



Social Bond Annual Review

Sustainability Bond Allocation and Impact Report 2024

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# **Pepper Money Limited**

**CY2024 Social Bond  
Annual Review-  
Sustainability Bond**

**Allocation and Impact  
Report**

# Pepper Money's approach to Sustainability

Pepper Money continues to embed ESG considerations into our strategy, risk and business management practices. Pepper Money strives to have a positive impact for our customers, shareholders, employees, and the communities in which we operate.

Pepper Money's approach to ESG aligns with our mission to "help people succeed" by supporting their financial needs, through our focus on providing innovative home loan and asset finance solutions to customers who are typically underserved by traditional lenders.

Our approach to ESG is closely linked to our strategy and purpose. Pepper Money recognises that embedding good corporate governance and lending responsibly are fundamental to our ability to manage ESG risks and opportunities in our operating environment and is crucial to the achievement of our strategy and purpose.

Our ability to deliver on our ESG commitment requires the Company to have the right skills, and we seek to build these through ongoing development of our core competencies, which are underpinned by our commitment to deliver the best outcomes for our stakeholders.

We strive to ensure that our mission, values, our competencies work together to support us on the journey to be a sustainable business..



### Engaging the right people

We ensure we recruit people that fit the values and culture of Pepper Money. Alongside this, we use best practice processes to ensure we hire the skills and competencies required for our roles.



### Being smart about risk

We treat all our financial activities in the same way – whether for customers or our business – with care and diligence and within an ethical risk management framework. Expertise in risk management is one of Pepper Money’s defining characteristics.



### Teamwork

Great ideas and innovation are not the result of individual endeavours. They come from groups whose diverse experiences and thinking come together in harmony. Bringing these fresh ideas to life requires exceptional skills and teamwork, trusting each other’s abilities, a deep commitment to delivering on your part, always taking our passes, covering each other’s moves and respecting the ongoing learning that comes from feedback.



### Understanding our customers

We work hard to establish relationships where our customers help us keep it real – giving us honest feedback on how we are doing for them and calling it out if we need to improve. When we perform research, we make sure we are asking the right questions and actively listening to and understanding the needs and drivers behind the answers.



### Finding win-win outcomes

We excel at problem solving – cultivating techniques and situations that will help us see things in fresh ways and learn new things. Our focus is on setting people up to succeed. This demands outcomes that serve diverse stakeholder interests with integrity, transparency and decency.



### Creating the right environment

We live the values that create our culture. They are embedded in everything we do. We work to create the conditions for people to succeed by making sure our people know what Pepper Money stands for and the role of their contribution to our mission. Pepper Money takes responsibility and encourages feedback. We are honest if we need to step up and celebrate when we are doing well. Ours is a world of opportunities, support and continuous learning where even facing serious challenges we never lose our ability to be positive.

# Pepper Money's Social Bond Annual Review

Pepper Money has developed a **Social Bond Framework** to issue Social Bonds. This Framework is aligned to the International Capital Market Associations' Social Bond Principles (SBP).

Pepper Money undertook its first Social Bond for A\$300 million 1 June 2022 - reinforcing one of the fundamental principles of our business, which is to drive financial inclusion through innovation and to seek to lead the industry in making a positive contribution to society.

This report marks Pepper Money's second **Annual Review** of its Social Bond. Pepper Money considered both the ICMA's Harmonized Framework for Sustainability Bond Allocation and Impact Reporting, and the 2023 edition of the Voluntary Process Guidelines for Issuing Social Bonds published by ICMA when undertaking the Annual Review. Additionally, Pepper Money referenced the illustrative impact indicators categorised in its own Social Bond Framework April 2022. This report also aligns the specific social categories with the United Nations Sustainable Development Goals (UN SDGs).

This **Social Bond Annual Review- Sustainability Bond Allocation and Impact Report** should be read in conjunction with Pepper Money's Corporate Governance Statement and Remuneration Report, contained within our Annual Report and Sustainability Report which can be found at:

[www.peppermoney.com.au/about/shareholders](http://www.peppermoney.com.au/about/shareholders)



# Allocation Report

Pepper Money has been built on discovering new ways to finance ambition with a mission to “**help people succeed**”. Pepper Money has built strong foundations of supporting the community, embedding good corporate governance, and lending responsibly to our customers.

## Use of Proceeds

Pepper Money utilised the net proceeds from Pepper Social Trust No.1 issuance to fund the acquisition of pre- existing owner-occupied mortgage loans originated by Pepper Homeloans Limited, specifically targeting underserved borrowers. Pepper Money committed to a maximum amount of each loan in the pool, which was A\$1.25m at issuance.

