

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Social Bond Selection criteria

auxmoney

20 September 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Social Bond
Relevant standards	<ul style="list-style-type: none">• ICMA Social Bond Principles 2021
Scope of verification	<ul style="list-style-type: none">• auxmoney Social Bond Framework (as of 13.09.2021)• auxmoney Selection criteria (as of 13.09.2021)
Lifecycle	<ul style="list-style-type: none">• Pre-issuance verification
Validity	<ul style="list-style-type: none">• Until material changes are made to the Social Bond Framework and Selection Criteria

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Scope of work

auxmoney commissioned ISS ESG to assist with its Social Bond Framework by assessing three core elements to determine the sustainability quality of the instrument:

1. Social Bond Framework link to auxmoney's sustainability strategy – drawing on auxmoney's overall sustainability profile and issuance-specific Use of Proceeds categories.
2. auxmoney's Social Bond Framework (September 2021 version) – benchmarked against the International Capital Market Association's (ICMA) Social Bond Principles (SBPs) (June 2021).
3. The Selection criteria – whether the projects contribute positively to the UN SDGs and perform against ISS ESG's issue-specific key performance indicators (KPIs) (See Annex 2).

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
<p>Part 1:</p> <p>Social Bond link to issuer's sustainability strategy</p>	<p>auxmoney was founded in 2007 as a digital peer-to-peer lending platform for consumer credit in Europe. As of today, loans are mostly funded by institutional investors and auxmoney, in combination with asset-backed facilities from banks. The company is supported by their partner institutions SWK Bank, which oversees loan processing, and flatex Bank, the investment account managing institution.</p> <p>The Use of Proceeds financed through the bonds are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Social Bonds is clearly described by the issuer.</p>	<p>Consistent with issuer's sustainability strategy</p>
<p>Part 2:</p> <p>Alignment with SBPs</p>	<p>The issuer has defined a formal concept for its Social Bond regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Social Bond Principles (June 2021).</p>	<p>Aligned</p>
<p>Part 3:</p> <p>Sustainability quality of the Selection criteria</p>	<p>The overall sustainability quality of the Selection criteria in terms of sustainability benefits, risk avoidance and minimization is good based upon the ISS ESG assessment. The Social Bond will (re-) finance eligible asset categories which includes loans extended to underserved borrowers.</p> <p>As loans are offered to a specific target population currently underserved as defined in the Framework, a limited contribution to SDG 10 is highlighted by ISS ESG (this assessment differs from ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology). However, according to ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology, the use of Proceeds category (Re-)Financing loans extended to underserved borrowers has no net impact on UN SDGs. The environmental and social risks associated with those use of proceeds categories have been well managed.</p>	<p>Positive</p>

¹ ISS ESG's evaluation is based on the auxmoney's Social Bond Framework (September 2021 version), on the analysed Selection criteria as received on the 15.09.2021, and on the and on the ISS ESG Indicative Corporate Rating applicable at the SPO delivery date.

ISS ESG SPO ASSESSMENT

PART I: SOCIAL BOND LINK TO AUXMONEY'S SUSTAINABILITY STRATEGY

A. AUXMONEY'S INDICATIVE SUSTAINABILITY PROFILE

Methodological note: Please note that auxmoney is not part of the ISS ESG Corporate Rating Universe. Thus, the below sustainability profile is an assessment conducted by the analyst in charge of the Commercial Banks & Capital Markets sector based on publicly available information exclusively. No direct communication between the Issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research's methodology.

Industry Classification

Commercial Banks & Capital Markets

Key Issues of the industry

1. Sustainability impacts of lending and other financial services/products
2. Customer and product responsibility
3. Sustainable investment criteria
4. Labor standards and working conditions
5. Business ethics

Indicative ESG risk and performance assessment

auxmoney was founded in 2007 as a digital peer-to-peer lending platform for consumer credit in Europe. As of today, loans are mostly funded by institutional investors and auxmoney, in combination with asset-backed facilities from banks. The company is supported by their partner institutions SWK Bank, which oversees loan processing, and flatex Bank, the investment account managing institution.

Given auxmoney's focus on consumer finance, most relevant ESG risks relate to customer and product responsibility, including responsible marketing and sales practices, as well as responsible treatment of clients with debt repayment problems. The company has taken initial steps to safeguard their customers' rights, including a commitment to easily understandable and not misleading marketing information as well as transparency regarding costs and conditions, responsible client advisory, and basic support for clients in financial distress. In addition, auxmoney has implemented some elements of an information security management system.

