

**Flexi A2-G, B-G and C-G Green Notes  
Climate Bond Standard Verification Report  
Pre Issuance Verification**

**FlexiGroup Management Pty Ltd**

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## ***Abbreviations***

CAR	Corrective Action Request
CL	Clarification request
DR	Desktop Review
FAR	Forward Action Request
I	Interview

## 1 INTRODUCTION

FlexiGroup Management Pty Ltd (Flexi) has commissioned DNV GL Business Assurance Australia (“DNV GL”) to carry out the verification of the Flexi ABS Trust 2019-1 Class A2-G, Class B-G and Class C-G green ABS Notes, specifically this report relates to the Class A2-G, B-G and C-G Notes (“the Bond”). This report contains the findings from the verification and a verification statement regarding compliance with the Climate Bond Standard version 2.1, (“Climate Bond Standard”).

### 1.1 Objective

A verification audit takes place as part of the process of a Green Bond issuer applying for a Climate Bonds Certification Mark for issuance of Certified Green Bonds. The purpose of verification is to have an independent third party assess whether or not an issuer of Certified Green Bonds is complying with the Standard through a compliance audit of the procedures which are either already in place or are being established to manage the proceeds of the Bond effectively and in line with the objectives of the Climate Bond Standard.

### 1.2 Scope

The verification scope is defined as an independent and objective reasonable assurance audit of the Bond and the Bond issuer. The Bond and the Bond issuer are reviewed against the criteria stated in the Climate Bond Standard.

The verification is not meant to provide any consulting towards the Bond issuer. However, stated requests for clarifications and/or corrective actions may have provided input for improvement of the capacity of the Bond issuer to comply with the Climate Bond Standard.

## 2 METHODOLOGY

The verification consisted of the following two phases:

- I desktop reviews of the Flexi and associated parties documentation leading up to issuance and execution of the Pre Issuance Verification
- II desktop review of the post issuance Flexi and associated parties documentation and execution of the Post Issuance Verification

The following sections outline each step in more detail.

## 2.1 Review of Documentation

Documents provided by Flexi that relate directly to the Green Bond are listed below. These have been used as direct sources of evidence for the verification conclusions, and are also further checked, as considered appropriate, through interviews with key personnel.

- /1/ Data for Flexi Bond *Term Sheet 2019*
- /2/ Flexi – CBI Information Sheet
- /3/ Flexi – Green Bond Framework for ABS Notes, January 2019
- /4/ Flexi – Investor Reporting Example, February 2017
  
- /5/ ABS Loans Verification Sample, Transaction ID files:
  - 23056443\_page1.tif
  - 23056443\_page2.pdf
  - 23141566.tif
  - 23153991.tif
  - 28020034.pdf
  - 28025724.pdf
  - 28055181.pdf
  - 28057558.pdf
  - 28058216.pdf
  - 28066788.pdf
  - 28076768.pdf

Background documents related to the Green Bond.

- /6/ Climate Bond Standard version 2.1, January 2017.
- /7/ Climate Bonds Initiative *Solar Standard (version 2.1)*

## 2.2

### 2.2 Interviews with and Information Collected from Bond issuer stakeholders

DNV GL communicated with Flexi’s Head of Group Funding, Bianca Spata to gather information about the Bond and collected information from the issuer as follows:

The following key persons were involved in these discussions.

- /8/ Bianca Spata, Head of Group Funding, FlexiGroup
- /9/ Paul Jamieson, Group Treasurer, FlexiGroup
- /10/ Dennis Koh, Securitisation Manager, FlexiGroup

### 2.3 Resolution of outstanding issues

The objective of this phase of the verification is to resolve any outstanding issues, which need be clarified prior to DNV GL’s conclusion on the Bond. In order to ensure transparency, a verification protocol was customised for the audit. The protocol shows in a transparent manner the criteria (requirements), means of verification and the results from verifying the identified criteria. The verification protocol serves the following purposes:

- It organises, details and clarifies the requirements a Green Bond is expected to meet;
- It ensures a transparent verification process where the verifier will document how a particular requirement has been verified and the result of the verification.

The verification protocol consists of two tables. The different columns in these tables are described in the figure below. The completed verification protocol for the Bond is enclosed in Appendix A and Appendix B to this report.

A corrective action request (CAR) is raised if one of the following occurs:

- The Bond issuer lacks or has deficient processes and procedures that will influence the ability of the Bond issuer to meet the requirements of the Climate Bond Standard;
- The Climate Bond Standard requirements have not been met.

A clarification request (CL) is raised if information is insufficient or not clear enough to determine whether the applicable Climate Bond Standard requirements have been met.

A forward action request (FAR) is raised during verification to highlight issues related to the Bond issuer's implementation of the requirements of the Climate Bond Standard that require review during a subsequent verification.

<b>Verification Protocol Table 1: Resolution of Corrective Action and Clarification Requests</b>			
<b>Corrective action and/ or clarification requests</b>	<b>Ref. to checklist question in table 2</b>	<b>Response by Bond issuer</b>	<b>Verification conclusion</b>
The <b>CARs</b> and/ or <b>CLs</b> raised in Table 2 are repeated here.	Reference to the checklist question number in Table 2 where the CAR or CL is explained.	The responses given by the Bond issuer to address the CARs and/or CLs.	The verification team's assessment and final conclusions of the CARs and/or CLs.