The Pepper Social Trust No. 1 was a closed pool of mortgage loans which were chosen in adherence to our predefined eligibility criteria and the 4 core aspects, including:

1. the use of proceed;
2. project evaluation and selection process;
3. management of proceed, and
4. reporting.

as stipulated in the Social Bond Framework dated April 2022.

The validity and alignment of this Framework were verified by ISS ESG, who provided a Second Party Opinion on 19 May 2022, in accordance with the Social Bond Principles (SBP).

The initial A\$300.0m proceeds raised from issuance of the Pepper Social Trust No.1 notes have been fully allocated to eligible project and remains eligible. The notes will be paid down based on the cash flows generated by the pool of residential mortgage loans and there will be no additional notes issued in the closed pool.

Characteristics of the Pepper Social Trust No. 1 as summarised below:

## Characteristics Pepper Social Trust No. 1

	Class A1-s Notes	Class A1-a Notes	Class A2 Notes	Class B Notes	Class C Notes	Class D Notes	Class E Notes	Class F Notes	Class G1 Notes	Class G2 Notes
Denomination	AUD	AUD	AUD	AUD	AUD	AUD	AUD	AUD	AUD	AUD
Aggregate Initial Invested Amount	AUD80,000,000	AUD145,000,000	AUD43,200,000	AUD11,100,000	AUD7,500,000	AUD5,400,000	AUD2,400,000	AUD2,400,000	AUD1,500,000	AUD1,500,000
% of the total Aggregate Initial Invested Amount of all Offered Notes and Class G Notes	26.67%	48.33%	14.40%	3.70%	2.50%	1.80%	0.80%	0.80%	0.50%	0.50%
Issue price	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Interest frequency	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly
Interest Payment Dates	The 24 <sup>th</sup> day of each calendar month provided that the first Payment Date occurs on 25 July 2022 (subject to the Business Day Convention)	The 24 <sup>th</sup> day of each calendar month provided that the first Payment Date occurs on 25 July 2022 (subject to the Business Day Convention)	The 24 <sup>th</sup> day of each calendar month provided that the first Payment Date occurs on 25 July 2022 (subject to the Business Day Convention)	The 24 <sup>th</sup> day of each calendar month provided that the first Payment Date occurs on 25 July 2022 (subject to the Business Day Convention)	The 24 <sup>th</sup> day of each calendar month provided that the first Payment Date occurs on 25 July 2022 (subject to the Business Day Convention)	The 24 <sup>th</sup> day of each calendar month provided that the first Payment Date occurs on 25 July 2022 (subject to the Business Day Convention)	The 24 <sup>th</sup> day of each calendar month provided that the first Payment Date occurs on 25 July 2022 (subject to the Business Day Convention)	The 24 <sup>th</sup> day of each calendar month provided that the first Payment Date occurs on 25 July 2022 (subject to the Business Day Convention)	The 24 <sup>th</sup> day of each calendar month provided that the first Payment Date occurs on 25 July 2022 (subject to the Business Day Convention)	The 24 <sup>th</sup> day of each calendar month provided that the first Payment Date occurs on 25 July 2022 (subject to the Business Day Convention)
Interest Rate	Bank Bill Rate (1 month) + Note Margin	Bank Bill Rate (1 month) + Note Margin	Bank Bill Rate (1 month) + Note Margin	Bank Bill Rate (1 month) + Note Margin	Bank Bill Rate (1 month) + Note Margin	Bank Bill Rate (1 month) + Note Margin	Bank Bill Rate (1 month) + Note Margin	Bank Bill Rate (1 month) + Note Margin	Bank Bill Rate (1 month) + Note Margin	Bank Bill Rate (1 month) + Note Margin
Note Margin	1.00%	1.60%	2.15%	2.50%	2.75%	3.15%	5.15%	7.15%	As notified by the Trust Manager to the Trustee on or prior to the Closing Date	As notified by the Trust Manager to the Trustee on or prior to the Closing Date
Day count	Actual/365	Actual/365	Actual/365	Actual/365	Actual/365	Actual/365	Actual/365	Actual/365	Actual/365	Actual/365
S&P	AAA(sf)	AAA(sf)	AAA(sf)	AA(sf)	A(sf)	BBB(sf)	BB(sf)	B+(sf)	Not rated	Not rated
Maturity Date	September 2063	September 2063	September 2063	September 2063	September 2063	September 2063	September 2063	September 2063	September 2063	September 2063
Governing law	New South Wales	New South Wales	New South Wales	New South Wales	New South Wales	New South Wales	New South Wales	New South Wales	New South Wales	New South Wales
Clearance	Austraclear / Euroclear / Clearstream, Luxembourg	Austraclear / Euroclear / Clearstream, Luxembourg	Austraclear / Euroclear / Clearstream, Luxembourg	Austraclear / Euroclear / Clearstream, Luxembourg	Austraclear / Euroclear / Clearstream, Luxembourg	Austraclear / Euroclear / Clearstream, Luxembourg	Austraclear / Euroclear / Clearstream, Luxembourg	Austraclear / Euroclear / Clearstream, Luxembourg	Not applicable	Not applicable
ISIN	AU3FN0068565	AU3FN0068573	AU3FN0068581	AU3FN0068599	AU3FN0068607	AU3FN0068615	AU3FN0068623	AU3FN0068631	Not applicable	Not applicable
Common Code	247782770	247782788	247782796	247782800	247782818	247782826	247782834	247782842	Not applicable	Not applicable