With regards to sustainability impacts of their business, even though some offerings such as student loans and renewable energy finance could contribute to solving social and environmental challenges, they do not constitute the major business of the company.

With approximately 270 employees (as of September 2021) and most of the workforce located in Germany, where high labor-standards apply, employee-related risks appear to be relatively low. auxmoney offers flexible working hours, working from home, and fosters employees' mental health by providing e.g., psychological support and some preventive measures such as sessions for mindfulness and meditation. There is no indication of further policies and measures to enhance dependent care and employment security.

For a financial institution, business ethics is another key topic. However, auxmoney does not publicly disclose its policies relating to e.g., money laundering, conflicts of interest, or corruption.

Indicative product portfolio assessment

Social impact of the product portfolio

By providing student loans and microcredits, auxmoney contributes to alleviating poverty and fosters education. Yet, these services make up only a small share of the company's total business volume.

Environmental impact of the product portfolio

While auxmoney facilitates renewable energy finance, including solar energy, the company also offers loans for engine vehicles (approximately 13% of loan projects, as of September 2021)², which results in a net negative climate impact.

Controversy Assessment

The analyst in charge of producing this report conducted a high-level controversy assessment. There is no indication of auxmoney being involved in any of the below-mentioned controversies.

Based on a review of controversies in the period of 1 January 2019 – 09 September 2021, the greatest risk reported against companies operating in Major Banks industry relate to activities of business malpractice and activities that may have adverse impacts on the environment. This is closely followed by activities related to human rights. The top three issues that have been reported against companies within the industry are as follows: alleged failure to prevent money laundering, failure to mitigate climate change impacts, and failure to prevent deforestation/illegal logging. This is closely followed by the alleged anti-competitive behavior, failure to assess environmental impacts and failure to pay fair share of taxes.

B. CONSISTENCY OF SOCIAL BOND FRAMEWORK WITH AUXMONEY'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

auxmoney has established a set of priorities in the ESG sphere:

- responsibility to contribute to fighting climate change by setting specific objectives to reduce its corporate carbon footprint (CCF);
- encourage environmentally-friendly behavior among its employees;

² The breakdown between combustion engine vehicles and electric vehicles is not available.

- facilitate financial inclusion by continuously improving its unique underwriting models and credit risk;
- ensure responsible lending practices across the entire credit lifecycle such as: use of clear and transparent language and explanations in advertisement; conduct of conscientious and discrimination-free credit assessment, offering of payment protection insurances as additional security for customers; offering financial healing and providing financial literacy and education;
- promote high well-being among its employees with regard to mental health, healthy lifestyle support and assessing an appropriate working environment in employee’s home office;
- engage in community engagement projects;
- foster equal opportunities and diversity and inclusion in auxmoney’s business and culture;
- promote the ethical conduct of business through a set of policies and guidance (e.g., anti-bribery, whistleblowing, and cybersecurity policy) and a risk management framework.

Rationale for issuance

auxmoney is specialized in providing access to credit consumers and self-employed, that are underserved by traditional lenders as banks are unwilling or unable to underwrite loans with such customers (due to inadequate scoring models, high capital requirements and/or costly and cumbersome legacy-processes). For the company, Environment, Social, and Governance (ESG) considerations are a core part of its DNA, key drivers for its long-term success as well as for its identity as a responsible corporate citizen. ESG standards have become increasingly important to stakeholders including employees and investors who commit to responsible investments and respective standards.

The issuance of Social Bonds under auxmoney’s framework will contribute towards sustainable development by earmarking the proceeds to finance, or refinance, projects and expenditures connected to extending loans to underserved borrowers.

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under this Social Bond Framework with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Commercial Banks & Capital Markets sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g., climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
(Re-)Financing loans extended to underserved borrowers	✓	✓	Contribution to a material objective

Opinion: *ISS ESG finds that the Use of Proceeds financed through this Social Bond Framework are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Social Bonds is clearly described by the issuer.*

PART II: ALIGNMENT WITH SOCIAL BOND PRINCIPLES

1. Use of Proceeds

The proceeds of each Social Bond issued by auxmoney will be used exclusively to finance and re-finance, in whole or in part, loans (Eligible Social Assets) that seek to achieve positive social impacts especially for target populations.

