



# peppermoney

Sustainability Report 2022



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# Pepper Money Limited CY2022 Sustainability 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. Pepper Money is on the path to continue to strengthen its **Environmental, Social and Governance (ESG) Framework** to provide a quantifiable guide for our employees and stakeholders on the standards Pepper Money seeks to uphold. We recognise that Pepper Money is operating in an environment of rapidly changing economic conditions, societal shifts in a post-pandemic world, cyber security

uncertainty, digital disruptions and the increasing impacts of climate change. Despite these challenges, we are committed to being a **responsible and sustainable business** that supports our people, customers and communities through our commitment to **financial inclusion**.

The Board and Executives recognise that Pepper Money’s ongoing success and sustainability rests on **understanding and meeting both the current and future expectations** of a range of key stakeholders.

Pepper Money will continue to focus on being a **sustainable** and resilient business which brings long-term value to those around us.

A handwritten signature in black ink, appearing to read 'Therese McGrath'.

**Therese McGrath**  
Chair, Sustainability Committee



# Introduction

The Pepper Money Limited (**Pepper Money**) Sustainability Report outlines how Pepper Money manages sustainability, including the risks and opportunities across the ESG factors identified as material to the business.

This Sustainability Report should be read in conjunction with Pepper Money's Corporate Governance Statement and Remuneration Report, contained within our Annual Report, which can be found at [www.peppermoney.com.au/about/](http://www.peppermoney.com.au/about/)

## Our Approach to Sustainability

Pepper Money defines sustainability as the strategies and activities adopted in relation to its customers, employees, the environment, ethics, and the community. Pepper Money's approach to sustainability aligns with our mission to "help people succeed" by meeting their financial needs, through our focus on providing innovative home loan and asset finance solutions to customers who are being underserved by traditional lenders.

Pepper Money strives to have a positive impact for our customers, shareholders, employees, the communities in which we operate and the environment. Our approach to sustainability 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 sustainability risks and opportunities in our operating environment, and is crucial to

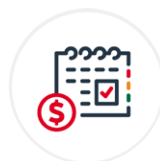
the achievement of our strategy and purpose.

Pepper Money recognises that to have an impactful approach to sustainability we must cultivate the right skills. These are our competencies, the things we constantly work to excel at and outcomes we are committed to making happen. Together with our mission and values, they are the integrated package that makes us a successful and 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 to 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 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 celebratory when we are doing well. Ours is a world of opportunities, support and continuous learning. When facing serious challenges we never lose our ability to be positive.

# Our Stakeholders

Pepper Money recognises the importance of establishing and integrating stakeholder engagement into strategic and operational governance and decision-making processes in relation to sustainability.

Our sustainability strategy is informed by input from our stakeholders, as well as consideration of the external, regulatory environment in which we operate. Pepper Money has engaged with, and will continue to engage with, the following internal and external key stakeholders in further developing our sustainability strategy and initiatives:

Stakeholder	Why they're important to us?
<b>Our Customers</b> 	Customers are at the heart of everything we do at Pepper Money. Our mission is to help people succeed and we do this by focusing on the underserved and undervalued segments. We partner with customers to build long term relationships and enrich communities by providing a range of financial solutions to meet their evolving needs.
<b>Our People</b> 	Our employees are our biggest asset and key to building a strong business.
<b>Our Investors</b> 	Pepper Money's debt and equity investors provide the funds that support our innovative products and initiatives that support our mission to <b>"help people succeed"</b> through financial inclusion.
<b>Industry bodies and associations</b> 	Pepper Money is an active member of a range of industry bodies and associations. Pepper Money strives to work together with industry bodies and associations to provide meaningful input and assistance to our industry.