<b>Verification Protocol Table 2: Forward Action Requests</b>		
<b>Forward action request</b>	<b>Ref. to checklist question in table 2</b>	<b>Response by Bond issuer</b>
The FARs raised in Table 2 are repeated here.	Reference to the checklist question number in Table 2 where the FAR is explained.	Response by Bond issuer on how forward action request will be addressed prior to a subsequent verification.

Verification Protocol Table 3: Requirement Checklist				
Checklist question	Reference	Means of verification (MoV)	Assessment by DNV GL	Draft and/or Final Conclusion
The various requirements that the Bond issuer should meet to ensure compliance with the Climate Bond Standard. The checklist is organised in different sections, following the logic of the Climate Bond Standard	Gives reference to documents where the answer to the checklist question or item is found.	Means of verification (MoV) are <b>document review (DR)</b> , <b>interview (I)</b> or any other follow-up actions (e.g., on site visit and telephone or email interviews) and <b>cross-checking (CC)</b> with available information relating to the Bond	The discussion on how the conclusion is arrived at and the conclusion on the compliance with the checklist question so far.	<b>OK</b> is used if the information and evidence provided is adequate to demonstrate compliance with Climate Bond Standard requirements. A <b>corrective action request (CAR)</b> is raised when the Bond issuer lacks or has deficient and procedures that will influence the ability of the Bond issuer to meet the requirements of the Climate Bond Standard or the Climate Bond Standard requirements have not been met. A <b>clarification request (CL)</b> is raised if information is insufficient or not clear enough to determine whether the applicable Climate Bond Standard requirements have been met. A <b>forward action request (FAR)</b> during verification is raised to highlight issues related to Bond implementation that require review during a subsequent verification.

### **3 VERIFICATION FINDINGS**

This section summarises the findings from the verification of the Bond.

#### **Post Issuance Verification**

*Based on the limited assurance procedures conducted, nothing has come to our attention that causes us to believe that the Flexi Green ABS Bond, is not, in all material respects, in accordance with the Post Issuance requirements of the Climate Bond Standard Version 2.1 and Associated Solar Technical Criteria.*



## 4 VERIFICATION STATEMENT

DNV GL has performed the Pre and Post Issuance Verification of the 2019 Flexi Green Bond. It is DNV GL's responsibility to provide an independent verification statement on the compliance of the Flexi Green Bond with the Climate Bond Standard.

DNV GL conducted the verification in accordance with the Climate Bond Standard Version 2.1 and with International Standard on Assurance Engagements 3000 *Assurance Engagements other than Audits or Reviews of Historical Information*. The verification included i) checking whether the provisions of the Climate Bond Standard were consistently and appropriately applied and ii) the collection of evidence supporting the verification.

DNV GL's verification approach draws on an understanding of the risks associated with conforming to the Climate Bond Standard and the controls in place to mitigate these. DNV GL planned and performed the verification by obtaining evidence and other information and explanations that DNV GL considers necessary to give reasonable assurance that the Flexi Green Bond meets the requirements of the Climate Bond Standard.

Based on the limited assurance procedures conducted, nothing has come to our attention that causes us to believe that the 2019 Flexi Green ABS Bond, is not, in all material respects, in accordance with the Pre and Post Issuance requirements of the Climate Bond Standard Version 2.1 and Associated Solar Technical Criteria.



Mark Robinson  
*Climate Bond Standard Lead Verifier*  
DNV GL

12 June 2019

## 5 VERIFICATION TEAM

<b>Role</b>	<b>Last Name</b>	<b>First Name</b>	<b>Country</b>	<b>Type of involvement</b>			
				Desk review	Interviews	Reporting	Supervision of work
Team Leader (Lead Verifier)	Robinson	Mark	Australia	✓	✓	✓	✓
Report Reviewer (Verifier)	Amundsen	Yngve	Australia	✓		✓	

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## **APPENDIX A**

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### **CORRECTIVE ACTION REQUESTS, CLARIFICATION REQUESTS AND FORWARD ACTION REQUESTS**

### Corrective action requests

<b>CAR ID</b>	<b>Corrective action request</b>	<b>Response by Bond issuer</b>	<b>DNV GL's assessment of response by Bond issuer</b>
CAR 1	None raised		

### Clarification requests

<b>CAR ID</b>	<b>Corrective action request</b>	<b>Response by Bond issuer</b>	<b>DNV GL's assessment of response by Bond issuer</b>
CL 1	None raised		

### Forward action requests from this verification

<b>FAR ID</b>	<b>Forward action request</b>	<b>Response by Bond issuer</b>	<b>DNV GL's assessment of response by Bond issuer</b>
FAR 1	None raised		

## **APPENDIX B**

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### **REQUIREMENTS CHECKLIST**