Eligible Social Assets are portfolios of consumer loans extended to underserved borrowers to alleviate the social issue of financial exclusion.

Target Population

As the leading digital lending platform, auxmoney has specialized in giving consumers that are underserved by traditional lenders access to credit. auxmoney serves segments of borrowers which banks are unwilling or unable to underwrite (due to inadequate scoring models, high capital requirements and/or costly and cumbersome legacy-processes).³ As a consequence, auxmoney fulfills an important function in the German financial sector.

Through its unique scoring technology, auxmoney can accurately assess credit rating based on its proprietary scoring models (more accurately than leading credit score providers). The more precise borrower assessment allows to identify an appropriate risk-adjusted interest rate. In fact, underserved borrowers tend to have lower degrees of creditworthiness, hence the offered interest rates may exceed average interests of auxmoney's overall loan portfolio. auxmoney applies interest rates that correspond to the underlying (credit) risk of borrowers. This in term is analyzed taking into account their economic situation within a dedicated affordability assessment and scoring. It should be noted that while auxmoney requests the loan purpose at loan application, this information is not used for the respective origination or pricing decisions.

A study conducted by Deutsche Bundesbank (2016) stated that the interest rates (based on risk adjustments) are in line with overall market practice.⁴ Given that these borrowers cannot get loans for lower interest rates elsewhere, they do not perceive auxmoney's interest rates as too high. Importantly, interest rates remain below ranges that apply for credit card or overdraft segments.

Total demand for consumer lending in Germany which is not served is estimated to amount to €90-100 billion (as of 2020).⁵ Pursuant to the auxmoney scoring model, €30-35 billion out of this demand is requested by borrowers classified with "manageable" risks (as of 2020).⁶ In fact, this demand equals 4.0-4.5 million individuals in Germany, who can be served through auxmoney (as of 2020).⁷

auxmoney Portfolio

Zooming into auxmoney's current portfolio it can be seen that ~85% of all loans are granted to underserved customers. Thereby two different forms of underserved customers can be distinguished: 1) Those customers that are underserved due to legacy underwriting models (e.g., models that put too much weight on traditional KPIs such as the Credit bureau score) and (2) those customers that fall into an inherently underserved group (e.g., occupation with irregular income).

³ Deutsche Bundesbank, How does P2P lending fit into the consumer credit market? (2016)

⁴ Deutsche Bundesbank, How does P2P lending fit into the consumer credit market? (2016)

⁵ PwC, Welchen Beitrag leisten Kreditmarktplätze wie auxmoney zur Kreditversorgung? (2016, update in 2020)

⁶ auxmoney scoring model (2020)

⁷ PwC, Welchen Beitrag leisten Kreditmarktplätze wie auxmoney zur Kreditversorgung? (2016, update in 2020)

~85% of assets in auxmoney's portfolio comply with at least 1 of the social criteria identified (see graph below). In order to fully respect the ICMA SBP requirement (i.e. 100% allocation to social projects), auxmoney will clearly designate which tranches of the intended ABS funding transactions are considered ESG and these will be labelled accordingly as they only finance social projects. The sum of these tranches will not exceed the amount of social assets in the pool. For transactions with static portfolios this will be indicated and confirmed at closing when the proceeds will be used for financing social assets. For transactions with a replenishment period this will be monitored and confirmed during the full length of the replenishment period and reported on a regular basis in publicly available investor reports to ensure ongoing compliance.

Underserved due to legacy underwriting models

- Low credit bureau score (e.g., Schufa E or lower)
- Net income below €1,500 per month
- Employment in probation or fixed term employment contract

Underserved customer groups

- Self-employed, freelancers and entrepreneurs
- Young people (< 25 years), students and trainees
- Elderly (> 65 years) and retired people
- Foreign citizens (often facing complex lending procedures, limited credit/re-payment history and language barrier)

Low Credit Bureau Score (e.g., Schufa E or Lower)

The credit bureau score has been one of the key parameters that traditional lending institutions in Germany use to base their credit decision on. Thereby the Schufa score is most relevant among credit bureau scores in Germany (classes A-M with descending creditworthiness of the customer, e.g., A standing for super prime customers). While acceptance rates of traditional lenders for Schufa classes A-D is above 80%, it drops to below 30% for class E or lower – In classes K-M, hardly any customer is accepted⁸.

