.

Proceeds from each flexigroup Green ABS Note will be tracked and reported against the outstanding eligible solar receivables under the customer product category (Solar/Solar PV/Solar Systems) earmarked for each securitisation transaction. These will be tracked and reported via the use of flexigroup's monthly investor reporting.

4. Reporting

flexigroup will comply with the annual reporting requirements set out in the Climate Bonds Standard (Version 3.0).

flexigroup will provide publicly available reporting for each Flexi Green ABS Note in the form of a DNV GL Verification Report to be issued following the settlement of each flexigroup ABS transaction which includes Green ABS Notes. flexigroup will engage DNV on an annual basis to obtain an updated DNV GL Verification Report until repayment of the related Green ABS Notes.

Each DNV GL Verification Report will include details including, but not limited to:

- Net proceeds raised from each Flexi Green ABS Note;
- Aggregate of Flexi Green ABS Note proceeds allocated against each of the flexigroup Green ABS eligible categories;
- A description of each eligible asset category included within the Flexi Green ABS eligible portfolio/s;

- Where available, qualitative and quantitative performance measures of the environmental objectives of the assets within the Flexi Green ABS eligible portfolio;
- Any unallocated Flexi Green ABS Note proceeds; and
- Confirmation that the use of proceeds of each Flexi Green ABS Note is in compliance with this flexigroup Green Bond Framework.

Information disclosed for eligible assets will be subject to relevant confidentiality agreements and available information.

In addition, the Trustee (Perpetual Corporate Trust Limited) for each securitisation transaction will make investor reports for each Flexi ABS Trust transaction available on a monthly basis on their website for all investors. These reports will include details such as performance of the underlying portfolio collateral, details of the repayment of principal and interest in accordance with the principal and interest repayment waterfalls as defined within the contractual documentation and the balances outstanding against each Note (including the Green ABS Notes).

flexigroup expects to provide reporting on the underlying Solar PV receivables linked to each Green ABS Note, including the number of customer contracts and their outstanding balances.