**Table 1 Pre Issuance Requirements checklist (Part A)**

Checklist Question	Ref	MoV	Assessment Checks	Draft Concl.	Final Concl.
<b>1. Selection of Nominated Projects &amp; Assets</b>					
<b>1 Project Nomination</b>					
<p>An issuer of a Climate Bond must ensure that at any point in time, the bond is associated with eligible projects or physical assets and that this association can be verified. An issuer is not permitted to double-count eligible projects or physical assets that have been associated with previous Climate Bonds. The eligible project(s) or physical assets are referred to as 'Nominated Project(s).</p> <p>Assets specified as backing or linked to the Bond must comply with eligible assets specified under Part B of the standard (sections 13-15 below). Where the asset specified is a loan or other financial instrument, then the underlying collateral must comply with Part B (sections 13-15) of the Standard.</p>					
<b>1.1 The Issuer shall establish, document and maintain a decision-making process which it uses to determine the eligibility of the Nominated Projects &amp; Assets.</b>					
1.1.1 How has the decision making process established the statement on the environmental objectives of the bond?	/1/ /2/ /3/ /4/ /8/	DR I		<p>The proposed ABS notes (the "Bond" for the purposes of this verification report) is to finance the debt associated with residential scale solar PV and solar hot water installations within Australia.</p> <p>The proposed Bond is for a fixed pool of existing loans (after the Notes are issued no new loans may be included) and no subsequent use of proceeds is proposed, the documented decision making process used is covered by the written documentation for the nominated projects.</p> <p>The Issuer, Flexi does issue other ABS Notes, however the environmental objective associated with the Bond have been clearly defined by and limited to assets that comply with the Solar Energy Technical Criteria of the Climate Bond Standard.</p> <p>The Issuer has specifically separated the Solar debt tranches for the purposes of this Bond, clearly establishing the environmental objectives of the issuer and the Bond itself.</p>	OK
1.1.2 What is the process to determine whether the Nominated Projects & Assets meet the eligibility requirements specified in Part B of the Climate Bond Standard?	/1/ /2/ /3/ /4/ /8/	DR I		<p>For the proposed Bond, the Issuer has provided the input parameters required by the CBI Solar Criteria to demonstrate the eligibility of the nominated project.</p> <p>DNV GL has verified the eligibility of the project in Part B of this report.</p>	OK
<b>1.2 The Issuer shall assess that all proposed Nominated Projects &amp; Assets to be associated with the bond meet the bond's documented objectives as stated under Clause 1.1 and are compliant under Part B of the Climate Bond Standard</b>					
1.2 How does the issuer ensure that projects within the climate bond are compliant with Part B of the Climate Bond Standard?	/1/ /2/ /3/ /4/ /5/ /8/	DR I		<p>For the proposed Bond, the Issuer has made available the loan documentation associated with the nominated projects and assets to address the CBI Solar Criteria to demonstrate the eligibility of the nominated projects and assets.</p> <p>DNV GL has verified the eligibility of the project in Part B of this report.</p>	OK
<b>1.3 The Issuer shall document Nominated Projects &amp; Assets which are proposed to be associated with the bond and which have been assessed as being Eligible Projects &amp; Assets in accordance with Clause 9.</b>					

MoV = Means of Verification, DR= Document Review, I= Interview, CC= Cross-Checking

Checklist Question	Ref	MoV	Assessment Checks	Draft Concl.	Final Concl.
1.3 How have projects and assets associated with the Bond been documented to comply with Clause 9?	/1/ /2/ /3/ /4/ /5/ /8/	DR I		The Issuer has made available to DNV GL the loan documentation detailing the nominated individual loans for the nominated assets (Solar systems). The underlying projects and assets have been assessed as being eligible in accordance with Clause 9 of the CBS relating to the CBI Solar Criteria. Specifically, the Issuer and the Lender have nominated and provided documentation for the installation of rooftop Solar PV and solar hot water systems.  DNV GL has verified a sample of these loan records as per Section B.	OK
<b>1.4 Nominated Projects &amp; Assets shall not be nominated to other bonds that are currently certified under the Climate Bond Certification Scheme unless it is demonstrated by the Issuer that distinct portions of the Nominated Projects &amp; Assets are being funded by different certified bonds.</b>					
1.4 Have nominated projects or asserts to be associated with the bond been included in other bonds?	/1/ /2/ /3/ /4/ /5/ /8/	DR I	<input checked="" type="checkbox"/> Nominated projects or assets are not associated with other bonds.  <input type="checkbox"/> Nominated projects or assets are associated with other bonds but the portions associated by each are funded separately.	No previous Climate Bond has been issued in respect to the nominated ABS assets as confirmed through analysis of publicly available information and confirmation with Flexi representatives.  DNV GL notes that each Flexi ABS trust transaction is based on a fixed collateral pool and each underlying asset is uniquely identified and tracked as part of the reporting Flexi undertakes for each deal.	OK
<b>1.5 The issuance amount of the bond shall be no greater than the Issuer's exposure to the proposed Nominated Projects &amp; Assets, or the Fair Market Value of the proposed Nominated Projects &amp; Assets.</b>					
1.5 Is the issuers exposure to the proposed nominated projects and assets, or the fair market value of those, equal to or greater than the bond issuance amount?	/1/ /2/ /3/ /4/ /5/ /8/	DR I		The issuer, Flexi's exposure to the nominated projects and assets has been verified by DNV GL through analysis of provided documentation.  As per the Term Sheet, the Green Bond tranches at post issuance verification are:  AUD 54.9 million for the Class A2-G Notes; AUD 19.2 million for the Class B-G Notes, and; AUD 16.8 million for the Class C-G Notes.  DNV GL through the review of loan portfolio summary and sampling of individual loans verified the nominated projects and assets to be valued at AUD 121.2 million at the time of Post Issuance Verification, in excess of the proposed issuance value (AUD 90.9m). Flexi reported to be looking to grow the pool of assets for the issuance.	OK
<b>2 Internal Processes and controls</b>					
<b>2.1 The systems, policies and processes to be used for management of bond funds and investments made shall be documented by the Issuer and disclosed to the Verifier.</b>					

