

Green Bond Framework for FlexiGroup Green ABS Notes.

FlexiGroup 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, via term securitisations in the Australian asset backed securitisation (ABS) market.

These solar receivables form part of larger portfolios of consumer receivables originated by Certegy Ezi-Pay Pty Ltd, a wholly owned subsidiary of FlexiGroup Limited.

The first of these transactions was issued in April 2016 via Flexi ABS Trust 2016-1 (with the issuance of the \$50m Class A2-G green ABS Note) which was the sixth securitisation of consumer receivables originated by Certegy Ezi-Pay Pty Ltd. The underlying collateral backing Flexi ABS Trust term securitisations comprise portfolios of consumer receivables for financing home improvement products (including solar PV), jewellery, fitness and other small ticket goods with a maximum term of 50 months.

Flexi ABS Trust green ABS Notes will meet the requirements for certification under the current version of the Climate Bonds Standard (Version 2.1).

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 collateral pool of \$247m of consumer receivables, which included approximately 38% (or \$93 million) of solar consumer receivables for financing of residential solar PV systems and other solar equipment (solar HW, solar air-con, batteries, inverters etc). Of this \$93million approximately 87%, or \$81million, have been 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.

Outstanding Flexi ABS Trust Green ABS Notes (As at 1 March 2018)

Transaction	Green ABS Notes	Issue Amount (A\$m)	Pricing Date	Final Maturity Date	ISIN:
\$260m Flexi ABS Trust 2016-1	Class A2-G	\$50m	21 April 2016	May 2021	AU3FN0031100
\$265m Flexi ABS Trust 2017-1	Class A2-G	\$50m	14 th February 2017	March 2022	AU3FN0034328

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 HW, solar air-con, 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, with assistance from NAB's Corporate Finance team. Guidance and advice will be sought from DNV GL, the independent green bond Verification Agent to be retained by FlexiGroup, and the advisory team at the Climate Bonds Standard as necessary.

FlexiGroup, via their wholly owned subsidiary Certegy Ezi-Pay Pty Ltd, originate, service and monitor the portfolios of consumer solar receivables which are originated via a network of over 400 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 have been 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 transaction (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 HW, solar air-con, batteries, inverters etc).

3. Management of Proceeds

FlexiGroup is an established and reputable Australian (and NZ) consumer and SME financing and leasing company and issuer of ABS backed by portfolios of consumer and commercial receivables. Through their 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 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. These will be tracked and reported via the use of FlexiGroup's monthly Investor reporting.

4. Reporting

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 Flexi Green ABS Note. This DNV GL Verification Report will be updated on an annual basis until repayment of the Flexi Green ABS Notes.

This 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 Flexi 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
- 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 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&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.

5. Assurance.

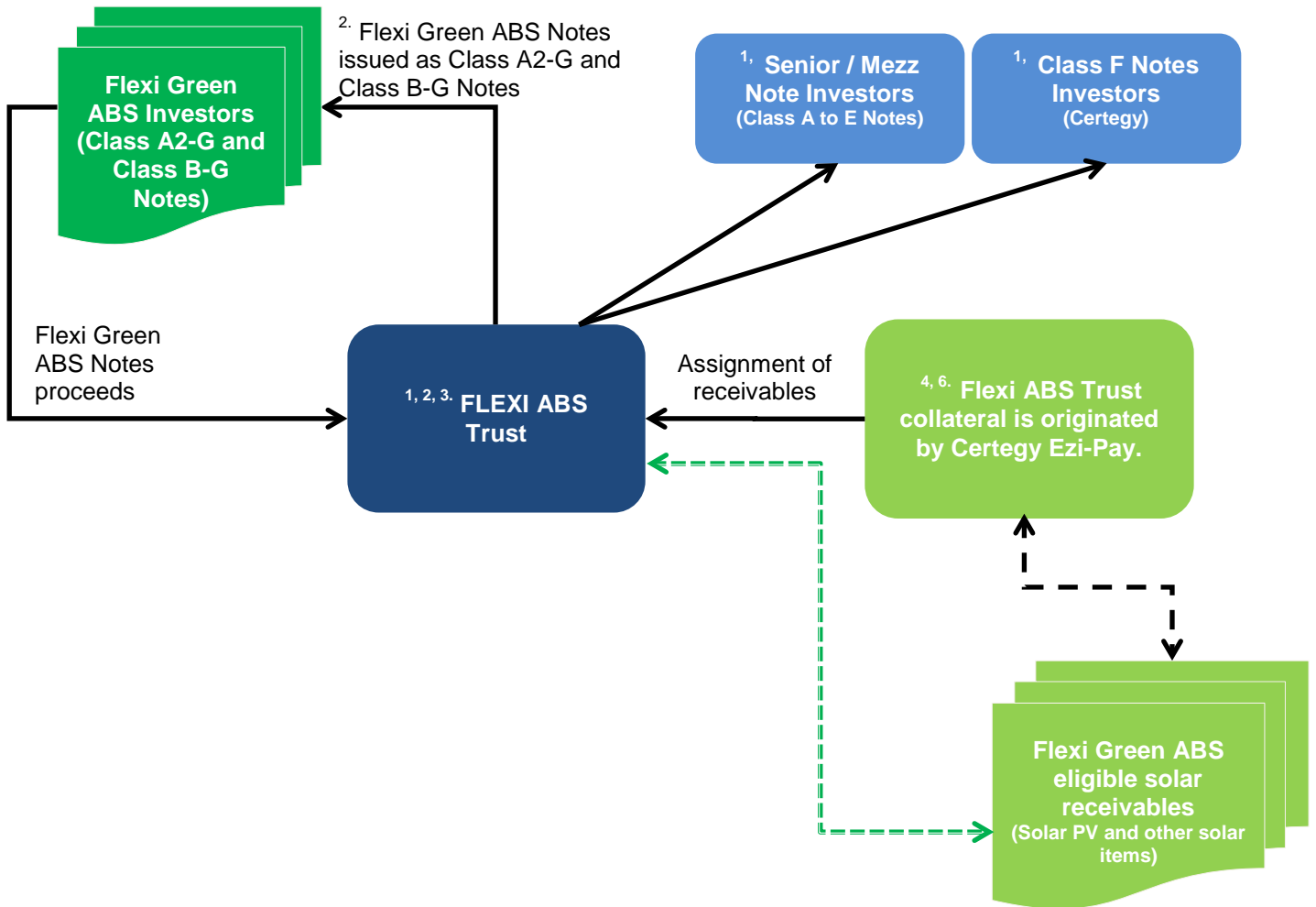
Prior to the issuance of the Flexi Green ABS Notes, FlexiGroup will obtain an independent verification statement from a Climate Bonds Initiative approved Verification Agent confirming that the Green Bond Framework for FlexiGroup Green ABS Notes is in compliance with the requirements of the Climate Bonds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

For each Flexi Green ABS Note, 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 retain 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 A2-G and B-G Notes are Climate Bond Certified “Green Bonds” with proceeds from the issuance used to finance solar energy related assets. An independent verification agent (DNV GL) will verify the Class A2-G and Class B-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 A2-G and Class B-G Notes are earmarked against the outstanding amount of solar receivables; the Class A2-G Notes rank pari passu to the Class A2 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 independent third party verifiers (DNV GL)
5. Flexi ABS Trust securitisations will be collateralised by portfolios of fully amortising Australian dollar consumer receivables