For auxmoney, the Schufa score only plays a subordinated role in the credit assessment, as it also considers additional parameters (e.g., job situation, income and expenses). Historically, this group of borrowers at auxmoney has accounted for ~64% based on # loans disbursed. While payments of borrowers after the disbursement of the loan are regularly monitored, the credit bureau score can only be assessed for the purpose of underwriting (e.g., also for loan top-ups) according to data protection law.

Net Income Below €1,500 per Month

For traditional lending institutions affordability is critical to the credit decision next to the credit bureau score (e.g., can the customer afford the monthly instalment given his/her financial situation). Key component of the affordability assessment is net income. While ~30-35% of the total population

⁸ PwC study (2019)

in Germany has a net income below €1,500 per month, this is mostly not sufficient to get consumer loans from traditional lenders (given they are rather restrictive on considering additional sources of income).⁹

auxmoney considers net income but also other/irregular income streams (e.g., mini jobs, bonus). Historically, borrowers with an income below €1,500 per month at auxmoney have accounted for ~29% based on # loans disbursed. It should be noted that there is a minimum floor of income (€600 per borrower as of September 2021) below which no lending is possible. Incomes above €600 do not guarantee a loan brokerage offer, as individual household calculations are applied.

Employment in Probation or Fixed Term Employment Contract

Most of the traditional consumer lending providers in Germany consider fixed term employment as hard exclusion rule in case the employment contract duration is less than the duration of the loan. As a matter of fact, ~7.4% of all employees in Germany are employed on a fixed term basis (of which ~75% are even restricted to less than 2 years contract duration.)¹⁰ The share of employees on fixed term contracts amounts to over 2 million people in Germany which are considered not “bankable” and remain underserved.

For auxmoney, employment in probation or fixed term employment contracts are not considered hard exclusion rules. Instead, creditworthiness is assessed similarly as for applicants with permanent employment contracts. Historically, this group of borrowers at auxmoney has accounted for ~7% based on # loans disbursed.

Self-employed, Freelancers and Entrepreneurs

Over the past decade, the number of self-employed and freelancers was stable in Germany with ~2.2 million individuals.¹¹ This group of borrowers does not have a regular income comparable with income from employment (especially entrepreneurs) and with the lack of an adequate and consistent approach for those applicants among banks, they currently remain underserved in the market. In fact, less than 10% of all consumer lending is provided to self-employed and freelancers (entrepreneurs typically do not receive any financing without a solid business plan and potential proof of concept).¹²

auxmoney provides loans to self-employed and freelancers with limited trading history and can look at cases with a 1-year business history. auxmoney is able to score entrepreneurs without requiring a business plan to make them qualify for financing. Historically, this group of borrowers at auxmoney has accounted for ~11% based on # loans disbursed.

Young People (< 25 Years), Students and Trainees

Young people often face difficulties receiving financing from banks, even if they have regular income from employment. One major driver of this is their limited credit/re-payment history. In fact, less than 5% of consumer loans in Germany are taken on by young people of < 25 years.¹³

⁹ Institut der deutschen Wirtschaft, Köln – Bedarfsgerechtes Nettoeinkommen je Monat (2019)

¹⁰ Bundesministerium für Arbeit und Soziales (figures in 2019)

¹¹ Bundesministerium für Arbeit und Soziales (figures for one-person self-employed and freelancers in 2019)

¹² Bundesbank (figures in 2019)

¹³ Schufa Kredit-Kompass (figures in 2020)

For auxmoney past credit/re-payment history is of less importance compared to traditional consumer lending providers. auxmoney considers other parameters as well, so that young people (< 25 years) at auxmoney have historically accounted for ~10% based on # loans disbursed.

Among young people, students and trainees form a special group of customers: Out of the ~2.9 million students and ~1.3 million trainees in Germany the majority typically does not have sufficient/regular income.¹⁴ Depending on some pre-defined criteria this group of borrowers may have access to government aid (Bafög) as well as loans from the state-owned KfW bank. However, one of the key restrictions is the fact that the support/loan amount is not fully paid out at the beginning, but rather evenly spread into monthly instalments of a maximum of ~€850 (Bafög) and €650 (KfW), respectively. Therefore, larger investments such as purchase of furniture, a car or the payment of upfront tuition fees cannot be covered with this offering. In the case of Bafög, financing is not offered to students exceeding the standard period of study, leading to a need for additional financing.