Checklist Question	Ref	MoV	Assessment Checks	Draft Concl.	Final Concl.
2.1.1 How have the net proceeds of the Bond been credited to a sub-account, moved to a subportfolio, or otherwise tracked by the Issuer by a formal internal process?	/1/ /2/ /3/ /4/ /5/ /8/	DR I		As per the Flexi Group Green Bond Framework, proceeds of the Bond are to be tracked and reported to investors monthly.  Specifically, Flexi plans to sort, analyse and extract reporting on the underlying consumer contracts that back the Solar receivables that will meet Climate Bond Standards eligibility requirements for each securitisation transaction.  Proceeds from each Flexi Green ABS Note are proposed to 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 are to be tracked and reported via the use of FlexiGroup's Monthly Investor reporting.	OK
1.1.2 Have unallocated proceeds been hold in temporary investments other than cash holdings?	/1/ /2/ /3/ /4/ /5/ /8/	DR I	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Not Applicable	The proceeds of the Bond are to be fully and immediately allocated to the nominated projects and assets upon settlement and the management of proceeds are to be reported upon monthly as per the Flexi Group Green Bond Framework. (Note: The Bond has been structured and sized with in excess of 33% surplus of Nominated Projects & Assets over Bond proceeds as at issue date, to ensure no unallocated proceeds scenarios arise during the life of the Bonds)	OK
1.1.3 Has the issuer established an earmarking process to manage and account for funding to the Nominated Projects & Assets?	/1/ /2/ /3/ /4/ /5/ /8/	DR I	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	As per the Flexi Group Green Bond Framework, the Issuer has established an earmarking process whereby proceeds from each Flexi 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.	OK
<b>3 Reporting prior to issuance</b>					
<b>3.1. The Issuer shall disclose the following in the Bond Disclosure Documentation.</b>					
3.1.1 Will the issuer disclose the pre issuance assurance engagement?	/1/ /2/ /3/ /4/ /5/ /8/	DR I	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	The Issuer will disclose the completion of this limited assurance engagement in addition to Climate Bond Pre Issuance Certification within the Bond disclosure documentation including the draft term sheet and Flexi Group Green Bond Framework.	OK
3.1.2 Will the issuer have periodic Assurance Engagements carried out over the life of the Bond and if so what is the expected frequency of periodic Reasonable Assurance Engagements?	/1/ /2/ /3/ /4/ /5/ /8/	DR I	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	As per the Flexi Group Green Bond Framework, annual limited assurance engagements will be conducted and reported on in the Bond Disclosure Documentation.	OK
3.1.3 Will the issuer disclose the broad project categories, as listed in Clause 9.1, into which the Nominated Projects & Assets fall?	/1/ /2/ /3/ /4/ /5/	DR I	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	The issuer will disclose the broad project and asset categories as listed in Clause 9.1 as Solar PV Systems.	OK

MoV = Means of Verification, DR= Document Review, I= Interview, CC= Cross-Checking



Checklist Question	Ref	MoV	Assessment Checks	Draft Concl.	Final Concl.
	/8/				
3.1.4 3 Will the issuer disclose the intended types of temporary investment instruments for the management of unallocated proceeds in accordance with Clause 2.1.2?	/1/ /2/ /3/ /4/ /5/ /8/	DR I	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	See comments under 1.1.2 The proceeds of the Bond are to be held in cash and any unallocated proceeds are to be reported upon monthly as per the Flexi Group Green Bond Framework.	OK

**Table 2 Post Issuance Requirements checklist (Part B and C)**

Checklist Question	Ref	MoV	Assessment Checks	Draft Concl.	Final Concl.
<b>Part A: General Requirements</b>					
<b>4 Eligibility of nominated projects and assets</b>					
An issuer of a Climate Bond must ensure that at any point in time, the bond is associated with eligible projects or physical assets and that this association can be verified. An issuer is not permitted to double-count eligible projects or physical assets that have been associated with previous Climate Bonds. The eligible project(s) or physical assets are referred to as 'Nominated Project(s). Assets specified as backing or linked to the Bond must comply with eligible assets specified under Part B of the standard (sections 13-15 below). Where the asset specified is a loan or other financial instrument, then the underlying collateral must comply with Part B (sections 13-15) of the Standard.					
<b>4.1 The Issuer shall maintain a decision-making process which it uses to determine the continuing eligibility of the Nominated Projects &amp; Assets.</b>					
1.1.1 How has the decision making process established the statement on the environmental objectives of the bond?		DR I		The ABS note (the "Bond" for the purposes of this verification report) is to finance the debt associated with residential scale solar installations within Australia. The Bond is for a fixed pool of existing loans (after the Notes are issued no new loans may be included) and no subsequent use of proceeds is proposed, the documented decision making process used is covered by the written documentation for the nominated projects. The Issuer, Flexi does issue other ABS Notes, however the environmental objective associated with the Bond have been clearly defined by and limited to assets that comply with the Solar Energy Technical Criteria of the Climate Bond Standard. The Issuer has specifically separated the Solar debt tranches for the purposes of this Bond, clearly establishing the environmental objectives of the issuer and the Bond itself.	OK
1.1.2 What is the process to determine whether the Nominated Projects & Assets		DR I		For the Bond, the Issuer has provided the input parameters required by the CBI Solar Criteria to demonstrate the eligibility of the nominated project.	OK