Stakeholder	Why they're important to us?
<p><b>Regulators and government bodies</b></p> 	<p>Pepper Money recognises the importance of having a trusted and transparent relationship with regulators and government bodies.</p>
<p><b>Suppliers (including brokers, aggregators, consultants)</b></p> 	<p>Having positive and collaborative relationships with our key partners and suppliers allows Pepper Money to share values and support each other to make a positive impact on the environment and society. We seek to ensure that our partners and suppliers align with the values of Pepper Money, and with Pepper Money's Diversity and Inclusion and sustainability requirements.</p>
<p><b>Our Community</b></p> 	<p>Pepper Money, through our community partners, is committed to continuing to find ways to improve the well-being of the wider community within which we operate.</p>

Pepper Money understands that what is **important to our stakeholders** will **change over time** and so will periodically engage stakeholders to reassess the sustainability areas and themes that are important to our business, our people and the community.

# Pepper Money's ESG Focus Areas

Pepper Money's approach to sustainability aligns with our mission. We are focused on creating financial inclusion, by challenging the way loans are designed and distributed. Our values provide the guide to how we do business and how we interact with all our stakeholders.

Our approach is guided by our ESG focus areas that are closely linked to our strategy, mission and purpose, and we recognise that our ability to manage ESG risks and opportunities in our operating environment is critical to the achievement of our strategy and purpose.

## People

We are committed to fostering an environment that supports a safe, healthy, diverse and inclusive workplace where talent thrives.



## Communities

We partner with community-based organisations that share our values of diversity and inclusion and that make a difference in areas of the community.

## Economic Performance

We are committed to responsible business practices. Our system of governance fosters a culture of accountability and creates sustainable long term value for our investors and capital partners.

## Environment

We recognise that making positive changes in how we run our business can reduce our impact on the environment.

In CY2021 and early CY2022 Pepper Money undertook an initial materiality assessment to identify the focus areas where we can have the most meaningful and positive impact for our stakeholders.

In accordance with the Global Reporting Initiative (GRI), Pepper Money engaged with internal and external stakeholders to inform our identification of ESG opportunities and risks that have the most potential to impact our ability to create sustainable value for shareholders and other stakeholders. Strategic risks were considered alongside regulatory developments, peer reviews and industry trends.



FOCUS AREAS	E/S/G	DEFINITION
<b>Customer Wellbeing</b>	<b>S</b> <b>G</b>	We are focused on doing the right thing for our customers, providing innovative and affordable lending solutions that meet their financial needs and reflect responsible lending principles. Our policies and procedures are designed so that customers understand their lending commitments, understand our decisions and pricing, and have access to the right resources and support when they need it.
<b>Responsible Business</b>	<b>G</b>	We are committed to responsible business practices. Our system of governance is designed to foster a culture that values accountability, ethical behaviour and protects our stakeholders' interests at all times. Our code of conduct and our values set the standard of how we do business and interact with our stakeholders.
<b>Climate Risks and Opportunities</b>	<b>E</b>	We recognise that making positive changes in how we run our business can reduce our impact on the environment. We are committed to assisting our customers reduce their impact on the environment by providing finance for the construction of, modification to, or purchase of more energy efficient homes, and clean transportation.
<b>Employee Engagement and Inclusion</b>	<b>S</b>	We recognise the positive outcomes and better overall performance that can be achieved via an engaged and diverse workforce. We are committed to fostering an environment that supports diversity and inclusion whilst maintaining a commitment to high performance culture.
<b>Community Contribution and Investment</b>	<b>S</b>	Aligned with our purpose to help people succeed, Pepper Money recognises the importance of supporting and building resilient communities. We partner with community-based organisations that share our values of diversity and inclusion and that make a difference in areas of the community that are under served by traditional support structures.

# CY2022 Initiatives and Achievements

Over CY2022 the initiatives undertaken, and outcomes achieved under each focus area are set out below:

## Our People



We are committed to fostering an environment that supports a safe, healthy, diverse and inclusive workplace where talent thrives.

**Engagement:** Overall engagement score of **78<sup>1+</sup>**, placing Pepper Money in the top 10% of high performing companies globally.