The issuance of Pepper Social Trust No. 1 has provided **668 underserved borrowers** to realise their dream of home ownership. The initiative has facilitated loans totaling A\$275.0m for Non-Conforming (NC) borrowers – those borrowers with complex income situation, credit impairments or previous bankruptcies<sup>1</sup>, encompassing both Full Documentations and Alternative Documentation Loans. Additionally, Prime loans amounting to A\$24.9 million have also been extended through this project to borrowers with complex income situation.

### At issuance cut-off date: 31 March 2022

Eligible Assets	Non Conforming Loans		Prime Loans	Social Notes Subscribed
	Owner Occupied Complex income situation Credit Impaired or prior bankruptcy Full Doc	Owner Occupied Complex income situation Credit Impaired or prior bankruptcy Alt Doc	Owner Occupied Complex income situation Credit Impaired or prior bankruptcy Alt Doc	
	A	B	C	
<b>\$299,999,874</b>	<b>\$140,248,882</b>	<b>\$134,836,823</b>	<b>\$24,914,169</b>	<b>in AUD equivalent \$300,000,000</b>

<sup>1</sup> Complex income situation refers to underserved and undervalued population, typically made up of applicants with complex income situations such as self-employed (i.e. sole traders operating under an Australian Business Number) who are unable to provide the necessary financial information (e.g. tax returns or a minimum of two years' worth of financial statements) for income verification purposes traditionally required by banks in Australia.

Credit impairments refers to a situation where an applicant has a less-than-ideal credit history or credit score, applicant who fail to qualify for a major bank product due to minor issues or applicant who have suffered a life event resulting in a significant credit event or have a limited history of self-employment.

Bankruptcy is a legal status that indicates an applicant is unable to repay their debts and has been formally declared bankrupt by a court. Pepper undertakes extensive credit checks on all applicants and obtains Equifax report for all parties to a loan. Where past bankruptcy has occurred, Equifax report is used to evidence discharge.



Pepper Social Trust No.1 pool characteristics are subject to monthly reporting.

Pepper Money affirms that, as at 30 June 2024, the pool fully satisfies the eligibility criteria established in the Social Bond Framework.

**As of June 30 2023**

Eligible Assets	Non Conforming Loans		Prime Loans	Social Notes Subscribed
	Owner Occupied Complex income situation Credit Impaired or prior bankruptcy Full Doc	Owner Occupied Complex income situation Credit Impaired or prior bankruptcy Alt Doc	Owner Occupied Complex income situation Credit Impaired or prior bankruptcy Alt Doc	
	A	B	C	
<b>\$ \$107,138,998.01</b>	\$ \$52,131,714.89	\$ \$46,812,671.04	\$ \$8,194,612.08	\$ 106,168,342.57

# Impact Report



## UN Sustainable Development Goals

Over the past two decades, spanning from 1999-2000 to 2019-2020, the proportion of Australian households owning their homes, whether with or without a mortgage, has declined from 71% to 66%<sup>2</sup> Pepper Money is committed to fostering positive social impacts among a specific group of Australians who currently face challenges in accessing vital financial services and encounter disparities in asset ownership and control. The primary objective of Pepper Money is to directly tackle the social issue of enabling home ownership for borrowers characterised by intricate income patterns or a history of unfavourable credit. This demographic has been underserved by conventional banks that adhere to specific approaches in their loan processing methods. Pepper Money is adopting a more inclusive approach to the underserved borrowers.