Apart from the above-mentioned government sponsored programs, there is no/very limited financing offered to students and trainees in the German market. auxmoney provides loans to students and trainees in case they have at least some sources of income (e.g., monthly payment from Bafög, income from part-time work). Historically, this group of borrowers at auxmoney has accounted for ~7% based on # loans disbursed.

Elderly (> 65 years) and Retired People

With an ageing population in Germany the number of older people requiring credit is growing – In fact, the share of people of > 65 years is expected to increase by 7-8 percentage points until 2030¹⁵. Already today 10% of all consumer loans are taken out by customers of > 65 years.¹⁶

auxmoney aims at helping access to financing for borrowers of age > 65 years as well as retired people. Historically, this group of borrowers at auxmoney has accounted for ~11% based on # loans disbursed. auxmoney applies the same requirements to elderly and retired people as for other groups of the target population. Within the affordability assessment conducted during the loan application process, it is ensured that elderly or retired borrowers have sufficient current and future income streams (e.g., pensions) to settle their loan(s).

Foreign Citizens

In Germany approximately every eighth resident does not have German citizenship (12.5% of total population)¹⁷. Quite often it is difficult for foreign citizens to obtain a loan from a traditional lender. Hence, they also lack sufficient credit/re-payment history. Apart from the extensive paperwork, language barriers often complicate the procedure on top.

For auxmoney, the only requirements to lend to foreign citizens include the following: Residency in Germany and an account with a German bank. Moreover, auxmoney makes sure that a simple and clear communication throughout the credit application process is used towards foreign citizens. Historically, this group of borrowers at auxmoney has accounted for ~9% based on # loans disbursed.

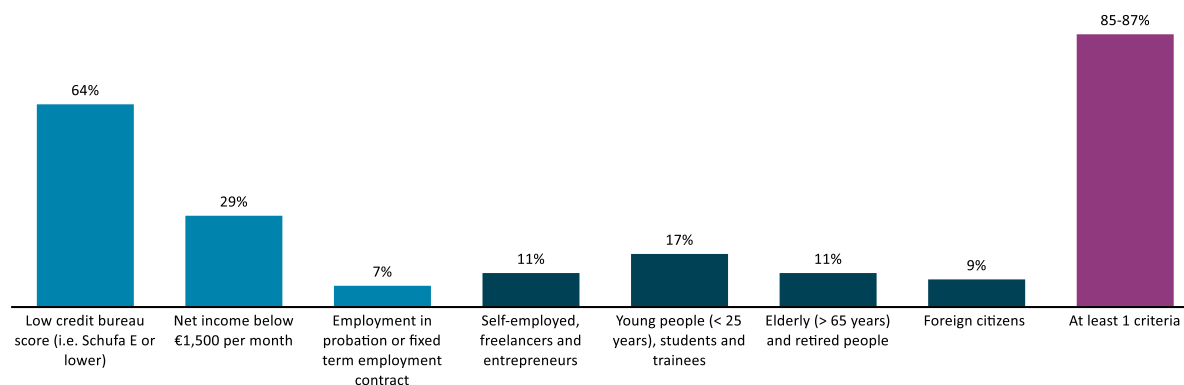
¹⁴ Destatis (figures students in 2020), Statista (figures trainees in 2019)

¹⁵ Statista, Bevölkerung – Zahl der Einwohner in Deutschland nach relevanten Altersgruppen (2020)

¹⁶ Schufa Kredit-Kompass (figures in 2019)

¹⁷ Bundesinstitut für Bevölkerungsforschung (2019)

Target groups of auxmoney



Note: In %, based on # loans disbursed, 2019

Source: auxmoney estimates

Opinion: ISS ESG considers the Use of Proceeds description provided by auxmoney's Social Bond Framework as aligned with the Social Bond Principles. Clear rationale is provided on the different target populations who will be benefit from auxmoney's lending. Social benefits are described and quantified.

2. Process for Project Evaluation and Selection

The evaluation and selection process at auxmoney guarantees that the proceeds of a Social Bond issued under a pre-defined framework will be used to re-finance already originated consumer loans for underserved borrowers. Thereby, the objective of helping the underserved population in Germany, as described above, to get access to financing and build up credit/re-payment history is ensured. It should be noted that auxmoney continuously tracks features of its portfolio including internal scores/payment history.

Operating Model

As the leading digital lending platform, auxmoney provides borrowers with consumer loans which are financed by investors (retail and institutional) and auxmoney Investments as the Dublin-based investment company. Additionally, borrowers are offered an optional payment protection insurance (PPI) whereby auxmoney is acting as an insurance broker.