**Diversity:** Our diversity, equity and inclusion strategy is underpinned by our guiding principles of **Allyship, Celebrate and Educate (ACE)**.

- Our team is 55% female, 45% male
- 40.5% of our Senior Leaders are female

**Inclusion:** Our commitment to promoting an inclusive workplace is demonstrated through feedback from employees in the CY2022 annual Employee Engagement survey.

- Fairness: *“Everybody is treated fairly at Pepper”* – 87th percentile
- Personal Expression: *“People with different ideas are valued at Pepper”* – 86th percentile
- Trust: *“There is an atmosphere of trust at Pepper”* – 93rd percentile

Initiatives that supported our CY2022 strategy include:

- **Investment in our people** through performance management, engagement surveys, annual pay parity reviews, leadership development, and access to other development opportunities through our partnerships with Women in Banking and Finance (**WiBF**) and the Diversity Council Australia.
- **Wellness:** Pepper Money is committed to promoting and maintaining a safe, positive and inclusive culture that supports our employees to succeed. Our CY2022 wellbeing program was focused on increasing on the proactive management of mental health, raising awareness, education, and encouraging open conversations, and included:
  - Mental Health first aid program rolled out, with employees from across the business trained to act as first point of contact for employees experiencing mental health challenges.
  - Mental health training for managers to identify and respond to someone within their team who may have mental health challenges.
  - Continue to promote our Employee Assistance Program.
  - All employees were provided the opportunity to participate in Mental health awareness training for R U OK? Day.

1. Pepper Money Limited CY2022 Employee Engagement Survey conducted by Custom Insights, 5 September – 16 September 2022. Results for Australia and New Zealand. Pepper Manila Employee engagement under the same survey saw response rate more than 90 and a score of 81.

## Our Community



We partner with community-based organisations that share our values of diversity and inclusion and that make a difference in areas of the community.

**Pepper Giving:** is the program that brings to life Pepper Money's community and charitable initiatives. The program is run by a group of passionate employees who volunteer their time to form the Pepper Giving Committee. The Committee is governed by the Pepper Giving policy framework. Pepper Giving is made up of two programs: Big G – the program that sees Pepper Money partner with a charitable organisation to provide support and funding via a large donation, and Small G – the program where employees can apply for a financial contribution to a charity or cause that is important to them. The following support was paid to communities and organisations through our CY2022 Pepper Giving program.

Pepper Giving Support	\$'000
Domestic violence and child protection	\$81.5
Medical support and mental health	\$67.0
Youth support and education	\$50.0
Housing and welfare	\$8.8
Other Small G	\$3.0
<b>Total</b>	<b>\$210.3</b>

**Pepper 'Shout Out':** All over Australia, acts of decency and kindness – small and large – are helping others to succeed in tough times. Pepper Money wanted to recognise the thoughtful, generous Australians who help others, in a way that is designed to connect to our communities. As a result, Pepper Money created the Shout Out campaign to help further the efforts of people making a real-life difference to others across Australia. Over 300 nominations were received and in total 58 awards were provided in CY2022, for people nominated by others in their community. Each award that Pepper Money gave was thoughtfully designed to meet the needs of the person and their situation, by identifying opportunities to extend the work being done, and recognise the person by doing something special that is uniquely suited to them.

## The Environment



We recognise the importance of how making positive changes in how we run the business can reduce our impact on the environment.

**Electric Vehicle:** Pepper Money's commitment to the environment continues to be demonstrated through our leading position in Electric Vehicle (EV) lending. This was recognised by Canstar, with the business awarded the Inaugural Green Excellence Award for our Electric Vehicle loan program. To better support our customers to make the transition to Electric Vehicles, we partnered with Evie Networks to make EVs more affordable by providing them with complementary access to Evie's public fast charging network for up to 12 months (or 2,000 kWh).