The issuance of Pepper Social Trust No. 1 afforded 668 underserved borrowers with the chance to realise home ownership and continues to assist 271 borrowers as at 30 June 2024, enabling loans amounting to A\$98.9 million for borrowers with complex income situations, credit impairments or past bankruptcies, spanning across both Full Documentation and Non-Conforming (NC) loans. The project also enables Prime loans, with a total extension of A\$8.2m.

On 9 June 2022, Pepper Social Trust No.1 was issued, encompassing eligible assets totaling A\$299.99m. These funds have been allocated to address the housing needs of underserved owner-occupants with complex income scenarios, thereby contributing to a more equitable landscape. The issuance of Pepper Social Trust No. 1 is anticipated to sustain its support for underserved borrowers throughout the duration of the transaction, up to the projected Call Option Date. This date is determined as the earlier of the Payment Date scheduled in May 2027 or the Payment Date when the combined Invested Amount of the Social Notes Outstanding<sup>3</sup> falls below 26% of the total issued Social Notes Subscribed<sup>4</sup>.

At issuance cut-off date: 31 March 2022

Eligible Assets	Non Conforming Loans		Prime Loans	Social Notes Subscribed
	Owner Occupied Complex income situation Credit Impaired or prior bankruptcy Full Doc	Owner Occupied Complex income situation Credit Impaired or prior bankruptcy Alt Doc	Owner Occupied Complex income situation Credit Impaired or prior bankruptcy Alt Doc	
	A	B	C	in AUD equivalent
<b>\$299,999,874</b>	\$140,248,882	\$134,836,823	\$24,914,169	\$300,000,000

<sup>2</sup> Bureau of Statistics (2022) Housing Occupancy and Costs <https://www.abs.gov.au/statistics/people/housing/housing-occupancy-and-costs/2019-20>

<sup>3</sup> Social Notes Outstanding refers to Closing Invested Balance that remains once principal and interest payments have been deducted from the corresponding Opening Invested Balance. For detailed information regarding monthly reports for debt investors, please visit [www.peppermoney.com.au/about/debt-investors](http://www.peppermoney.com.au/about/debt-investors)

<sup>4</sup> Social Notes Subscribed refers to initial A\$300.0m issuance notes of Pepper Social Trust No. 1. For detailed information regarding monthly reports for debt investors, please visit <https://www.peppermoney.com.au/about/debt-investors>

As of June 30 2024

Eligible Assets	Non Conforming Loans		Prime Loans	Social Notes Subscribed
	Owner Occupied Complex income situation Credit Impaired or prior bankruptcy Full Doc	Owner Occupied Complex income situation Credit Impaired or prior bankruptcy Alt Doc	Owner Occupied Complex income situation Credit Impaired or prior bankruptcy Alt Doc	
	A	B	C	
<b>\$ \$107,138,998.01</b>	\$ \$52,131,714.89	\$ \$46,812,671.04	\$ \$8,194,612.08	\$106,168,342.57



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This Social Bond Annual Review may contain forward-looking statements. These forward-looking statements are not statements of historical fact, and instead represent Pepper Money’s and its management’s beliefs regarding future events. Such statements may include, without limitation, the words ‘expect’, ‘estimate’, ‘seek’, ‘may’, ‘aim’, ‘target’, ‘anticipate’ and similar expressions or variations on these expressions, or future or conditional verbs such as ‘should’, ‘would’, ‘could’ or ‘will’. Forward-looking statements are based on current and future expectations and are subject to risks, uncertainty and changes in circumstance which are beyond Pepper Money’s control. Such risks, uncertainties and changes in circumstance are inherent in the running of Pepper Money’s business and it is possible that Pepper Money’s actual results may differ, possibly materially, from expectations indicated in any forward-looking statements.

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This Social Bond Annual Review should not be considered as a recommendation that any investor should subscribe for or purchase any securities, nor as an assessment of the economic performance and/or creditworthiness of the securities. Prospective investors should make their own enquiries for the purposes of determining whether to invest in a Pepper Money Social Bond. It should be noted that there is currently no clearly defined definition (legal, regulatory, or otherwise), nor market consensus, as to what constitutes a “social” or equivalently labelled project. No assurance is given by Pepper Money that the use of such proceeds of a Social Bond will satisfy, in whole or in part, any present or future investor expectations or requirements about any investment criteria or guidelines by which the investor is bound pertaining to “social” projects or otherwise, whether by its own governing rules, investment requirements or by current or future applicable law or regulation.

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