In order to qualify for lending, borrowers have to enter into an intermediary agreement with auxmoney who is acting as the loan broker. Based on this contractual agreement, auxmoney introduces lending opportunities and intends to intermediate a loan between borrowers and SWK Bank. At origination stage a rule-based application process ensures that auxmoney's risk framework (i.e. Social Bond criteria) is met. Those rules include exclusions (e.g., hard knock-outs), categorization into score classes and potentially also a quality assurance (QA) process (which is triggered if certain criteria are fulfilled).

SWK Bank is a fully licensed credit institution (regulated under respective EU and national law). It independently conducts regulatory credit checks (on top of auxmoney's credit assessment) and KYC

assessment of a borrower. SWK Bank enters into the loan agreement with the borrower and disburses the loan. It does not commit to grant any loan to specific customer segments. However, SWK Bank and auxmoney have agreed to serve all customers that auxmoney decides to introduce to SWK Bank and that passed KYC and credit assessment/regulatory credit checks performed by both parties.

Affordability Assessment and Scoring

auxmoney acknowledges the social risks associated with brokering loans to underserved, and therefore especially vulnerable, groups of borrowers, in particular that monthly loan instalment payments can be a significant financial burden. To mitigate these potential negative social impacts, auxmoney has established a thorough (credit) risk assessment which encompasses a dedicated affordability assessment and scoring of a borrower.

The affordability assessment considers both income (e.g., salary, bonuses, pensions) and expenses (e.g., rent, living, debt/instalment payments) of a borrower and the remaining balance must at least cover the anticipated instalments to qualify for potential consumer lending.

The proprietary scoring model (in its 5th generation) is an additional key pillar of the (credit) risk assessment of the borrower which determines the probability of default (PD) and sets the corresponding score class ranging from AA (lowest PD) to E (highest PD). In fact, the difference between realized and model estimated default rates is ~4x closer to forecast at auxmoney compared to credit score providers in the market. Input for the scoring model are various sets of data including application data, demographic data, device data, etc. – It is ensured that there is no discrimination in data assessment and scoring (e.g., avoidance of any gender discrimination).

The score class, in turn, is the basis for deciding to introduce the lending opportunity/submit the loan request to SWK Bank and defining the individual price for a borrower.

Lending and Exclusion Criteria

auxmoney's current lending criteria include a loan amount of €1,000 to €50,000¹⁸ with a term of 12 months to 84 months. In the current portfolio, the average loan amount is ~€10,000 and term ~50 months and is expected to stay relatively stable during the life of the Social Bond.

Based on its strategy, auxmoney targets borrowers in need of consumer lending and therefore commits to not knowingly being involved in financing any of the following activities through the proceeds of any Social Bond: terrorism, money laundering and other criminal offences. This is also true with regards to the investors of the auxmoney platform.

Risk Governance

The Credit Risk department consists of an experienced team and continuously monitors, steers and refines the credit assessment framework established at auxmoney (including policies, scorecards, pricing, etc.). The Risk Management Committee oversees the credit risk management composed of key stakeholders at auxmoney.

¹⁸ Maximum amount provided to borrower may be higher driven by additional/adjacent services that may be financed, e.g., Payment Protection Insurance (PPI)

The Committee regularly reviews the risk and origination framework as well as the origination shares by customer segment. It intends to assure that a fair size of financial inclusion and underwriting criteria as well as overall performance are complying with auxmoney's risk policies.

Management of Framework

A dedicated committee with key representatives from Senior Management, Risk, Funding, Legal/Compliance and HR meets semi-annually and is responsible for the following:

- Review and approval of the framework, where amended
- Review and approval of the eligible portfolio
- Review and approval of reporting
- Review of the post issuance external verification report
- Monitoring ongoing Social Bond market practices
- Ensuring all Eligible Social Assets comply with auxmoney's internal guidelines and exclusion criteria, which mitigate indirect negative social impacts by offering responsible access to credit as described above

Opinion: *ISS ESG considers the Process for Project Evaluation and Selection description provided by auxmoney's Social Bond Framework as aligned with the Social Bond Principles. A dedicated committee with representatives from different departments is included. Carefully considered processes and criteria for identifying the key populations who will benefit most as well as mitigating potential risks to such populations are described. Moreover, the projects selected show alignment with the sustainability strategy of the issuer.*

3. Management of Proceeds

auxmoney commits to track the allocation of net proceeds from Social Bonds and disclose those allocations in its Social Bond Report. Eligible Social Assets will be defined at moment of inclusion in the portfolio backing the ABS to ensure the Note Classes labelled Social are fully backed by Eligible Social Assets. Net proceeds of issuance will be allocated at closing to fund Eligible Social Assets. As proceeds of the ABS are used to finance eligible social assets which already exist, it is ruled out that there will be temporarily unallocated proceeds. For future replenishing pools auxmoney will monitor the eligible portfolio to ensure it remains in line with eligibility criteria set at closing and also when new loans are added after closing.