MoV = Means of Verification, DR= Document Review, I= Interview, CC= Cross-Checking

Checklist Question	Ref	MoV	Assessment Checks	Draft Concl.	Final Concl.
meet the eligibility requirements specified in Part B of the Climate Bond Standard?				DNV GL has verified the eligibility of the project in Part B of this report.	
<b>4.2 The Issuer shall assess that all proposed Nominated Projects &amp; Assets to be associated with the bond meet the bond's documented objectives as stated under Clause 1.1 and are compliant under Part B of the Climate Bond Standard</b>					
4.2 How does the issuer ensure that projects within the climate bond are compliant with Part B of the Climate Bond Standard?		DR I		For the proposed Bond, the Issuer has made available the documentation associated with the nominated projects and assets to address the CBI Technical Criteria to demonstrate the eligibility of the nominated projects and assets.  DNV GL has verified the eligibility of the project in Part B of this report.	OK
<b>4.3 Nominated Projects &amp; Assets shall not be nominated to other bonds that are currently certified under the Climate Bond Certification Scheme unless it is demonstrated by the Issuer that distinct portions of the Nominated Projects &amp; Assets are being funded by different certified bonds.</b>					
1.4 Have nominated projects or asserts to be associated with the bond been included in other bonds?		DR	<input checked="" type="checkbox"/> Nominated projects or assets are not associated with other bonds.  <input type="checkbox"/> Nominated projects or assets are associated with other bonds but the portions associated by each are funded separately.	The projects and assets nominated by FLEXI have not been included in other Climate Bonds. The FLEXI Climate Bond is the first ABS Climate Bond for both FLEXI and the Australian Market.	OK
<b>5 Use of Proceeds</b>					
<b>An issuer of a Climate Bond must use the funds raised to finance eligible project(s).</b>					
<b>5.1 Are proceeds allocated to Nominated Project(s).</b>					
5.1 Have the proceeds of the bond shall be allocated to the Nominated Projects & Assets?		DR I	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	DNV GL has confirmed as per the Confirmation of Allocation of Proceeds provided by FLEXI that the proceeds raised by the issuance has been applied to the nominated project and assets as verified by DNV GL. DNV GL confirmed the use of proceeds as under A2-G notes (ISIN AU3FN0046876): class B-G notes (ISIN AU3FN0046884) and C-G notes (ISIN: AU3FN0046892).	OK
<b>5.2 The Issuer shall allocate or re-allocate funds to Nominated Projects &amp; Assets within 24 months of issuance of the bond.</b>					
5.2.1 Have the bond proceeds been allocated to the nominated projects and assets associated with the bond?  If not, has an established procedure been established to facilitate the allocation of funds within 24 months?		DR	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> There is clear documentary evidence to confirm that the procedure has been followed.	DNV GL confirmed the allocation of proceeds as listed in the table provided by FLEXI for post issuance verification. The proceeds have been allocated as planned during Pre Issuance as per the FLEXI Green Bond Framework.	OK

Checklist Question	Ref	MoV	Assessment Checks	Draft Concl.	Final Concl.
			<input type="checkbox"/> There is a procedure in place to achieve this but its informality risks it not being properly followed. <input type="checkbox"/> Summarise the procedure <input type="checkbox"/> No		
5.2.2 Have issuance costs been clearly identified and excluded from the bond funds? (Debt issue costs should include fees and costs specifically associated with the issuance of debt which could include: underwriter, legal, audit firm, financial advisor, issuing authority, rating agency, trustee, and other miscellaneous fees. Debt issue costs do not include remarketing fees associated with variable rate debt.)		DR I	<input type="checkbox"/> Issuance costs have been clearly calculated and excluded <input checked="" type="checkbox"/> The basis of calculating issuance costs is in accordance with recognised practice <input type="checkbox"/> The basis of calculating issuance costs is the same as previously applied by the Issuer <input checked="" type="checkbox"/> No	DNV GL has confirmed that issuance costs have been picked up in FLEXI General Funding costs and not from the bond proceeds s listed.	OK
5.2.3 Have instances been identified where the value of the climate bond exceeded the value of funds invested in nominated projects?		DR I		DNV GL notes that the A2-G, B-G and C-G Notes tranche asset pool value (AUD 121.2 million) exceeds the value of the bond amount outstanding (A2-G AUD 54.9 million and B-G AUD 19.2 million and C-G 16.8 million, combined at value AUD 90.9 million) at the time of Post Issuance Verification.	OK
5.2.4 Does the value of bonds (excluding issuance costs) exceed the value of funds invested in nominated projects?		DR I	<input type="checkbox"/> Yes <input type="checkbox"/> No	DNV GL notes that the A2-G, B-G and C-G Notes tranche asset pool value (AUD 121.2 million) exceeds the value of the bond amount outstanding (A2-G AUD 54.9 million and B-G AUD 19.2 million and C-G 16.8 million, combined at value AUD 90.9 million) at the time of Post Issuance Verification.	OK
5.2.5 Are all loans within the bond current? Are the maturity dates for all existing loans identified in the future?		DR I	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Procedures exist to replace the asset within the Bond to ensure that funds do not exceed the value of invested assets	DNV GL confirmed that all funding is within the nominated pool associated with the listed projects and assets. All maturity dates for the existing loans were verified to be in the future.	OK
5.2.6 Do existing loan maturity dates (available from the individual loan documentation) agree to those shown on the Loan Pool listing?		DR I	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Existing loan maturity dates as verified during the Pre Issuance Verification were identified to be consistent with the information provided by FLEXI for Post Issuance Verification.	OK