**Green Bond:** Pepper Money is actively assisting customers to achieve a lower carbon footprint through the construction and purchase of more energy efficient and low carbon homes, funded via accredited "Green Bonds". Pepper Money's Green Bond framework is based on the *International Capital Market Associations' Green Bond Principles (GBP)*. In CY2022 Pepper Money issued our second Green Bond for \$330 million.

Pepper Money's **Green Bond Framework** is subject to a second party opinion by Sustainalytics and an annual review is undertaken. Since the introduction of the program in 2018, Pepper Money has assisted families by funding properties that have saved 28.4% in CO<sub>2</sub> emissions.

## The Environment



continued

Please refer to: [www.peppermoney.com.au/about/debt-investors](http://www.peppermoney.com.au/about/debt-investors) for Pepper Money's **Green Bond Framework**; the second-part opinion by Sustainalytics on Pepper Money's Green Bond Second-Party Opinion as well as Pepper Money's last Green Bond Annual Review.

**A healthier planet:** For Pepper Money's 21st birthday in CY2021, we committed to a program that supports the future of our local communities and their environment. Working with on the ground experts in Australia, New Zealand, and the Philippines Pepper Money embarked on a program to plant 21 trees for each Pepper Money employee.

Since mid-2021, Pepper Money has commissioned **7 hectares of forest – a total of approximately 16,300 trees**. The trees planted are from wild seeds harvested from the local environment, to ensure they are compatible with conditions, all grown to a size that optimises their ability to thrive when planted.

In the **Philippines 2,500 trees** have been planted with the seedlings coming from community-based nurseries, which in turn is supporting community livelihood incentives.

In **New Zealand, our two-hectare forest** giant programme has seen **2,050 trees** planted to date, with a further, and final, 750 seedling trees for CY2023 commissioned and currently growing in the local nursery for autumn planting.

In **Australia, four hectares of forest**, with between **2,000 and 5,000 stems** in each hectare, or around 10,000 seedlings have been planted. All forests are on covenanted land, protected for 100 years.

Our final nursery project is for indigenous trees in Newcastle, NSW, which will ultimately see about **1,000 additional seedlings delivered**. The native seedlings will be supplied to landholders and local community groups to plant in bushfire affected areas for regeneration.

**By planting the equivalent of seven rugby fields** with native trees and seedlings, this initiative is our way to contribute to a healthier planet and provide a successful future for everyone.

## Our Economic Performance



We are committed to responsible business practices. Our system of governance fosters a culture of accountability and creates sustainable long-term value for our investors and capital partners.

**Social Bond:** 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 \$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.

Pepper Money Social Bond Framework has been subject to a second party opinion by ISS ESG and is subject to an annual review.

Please refer to: [www.peppermoney.com.au/about/debt-investors](http://www.peppermoney.com.au/about/debt-investors) for Pepper Money's Social Bond Framework and the second party opinion by ISS. The first annual review will be undertaken following the first anniversary.

# Pepper Money's Sustainability Governance Framework

Pepper Money is committed to **good governance, transparency, and accountability**. Recognising that embedding good corporate governance and lending responsibly are fundamental to our ability to manage sustainability risks and opportunities and is critical to the achievement of our strategy and purpose.

Our approach to governance is underpinned by the **ASX Corporate Governance Principles and Recommendations**, which promote value creation for our shareholders and support our people, customers and communities in our mission to **"help people succeed"**.