As per end August 2021, the outstanding of all loans granted to underserved customers amounts to ~85% of auxmoney's total loan portfolio. The amount of tranches that may be labelled as social projects will be capped at such level for ABS funding transactions to ensure that 100% of the proceeds of such tranches are used to finance loans identified as social.

In order to ensure correct earmarking of net proceeds also for future transactions, auxmoney will maintain and extract relevant information from its internal accounting, financial management, and information systems.

Key information relating to the Social Bond, include:

- Issuer
- Transaction date
- Principal
- Amount of proceeds
- Settlement date
- Maturity date
- Interest margin or coupon

Key information relating to the use of proceeds, include:

- Aggregate amount of Social Bond proceeds and social assets
- Estimated social impact as described in section 4 (where available)
- Other necessary information

Opinion: *ISS ESG finds that Management of Proceeds proposed by auxmoney's Social Bond Framework is well aligned with the Social Bond Principles, as all the proceeds are to be immediately allocated to Eligible Social Assets. The extra transparency on the look-back period for the refinancing of existing loans is welcome and best market practice.*

4. Reporting

Information related to the allocation and impact of net proceeds will be published at least annually or in case of material changes.

Leveraging the information and data maintained and extracted in the respective systems, the Social Bond Report will contain at least the following sections: 1) Allocation and 2) Impact reporting on the respective characteristics of the eligible portfolio on an aggregate level.

The Social Bond Report may be updated more regularly as required for transactions financing replenishing portfolios and will be made available on the investor portal.

Moreover, there will be monthly investor reports published for all ABS transactions until the deal is fully repaid.

Allocation Reporting

- Details of a Social Bond tranches issued during reporting period and outstanding at the reporting date
- Aggregated reporting of loans financed by Social Bond tranches proceeds at the issuance date

Impact Reporting

Qualitative and/or quantitative information of the social impact resulting from loans financed by the Social Bond proceeds will be provided. The impact indicators may include:

- # of loans included in portfolio
- # of borrowers
- # of self-employed, freelancers and entrepreneurs
- # of students and trainees
- # of young people (<25 years)
- # employees in probation or with fixed term employment contracts
- aggregated loan amount included in portfolio
- average loan amount included in portfolio
- % of loan amounts >€10,000 / >€25,000 / >€50,000 in portfolio
- weighted average interest rate in portfolio
- Breakdown of loans in portfolio:
 - Score class of borrower
 - Gender of borrower
 - Age of borrower
 - Income of borrower
 - Occupation of borrower
 - Location of borrower

Opinion: ISS ESG finds that the reporting proposed by auxmoney's Social Bond Framework is aligned with the Social Bond Principles. The large set of proposed impact indicators show auxmoney's commitment to best market practice in transparency.

External Review

auxmoney has appointed an independent second-party opinion provider to review its framework and attest to its alignment with the ICMA Social Bond Principles 2021.

Post-issuance Review:

A suitable external auditor will be appointed to provide limited assurance on the Allocation Report to ensure net proceeds having been allocated in accordance with the framework. The auditor's certification review will be published within the Social Bond report.

Subject to the availability of information, auxmoney will look to use the impact reporting guidelines as detailed within the ICMA Sustainable Finance Resource Centre¹⁹.

Information below will be produced and published on auxmoney's investor portal as shown above.

¹⁹ <https://www.icmagroup.org/sustainable-finance/resource-centre/>

ITEM	FREQUENCY
Social Bond Framework	At issuance of the first Social Bond, then for any subsequent framework updates
Second Party Opinion	At issuance of first Social Bond issued under the framework, then for any subsequent major framework updates
External Review of Stratification Tables	For all outstanding Social Bonds
Social Bond Report	For all outstanding Social Bonds

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE SOCIAL BOND TO THE UN SDGs

As loans are offered to a specific target population currently underserved as defined in the Framework, a limited contribution to SDG 10 is highlighted by ISS ESG (this assessment differs from ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology). By applying discrimination-free scoring to grant access for underserved groups and thus providing consumer loans where other banks do not lend, auxmoney aims at promoting economic inclusion as well as equal opportunities.

