
CLIMATE BOND FRAMEWORK

Firstmac Limited

17 May 2024



Contents

1. Firstmac Limited – Company Background	2
2. Climate Bond Rationale.....	3
3. Climate Bond Framework	4
3.1. Use of Proceeds	4
3.2. Project Evaluation and Selection Process	4
3.3. Management of Proceeds.....	4
3.4. Reporting.....	5

1. Firstmac Limited – Company Background

Firstmac is a Non-ADI Financial Institution that 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. As of 30 April 2024, Firstmac services a customer base of 37,500 home loan borrowers domiciled in all states and territories and manages a loan portfolio of approximately \$15billion.

Firstmac is one of the leading RMBS (Residential Mortgage Backed Securities) issuers in Australia, having issued approximately \$46 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 5,000 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 including the use of price signalling.

2. Climate 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 Climate Bond programme is to finance residential structures that have solar panels installed and are 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 Climate 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 Climate 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 efficient 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 Climate 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 Climate Bond Framework is put in place, thus supporting the Paris Agreement objectives.

3. Climate Bond Framework

For the purpose of issuing Climate Bond(s), Firstmac has developed this framework which addresses the four key core components of the Climate Bonds Standard Principles April 2023 (Version 4.0): Use of Proceeds, Project Evaluation and Selection Process, Management of Proceeds, and Reporting.

3.1. Use of Proceeds

The proceeds of Firstmac's Climate Bond issuance will be allocated towards the financing or refinancing of assets which comply with the Nominated Projects and Assets Eligibility Criteria.

Nominated Projects & Assets Eligibility Criteria: Mortgage loans to finance or refinance new or existing residential real estate that comply with the Climate Bonds Standard Sector Criteria, in particular the *Rooftop Solar Proxy* ("CBI Compliant Receivables").

At issuance, the Invested Amount of the Climate Bonds will be less than the value of the CBI Compliant Receivables.

3.2. Project Evaluation and Selection Process

Members of Firstmac's Finance and Treasury Department ("Advisory Group") are responsible for evaluating and selecting mortgages used in Climate Bond issuance to ensure compliance with Nominated Projects & Assets Eligibility Criteria set out in *Section 3.1. Use of Proceeds*. Firstmac have also compiled the CBI Compliant Mortgage Criteria which documents Firstmac's process to identify CBI Compliant Receivables. The Advisory Group is overseen by Firstmac's CFO.

3.3. Management of Proceeds

At issuance, the value of the Climate Bonds will be less than the value of the CBI Compliant Receivables – therefore Firstmac does not expect there to be any unallocated proceeds from the issuance of the Climate Bond. Over the life of the Climate Bond, Firstmac will track the value of the Climate Bonds and the value of the CBI Compliant Receivables.

To minimise the risk of the value of the Climate Bond exceeding the value of the CBI Compliant Receivables, Firstmac will structure transactions so that:

- (i) As at the Cut-Off Date, the aggregate Invested Amount of the Climate Bond will be less than the book value of the CBI Compliant Receivables; and

- (ii) The Climate Bond will receive repayments at a rate higher than the expected repayment rate on the underlying receivables.

If, at any time after the Closing Date, the aggregate Invested Amount of the Climate Bond is more than the value of the CBI Compliant Receivables, a Declassification Event will occur.

Similar to the Project Evaluation and Selection Process, the Advisory Group is responsible for management of the proceeds, and will track the CBI Compliant Receivables to monitor their continued compliance through the life of the bond.

3.4. 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 CBI Compliant Receivables 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 Reports to reaffirm conformance with the Climate Bonds Standard while the Climate Bond remains outstanding. The Update Report will include:

1. **Allocation reporting** confirming the value of the Climate Bond is less than the value of the CBI Compliant Receivables;
2. **Eligibility reporting** confirming the characteristics of CBI Compliant Receivables to demonstrate their eligibility under the CBI *Rooftop Solar Proxy*; and
3. **Impact reporting** disclosing the metrics or indicators which reflect the expected or actual impact of CBI Compliant Receivables.