Checklist Question	Ref	MoV	Assessment Checks	Draft Concl.	Final Concl.
5.2.7 Do drawdown notices confirm the current funding levels?		DR I	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Procedures exist to replace the asset within the Bond to ensure that funds do not exceed the value of invested assets	FLEXI provided DNV GL with drawdown data for all nominated projects and assets. DNV GL confirmed this is in line with the information verified previously and resulted in a surplus of assets value in relation to the issuance.	OK
<b>5.3. Where a proportion of the proceeds of the bond are used for refinancing, the Issuer shall provide an estimate of the share of the proceeds used for financing and re-financing, and identify which Nominated Projects &amp; Assets may be refinanced.</b>					
5.3.1 Have a proportion of proceeds been used for refinancing?  If so, has the issuer provide an estimate of the share of the proceeds used for financing and re-financing, and identify which Nominated Projects & Assets may be refinanced?		DR I	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	The use of proceeds has been used for refinancing a pool of Solar PV assets.	OK
<b>5.4. The original issuance amount of the bond shall be no greater than the investment in the Nominated Projects &amp; Assets or the Fair Market Value of the Nominated Projects &amp; Assets at the time of issuance.</b>					
5.4.1 Is the original issuance amount less than or equal to the investment in the Nominated Projects & Assets or the Fair Market Value of the Nominated Projects & Assets at the time of issuance?		DR I	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	DNV GL notes that the A2-G, B-G and C-G Notes tranche asset pool value (AUD 121.2 million) exceeds the value of the bond amount outstanding (A2-G AUD 54.9 million and B-G AUD 19.2 million and C-G 16.8 million, combined at value AUD 90.9 million) at the time of Post Issuance Verification.	OK
<b>6 Non-Contamination</b>					
<b>6.1 The Net Proceeds of the bond shall be credited to a sub-account, moved to a sub-portfolio or otherwise identified by the Issuer in an appropriate manner, and attested to by a formal internal process that is linked to the Issuer's lending and investment operations for Nominated Projects &amp; Assets.</b>					
6.1.1 What procedures are in place to demonstrate that the proceeds of a climate bond have been allocated to the nominated projects attested to by a formal internal process that is linked to the Issuer's lending and investment operations for Nominated Projects & Assets?		DR I		FLEXI has defined the formal internal process for the management of proceeds within the FLEXI Green Bond Framework. This procedure has nominated with pool of assets and the management of proceeds to ensure non-contamination through the use of tracking and reporting procedures as verified by DNV GL.	OK
<b>6.2. While the bond remains outstanding, the balance of the tracked proceeds shall be periodically reduced by amounts matching eligible investments or loan disbursements made during that period. Pending such investments or disbursements to Nominated Projects &amp; Assets, the balance of unallocated proceeds shall be held in temporary investment instruments that are:</b>					
6.1.1 Cash, or cash equivalent instruments, within a Treasury function?		DR I	<input type="checkbox"/> Yes <input type="checkbox"/> No	DNV GL has verified as per the FLEXI Green Bond Framework that a process has been developed and implemented to ensure that the pool of projects will be replenished in the event of a Force Majeure event.	OK

MoV = Means of Verification, DR= Document Review, I= Interview, CC= Cross-Checking

Checklist Question	Ref	MoV	Assessment Checks	Draft Concl.	Final Concl.
6.2.2. Not temporary investments that include greenhouse gas intensive projects which are inconsistent with the delivery of a Low-Carbon Economy?		DR I	<input type="checkbox"/> Yes <input type="checkbox"/> No	NA	OK
6.2.3 Conform to the types of temporary investment instruments set out in the Bond's Disclosure Documentation under Clause 2.1.2?		DR I	<input type="checkbox"/> Yes <input type="checkbox"/> No	NA	OK
<b>6.3 In the case of a Force Majeure, the Issuer may apply to the Climate Bond Standards Board for an extension to the asset allocation period to a maximum of two years. During the extension period the balance of unallocated proceeds shall be deemed to be conforming with Clause 4.2.</b>					
3.5.1 Has a process been defined with which replacement projects will be identified in the event that 'force majeure' causes the loss of a project from the bond?		DR I	<input checked="" type="checkbox"/> Yes, a process has already been defined <input type="checkbox"/> A process has not yet been formally defined but the issue is recognised and not yet considered relevant <input type="checkbox"/> No	DNV GL has verified as per the FLEXI Green Bond Framework that a process has been developed and implemented to ensure that the pool of projects will be replenished in the event of a Force Majeure event.	OK
3.5.2 Has there been a 'force majeure' loss of a project?		DR I	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	DNV GL did not identify any evidence or information to suggest that a force majeure event had occurred. No such event was reported by the issuer.	OK
3.5.3 If there has been a 'force majeure' loss of a project is there regular monitoring to ensure it is replaced within the (current) two year period.		DR I	<input type="checkbox"/> Yes <input type="checkbox"/> No	NA	OK
3.5.4 Have any 'force majeure' project losses been replaced within the two year period?		DR I	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	NA	OK
<b>7 Confidentiality</b>					
<b>7.1 Information about the Nominated Projects &amp; Assets shall be provided to the Verifier and to the Climate Bond Standards Board.</b>					
7.1.1 Has sufficient information about the nominated projects and assets been provided to the verifier and Climate Bond Standards Board?		DR I	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	DNV GL was provided with sufficiently detailed information on the loans, documentation, internal procedures and structure associated with the FLEXI Climate Bond to perform the assurance engagement in line with the Climate Bond Standard and ISEA 3000.	OK
<b>7.2 The Issuer should disclose information about the bond and the Nominated Projects &amp; Assets to the market.</b>					
7.2.2 How has the issuer disclosed or planned to disclose information about the bond and nominated projects or assets to		DR I		The issuer has defined a set of reporting procedures within the FLEXI Green Bond Framework including the publication and disclosure of information on the bond to the market. FLEXI has at the time of Post Issuance reported on the	OK