However, according to ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology, the use of proceeds category (re-)financing loans extended to underserved borrowers has no net impact on UN SDGs. This is since loans granted are unsecured against specific assets that would satisfy essential needs.

B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE SELECTION CRITERIA

The table below presents the findings of an ISS ESG assessment of the Selection Criteria against ISS ESG KPIs.

ASSESSMENT AGAINST ISS ESG KPI

Responsible marketing

- ✓ The company is committed to present its products in a transparent and comprehensible way. A clearly understandable language is used. Qualified and trained customer service staff provides additional information. Risks and information that are disadvantageous for the customer, are not withheld or misrepresented.
- ✓ Customers are informed in advance of the fees associated with the borrowing and of the ways to avoid additional costs (e.g., in the event of default)
- ✓ The company commits to ensure completeness of information. The borrower contract outlines the consequences of default.
- ✓ General information, including potential reasons for the rejection, are shared with the customer. Upon request by the customer, more detailed information on reasons for rejection are provided.

Responsible sales practices

- ✓ The company does offer commissions based on factors such as such as availability for customer calls as well as target payouts. However, there are measures in place to avoid customers being overreached.
- ✓ The company offers regular training with a view to providing the best responsible customer advice. It does not exert any pressure (such as a tight time limit on a loan offer) and help customers to select the products that are right for them.
- A monitoring system on responsible sales practices is in place. The company collects feedback from customers and incorporates it into further developments.

Responsible treatment of clients with debt repayment problems

- The company will not broker loans to customers whose ability to repay is in doubt. It also offers information to improve customers creditworthiness over time. No information is available on measures such as covenants limiting indebtedness, pro-actively approaching customers potentially at risk, or use of responsible lending performance indicators and targets to reduce the number of clients with debt repayment problems.
- ✓ The company offers payment holidays and payment plan changes to customers in trouble, provides information on how to get out of payment difficulties, and works with debt advisors to make sure the risks of borrowing are clear to customers and interested parties.

Information security

- ✓ auxmoney has a comprehensive information security management system in place.
- The company information security management system is regularly reviewed by external companies as aligned to ISO 27001 standard but not certified.
- ✓ aumoney conducts due diligence before appointing third-party providers for data processing. The company monitors these providers through standardized recurring questionnaires.

Exclusion of sectors and activities that have a detrimental impact on environment or society

- ✓ There is no specific exclusion list. As the company offers general purpose loans, there is a risk that borrowers will use the loans for activities with a negative environmental and/or social impact (e.g., fossil fuel, coal, tobacco). However, there is a limit to how much the company can control how the borrower can spend the personal loan.

DISCLAIMER

1. Validity of the SPO: until material changes are made to the Social Bond Framework and Selection Criteria.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
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ANNEX 1: Methodology

ISS ESG SOCIAL KPIS

The ISS ESG Social Bond KPIS serve as a structure for evaluating the sustainability quality – e.g., the social and environmental added value – of the use of proceeds of auxmoney’s Social Bond.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

To review the KPIS used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

Environmental and social risks assessment methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Social Bond KPIS.

All percentages refer to the amount of assets within one category (e.g., wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Social Bond KPIS.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by auxmoney (e.g., Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which auxmoney’s Social Bond contributes to related SDGs.

ANNEX 2: Quality management processes

SCOPE

auxmoney commissioned ISS ESG to compile a Social Bond SPO. The Second Party Opinion process includes verifying whether the Social Bond Framework aligns with the Social Bond Principles and to assess the sustainability credentials of its Social Bond, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Social Bond Principles (June 2021)
- ISS ESG KPI set relevant for Use of Proceeds categories selected by the issuer

ISSUER'S RESPONSIBILITY

auxmoney's responsibility was to provide information and documentation on:

- Framework
- Asset pool/Eligibility criteria
- Documentation of ESG risks management at the asset level

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Social Bond to be issued by auxmoney based on ISS ESG methodology and in line with the ICMA Social Bond Principles.

The engagement with auxmoney took place in September 2021.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g., the ICMA Green/Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond/loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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