5. Assurance

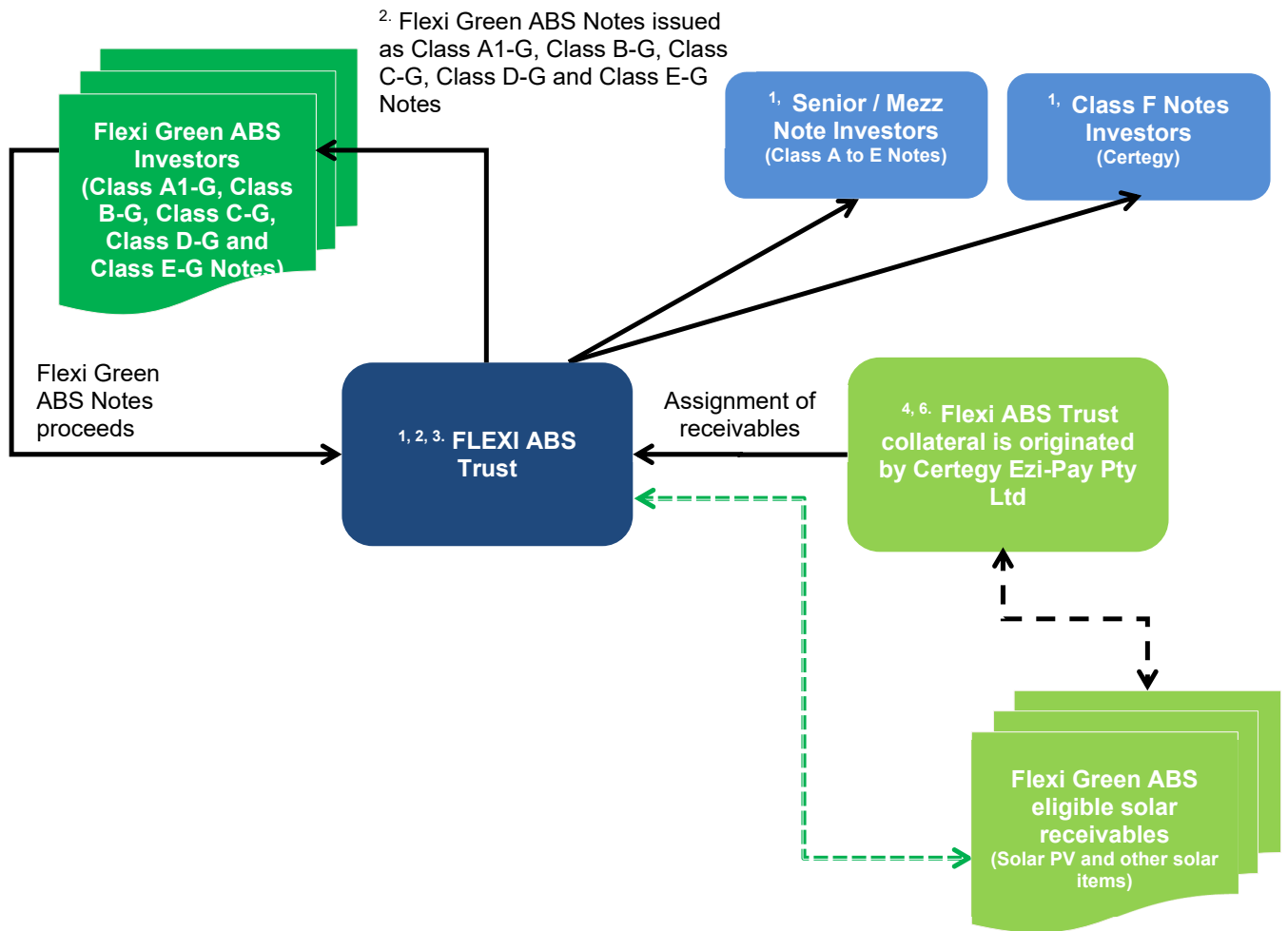
Prior to the issuance of the Green ABS Notes, flexigroup will obtain an independent verification statement from DNV GL, a Climate Bonds Initiative approved Verification Agent, confirming that the Green Bond Framework for flexigroup Green ABS Notes is in compliance with the requirements of the Climate Bonds Standard.

For each Green ABS Note issued, flexigroup will seek verification from DNV GL and then certification from the Climate Bonds Standard Board that it is in compliance with the requirements of the Climate Bonds Standard.

On an annual basis, flexigroup will engage DNV GL to independently verify that each outstanding Flexi Green ABS Note remains in compliance with this Flexi Green ABS Framework and the requirements of the Climate Bonds Standard.

The independent DNV GL Verification Reporting will be made publicly available on the flexigroup website.

Flexi Green ABS Structure (Flexi ABS Trust)



Notes:

1. For complete details of the transaction, investors should refer to the transaction specific final Information Memorandum and the underlying transaction documents.
2. The Class A1-G, B-G, C-G, D-G and E-G Notes are Climate Bond Certified “Green Bonds” with proceeds from the issuance used to finance solar energy related assets. DNV GL, an independent verification agent, will verify the Class A1-G, Class B-G, Class C-G, Class D-G And Class E-G Notes meet the requirements for certification under the Climate Bonds Standard and the Climate Bonds Standards Board will then confirm and issue the Climate Bond certification.
3. Whilst the Class A1-G, Class B-G, Class C-G, Class D-G And Class E-G Notes are earmarked against the outstanding amount of solar receivables; the Class A1-G Notes rank *pari passu* to the Class A1 Notes in terms of Principal Repayments, Interest Repayments and Loss Allocations.
4. Tracking and reporting on use of Flexi Green ABS proceeds until bond maturity will be checked and certified in compliance with Climate Bonds Standards by DNV GL.
5. Flexi ABS Trust securitisations will be collateralised by portfolios of fully amortising Australian dollar consumer receivables.