Checklist Question	Ref	MoV	Assessment Checks	Draft Concl.	Final Concl.
the market?				status of the Climate Bond via the FLEXI website, including the Pre Issuance Verification Opinion.	
<b>8 Reporting</b>					
<b>8.1. The Issuer shall provide to bond holders and to the Climate Bond Standards Secretariat at least annually a report containing the list of Nominated Projects &amp; Assets to which proceeds of the bond have been allocated (or reallocated). The report shall include a brief description of the projects and the amounts disbursed, as well as the expected environmental objectives of the Nominated Projects &amp; Assets.</b>					
8.1 Has the issuer reported or put in place procedures to enable the annual reporting of the projects and the amounts disbursed, as well as the expected environmental objectives of the Nominated Projects & Assets?	/1/ /2/ /3/ /4/ /8/	DR I	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<p>Through the public release of annual verification reports, Flexi plans to report on:</p> <ul style="list-style-type: none"> <li>• Net proceeds raised from each Flexi Green ABS Note;</li> <li>• Aggregate of Flexi Green ABS proceeds allocated against each of the Flexi Green ABS eligible categories;</li> <li>• A description of each eligible asset category included within the Flexi Green ABS eligible portfolio/s;</li> <li>• Where available, qualitative and quantitative performance measures of the environmental objectives of the assets within the Flexi Green ABS eligible portfolio;</li> <li>• Any unallocated Flexi Green ABS proceeds;</li> <li>• Confirmation that the Use of Proceeds of each Flexi Green ABS Note is in compliance with the FlexiGroup Green Bond Framework;</li> </ul> <p>In addition the Trustee (Perpetual Corporate Trust Ltd) 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 including repayment of P&amp;I and balances outstanding against each Note (including the Flexi Green ABS Notes) in accordance with the principal and interest repayment waterfalls as defined within the contractual documentation. FlexiGroup expects to provide reporting on the underlying Solar PV receivables linked to each Flexi Green ABS Note, including current balances and numbers of customer contracts.</p>	OK
8.1.1 Has the issuer used qualitative performance indicators and, where feasible, quantitative performance measures of the environmental objectives of the Nominated Projects & Assets or put in place procedures to facilitate this?	/1/ /2/ /3/ /4/ /8/	DR I	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<p>The environmental objective of financing the loans for solar PV and solar hot water systems has been implied by the Issuer as the generation of renewable energy.</p> <p>As the performance of individual Solar PV and solar hot water systems upon installation is related to confidential private information, the issuer is instead reporting upon the number of loans issued and thus the number of systems installed.</p>	OK
8.1.2 Has the issuer disclosed the methods and the key underlying assumptions used in preparation of the performance indicators	/1/ /2/ /3/	DR I	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	As the reporting is limited to the number of installed systems (related to the number of loans issued, the method is a simple count of the loans constituting	OK

Checklist Question	Ref	MoV	Assessment Checks	Draft Concl.	Final Concl.
and metrics or put in place procedures to facilitate this?	/4/ /8/			the Bond.	
8.1.3 Where confidentiality agreements or competition issues limit the amount of detail that can be made available about specific Nominated Projects & Assets, will information be presented in at least the broad project categories, as listed in Clause 9.1 of the Climate Bond Standard, which the Nominated Projects & Assets fall into?	/1/ /2/ /3/ /4/ /8/	DR I	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	The issuer will be reporting the category as Solar PV and solar hot water systems and the number of underlying loans / systems installed within the Bond.	OK

## Part B: Low Carbon Contribution

### 9 Eligible projects and physical assets

Projects and physical assets will be eligible for Certification if they directly contribute to:

- developing "low carbon" industries, technologies and practices that achieve resource efficiency consistent with avoiding dangerous climate change.
- essential adaptation to the consequences of climate change.

For a bond to be certified as a Climate Bond, the funds raised under it must be used to finance or re-finance eligible projects or assets.