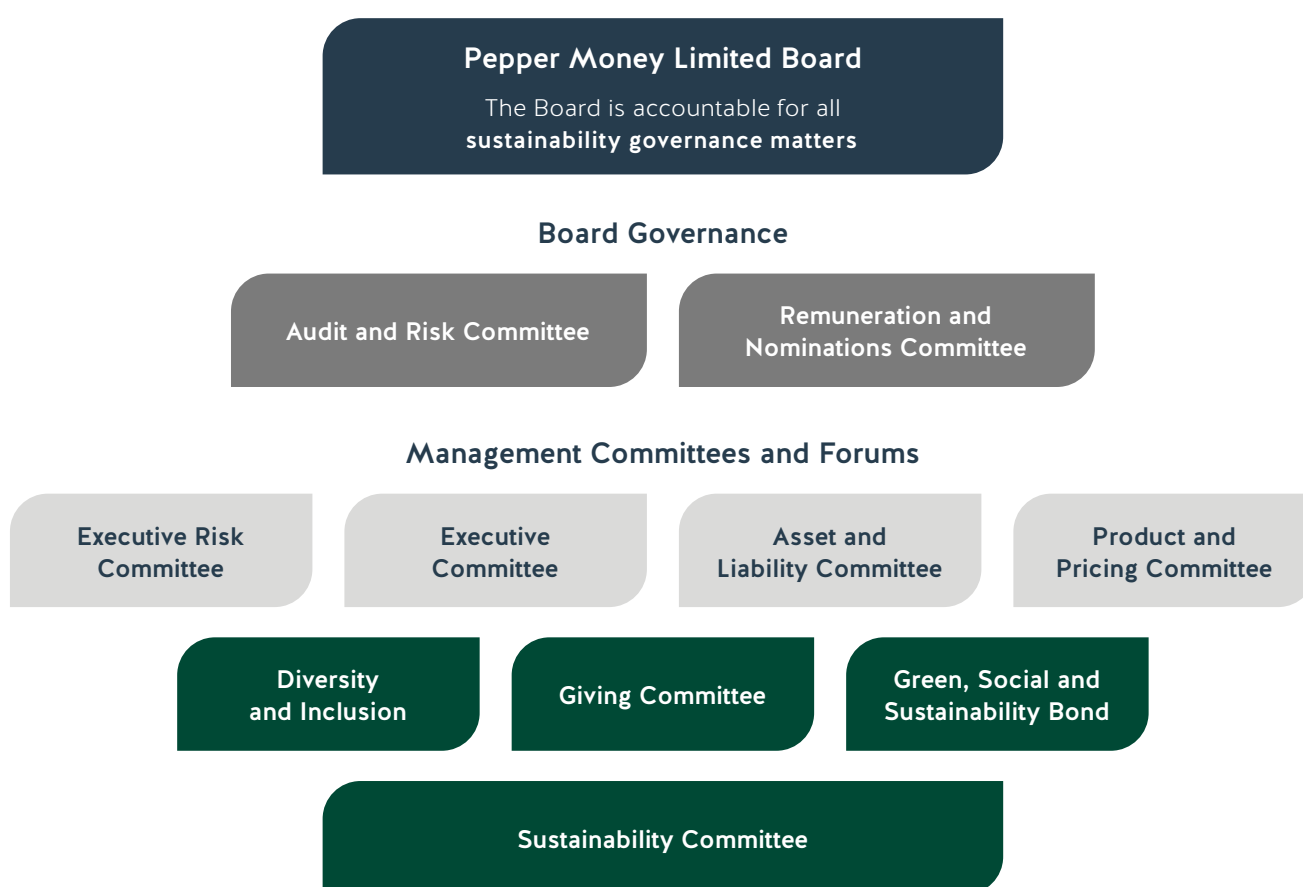
Our **Sustainability Framework** recognises our values-led culture and has been informed by the Materiality Assessment undertaken in line with leading practice from the **Global Reporting Initiative (GRI)'s Universal Standard** (GRI 3: Material Topics 2021).





The composition of our Board, governance committees and executive structure is aligned to our strategy and purpose.

We continue to evolve our existing governance structure to define and assign responsibility across our Sustainability Framework and expand capabilities and capacity.

Over the coming years, we will outline key performance indicators and potential risks and mitigations which we will adopt and use to track performance.

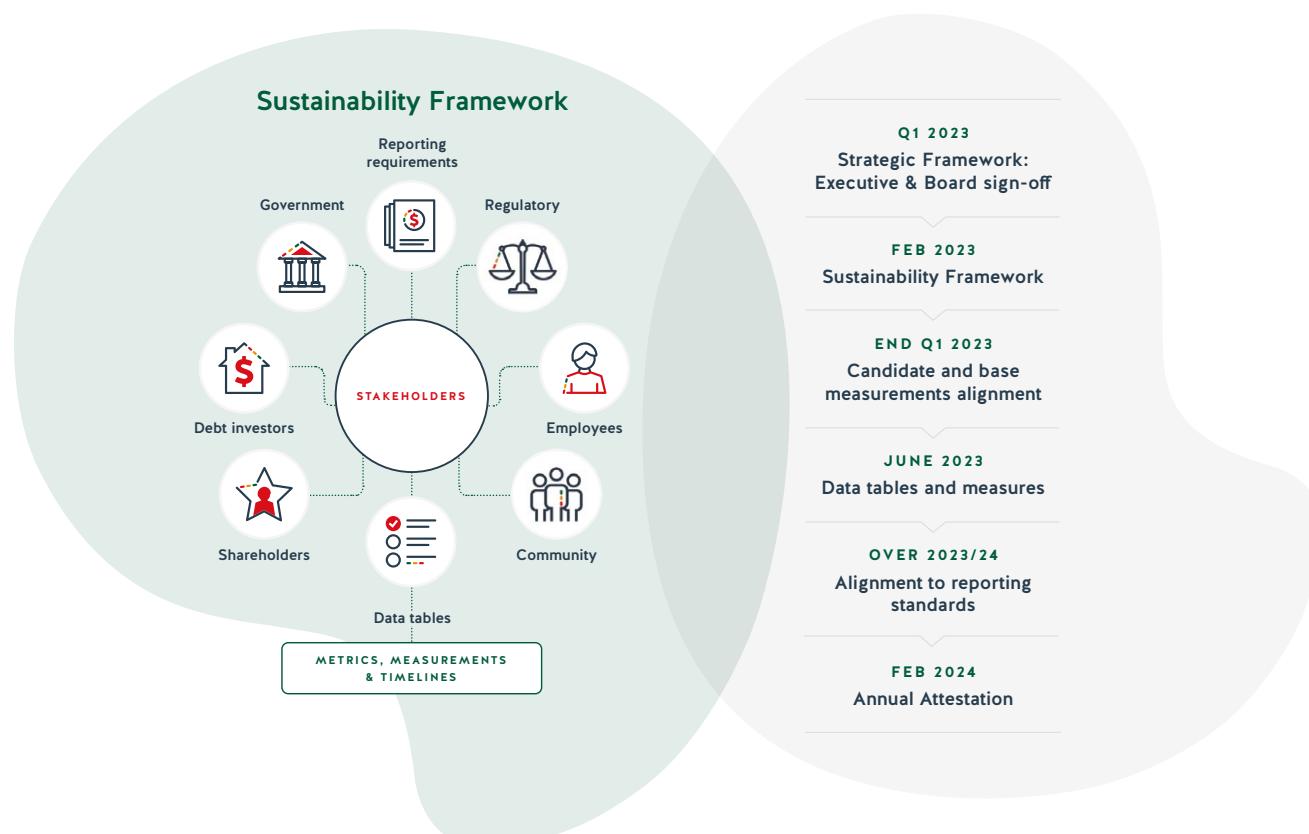
An overview of Pepper Money's current approach to sustainability governance, including key policies is detailed in the diagram below:



ESG Focus Area				
	Our People	Our Economic Performance	Our Community	The Environment
Our Commitment	<p>We are committed to fostering an environment that supports a safe, healthy, diverse and inclusive workplace where talent thrives</p>	<p>We are committed to responsible business practices. Our system of governance fosters a culture of accountability and creates sustainable long-term value for our investors and capital partners</p>	<p>We partner with community-based organisations that share our values of diversity and inclusion and that make a difference in areas of community</p>	<p>We recognise that making positive changes in how we run our business can reduce our impact on the environment</p>
Policy Framework	<ul style="list-style-type: none"> <li>• Code of Conduct</li> <li>• Diversity Policy</li> <li>• Equal Employment Opportunity (EEO), Anti-Discrimination, Harassment and Bullying Policy</li> <li>• Whistle-blower Policy</li> </ul>	<ul style="list-style-type: none"> <li>• Risk Management Framework</li> <li>• Corporate Governance Statement</li> <li>• Modern Slavery Statement</li> <li>• Anti-Bribery and Corruption Policy</li> <li>• Responsible Lending Policy</li> <li>• Procurement Policy</li> <li>• Board and Committee Charters</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Social Responsibility Framework</li> <li>• Social Bond Framework</li> </ul>	<ul style="list-style-type: none"> <li>• Materiality Assessment</li> <li>• Green Bond Framework</li> <li>• Modern Slavery Statement</li> <li>• Corporate Social Responsibility Framework</li> </ul>

# Pepper Money's ESG Outlook (What's next?)

This Sustainability Report provides a snapshot of Pepper Money's ESG performance on matters material to our sustainability strategy and our ability to create and sustain value for our stakeholders into the future. To further this initiative, Pepper Money is in the process of developing our Sustainability Outlook Strategy for CY2023-2027.



## Understanding our stakeholder expectations

Pepper Money understands that the expectations of our stakeholders, including customers, shareholders and regulators is constantly evolving. We also recognise that in the current environment there are a number of dynamics that can impact our approach to sustainability and our strategy. These include evolving regulatory expectations, such as the International Sustainability Standards Board (**ISSB**) Standards, the Sustainability Accounting Standards Board (**SASB**) Standards and the Task Force on Climate-Related Financial Disclosures (**TCFD**) Recommendations and increased customer and shareholder expectations to take meaningful and impactful action.

We propose to approach our sustainability strategy by partnering with purpose with our key stakeholders and understanding their expectations.

## Setting our ESG Strategy and Goals

We have determined the **key Focus Areas for Pepper Money**. These are now being translated into **goals with quantifiable business impacts** that meet our stakeholder expectations with measurable targets and quantifiable key performance indicators (**KPIs**) and metrics. This will involve determining:

- metrics and their baseline to support the key focus areas; and
- how the metrics will be tracked and governance around the data that will be used to track these metrics.

### **Further developing our Sustainability Governance**

The Pepper Money Board, Executives and employees are committed to continuously evolving the Sustainability Framework to reflect the reason why we exist now and into the future. Pepper Money recognises that to continue growing a successful business requires consideration of all our stakeholders and the impact of our business on those stakeholders. We are therefore committed to ensuring our sustainability risks and opportunities are integrated into our purpose, strategic objectives, culture, and values.

We will further refine our strategy to integrate ESG into business decisions and ensure that there is good governance and oversight over Pepper Money's sustainability commitments and initiatives.

### **Continuously communicating our commitment to sustainability**

Currently, reporting of ESG matters is performed on a voluntary basis, which is typically released at or after the Annual Report. However, as reporting standards evolve and the ISSB and Australian Accounting Standards Board (AASB) finalise their consultation, it is anticipated that there will be some form of mandatory reporting in Australia, which will require an alignment between statutory and ESG reporting.

Pepper Money will proactively work towards a dynamic annual reporting strategy in relation to sustainability. This will allow us to develop our sustainability communication strategy in line with evolving requirements.

Pepper Money will continue to focus on transparency and accountability to internal and external stakeholders in relation to Pepper Money's approach to sustainability.

Pepper Money is confident that our people, purpose and values provide the strong backing required to build a sustainable and resilient entity as we strive to deliver our strategic priorities. We are excited for what lies ahead and look forward to fostering effective relationships with our staff, customers, investors and the communities in which we operate in the coming years to bring impactful and positive change.