**Nominated Projects & Assets, as identified by the Issuer under Clauses 1.3 and 4.2, shall fall into one or more of the approved categories.**

CHECKLIST QUESTION	Ref	MoV	Assessment Checks	Draft Concl.	Final Concl.
9.1.1.5 Does the nominated project fall within the assigned category for Solar Energy Generation?	/1/ /2/ /3/ /4/ /5/ /8/	DR I		As described in the Term Sheet and reviewed in the Flexi Group Green Bond Framework and associated loan sample documentation, the nominated projects and assets being financed by the Flexi Green Bond, fall into the Solar Energy Generation Category.  Specifically, this includes: - Solar PV and solar hot water systems.	OK
<b>Does supporting documentation confirm that the Bond relates to an eligible project?</b>					
9.1.1.5.1 Can it be confirmed, by reference to external information sources, that the assets and projects referred to are of the approved type?	/1/ /2/ /3/ /4/ /5/ /8/	DR I		The information provided by Flexi was verified to relate directly to the sale and installation of Solar PV and solar hot water assets in all cases.  DNV GL used Google earth, as a freely available GIS platform in the public domain to locate aerial photography and street view data for the address details associated with the original loan documentation for a sample of loans.  DNV GL notes there are some limitations to this approach as some of the more recent loans may not have the systems installed and the available imagery on Google Earth varies from location to location (especially in rural areas).  Despite this, DNV GL was able to locate and verify Solar PV and solar hot water installations for across the tested sample where data was available. DNV considers this to be an acceptable result in conjunction with the original documentation for each loan being available and verified.	OK
<b>Does supporting documentation confirm that the Bond relates to an eligible project?</b>					
9.1.1.5.2 Does supporting documentation for individual loans confirm that the loan relates to an eligible project?	/1/ /2/ /3/ /4/ /5/ /8/	DR I	<input type="checkbox"/> Technical due diligence report confirms loan is for an eligible project <input type="checkbox"/> Technical specifications confirms loan is for an eligible project <input type="checkbox"/> There is evidence that the projects have been visited either as part of the due	DNV GL verified the supporting loan documentation for a sample installations, the purchase numbers associated with this sample have been listed in the reference section of this report.  In each case DNV GL was able to verify that the loan documentation and supplier details confirmed that the loan was for a solar PV and solar hot water systems as per the nomenclature used by Flexi's subsidiary Certegy and that the merchant providing the system was a supplier of Solar PV systems.	OK



			diligence process or subsequently <input checked="" type="checkbox"/> Not applicable		
<b>10 Technical Criteria</b>					
<b>For the physical assets listed below to qualify for Climate Bond certification, they must comply with specific technical criteria.</b>					
No further technical criteria is available.					

## Part C: Requirements for Specific Bond Types

This Part sets out Clauses specific to certain bond-types.

### C Bond-type

Corporate bonds are defined as a general obligation debt security issued by a corporation or other legal entity, whose credit is not tied to any specific Nominated Project(s) or asset(s). In the case of certified Corporate Climate Bonds, the bonds are verifiably linked to eligible physical assets or to a pool of loans to eligible physical assets. This is in order to verify the low carbon claims of the Corporate Climate Bond. For credit purposes, the bond retains the corporate bond rating of the issuer.

Portfolio bonds are defined as a debt security of a securitization vehicle that contains a pool of loans each of which qualifies as a Nominated Project or contains a pool of equity interests in Nominated Projects.

Project Development Bonds are defined as a debt security issued by a project development company or by the parent of a project development company that is issued to finance specific Nominated Projects on a non-recourse or limited recourse basis.

C.1.1.1 What is the bond type?	/1/ /2/ /3/	DR I	<input type="checkbox"/> Use of Proceeds Bond <input type="checkbox"/> Use of Proceeds Revenue Bond <input type="checkbox"/> Project Bonds <input checked="" type="checkbox"/> Securitized Bonds	The proposed issuances are designated green tranches of an ABS. Specifically these include the A2-G tranche, B-G and C-G tranches.	OK
<b>11 Project Holding</b>					
C.11.1 How has/will the Issuer of the bond shall continue to hold Nominated Projects & Assets which have Fair Market Value at least equal to the original principal amount of the bond at the time of issuance?	/1/ /2/ /3/	DR I		As per the Flexi Green Bond Framework and the Asset Pool Summary sheet, the issuer has included a 33% surplus of loans to facilitate the early pay back of some loans. DNV GL considers this to be sufficient and reasonable in this case.	OK
<b>12 Settlement Period</b>					
C.12.1 Has the issuer demonstrated the distribution of the Proceeds to the nominated projects and assets at Post Issuance Verification?				FLEXI at the time of Post Issuance Verification had fully allocated the proceeds of the bond to the nominated projects and assets as proposed in the FLEXI Green Bond Framework. DNV GL confirmed this through review of the Balance after distribution as at June 2019.	OK
C.12.1.1 If not, how has the issuer arranged to allow the distribution of the Proceeds to nominated projects and assets within 24 months?				NA	OK
C.12.1.2 Is the issuer proposing to hold any remaining Proceeds for more than 24 months before distributing to nominated projects and assets?				NA	OK
<b>13 Earmarking</b>					
C.13.1 How has the Issuer proposed to maintain the earmarking process to manage and account for funding to the Nominated Projects & Assets as disclosed under Clauses 2.1 and 2.1.3?	/1/ /2/ /3/			The bond proceeds are proposed to be fully and immediately allocated to the nominated projects and assets listed within the homogenous pool of Solar PV and solar hot water projects.	OK

